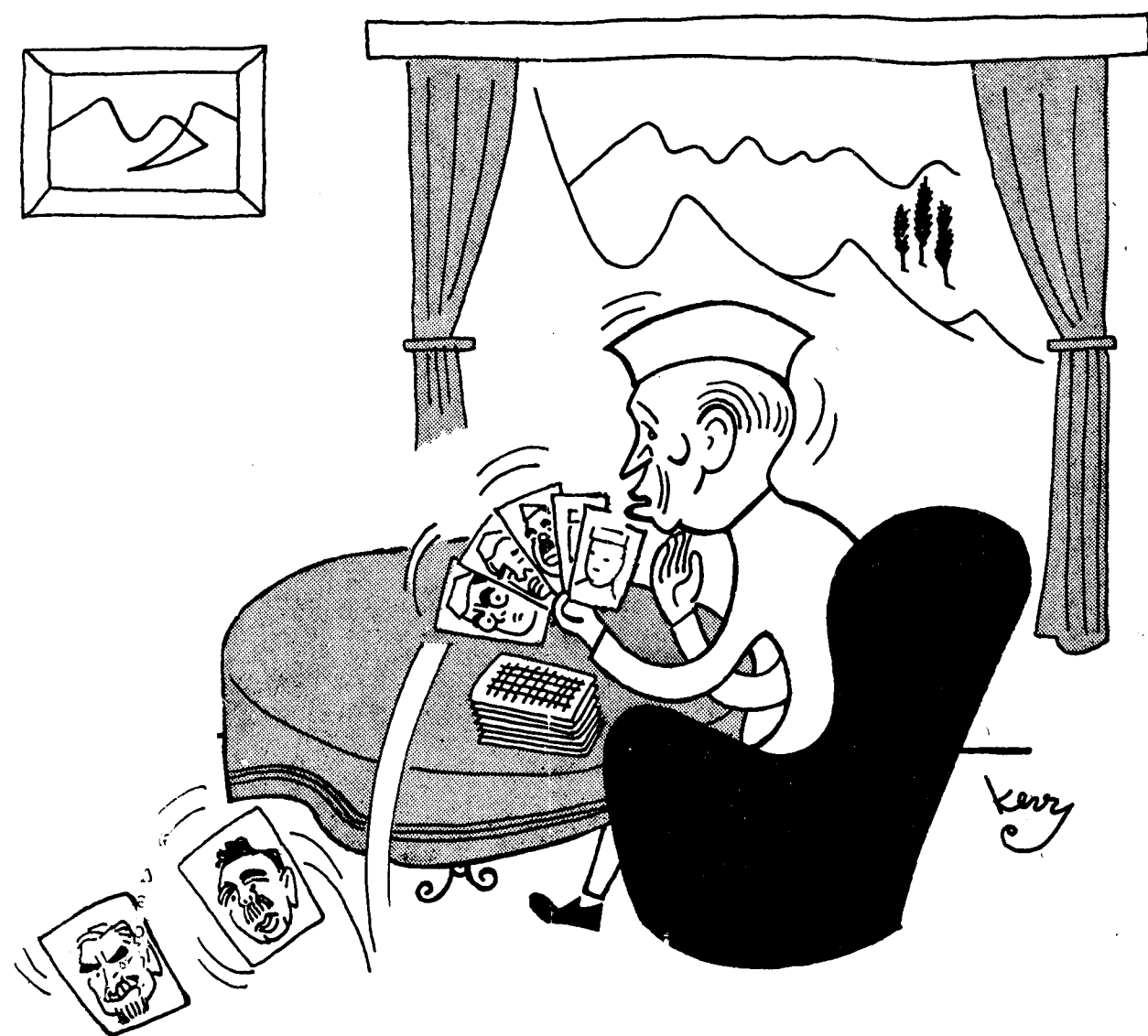


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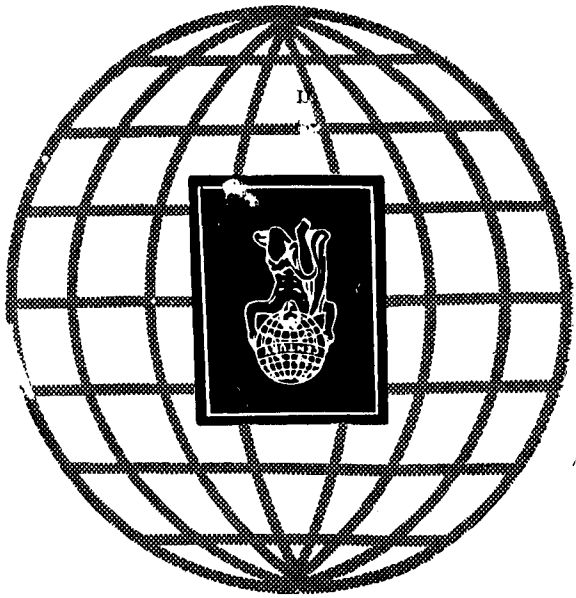
THE EXIT of Hafiz Mohammad Ibrahim and Mr. K. D. Malaviya from the Central Cabinet has let loose a flood of speculation on what Mr. Nehru should do or might do in the direction of reconstituting the Government. Much of this discussion has been proceeding on the assumption that the country stands to benefit if the Prime Minister would send out a number of people from the Cabinet and replace them by others. It is not immediately obvious that this assumption is right. Now that Hafiz Mohammad Ibrahim has gone the only other senior Minister whose continuance in office can be automatically questioned is Mr. K. C. Reddy. Mr. Reddy has been a Cabinet Minister for much longer than is justified by the quality of his contribution as a member of the Government. Where a Minister is being kept on, say, for more than two terms or longer than ten years, this must be justified by his special competence. It cannot be said that Mr. Reddy satisfies this test. That apart, it is no secret that he has been a semi-invalid for some time now and has not been physically able to discharge his obligations on important parliamentary occasions.

It may certainly be argued that Mr. Reddy is not the only unremarkable man in the Cabinet. Dr. K. L. Shrimali and Mr. Humayun Kabir, to mention two, do not have any particularly distinguished record as Ministers of Cabinet status. That of course is true and the Prime Minister certainly erred when he took the decision to promote them from the junior ministerial positions they were holding earlier. For the rest it can hardly be contended that there are many Congressmen now outside the Government who, in terms of political stature, ability, experience or judgment, are clearly superior to the members of the present Cabinet and, therefore, are entitled to be allowed to replace them. On the contrary, on any objective assessment, the present Central Cabinet as a whole certainly represents as competent and worthy a team as Mr. Nehru is ever likely to piece together, shuffle or reshuffle as he may.

Those who plead for the reconstitution of the personnel of the Cabinet are apt to talk in terms of 'young blood' or 'new blood'. They forget that it is only the permanency of Mr. Nehru's Prime Ministership which gives the Central Cabinet its appearance of agelessness. The hard fact, however, is that, apart from Mr. Nehru, there are only three others in the present Cabinet — Mr. Jagjivan Ram, Mr. G. L. Nanda and Mr. K. C. Reddy — who have been continuously Cabinet Ministers for over ten years. On Mr. K. C. Reddy we have already expressed our views. As for Mr. Jagjivan Ram, although his ministerial tenure too has been quite long, he is still very much on the right side of 60. That his administrative and parliamentary talents are more than average will be generally admitted, while the fact that he has a certain position in our public life can hardly be denied. Mr. G. L. Nanda again is a very senior Congressman who has made a special and distinct contribution to Congress philosophy. It may be said that he has been too long in the Planning Commission; and, that would be true. The Planning Commission certainly needs new leadership which means that it calls for new ideas, whereas Mr. Nanda's role lately has been to apologise endlessly for the failure of old ones. It follows that, while it may be doubted that Mr. Nanda has any further useful contribution to make through holding special ministerial responsibility for Planning, the propriety of his continuance in the Cabinet as a Minister need not be questioned. The argument about new blood again does not seem to take into account the fact that there has been a certain amount of transfusion. The induction of Mr. C. Subramaniam, and more recently, Mr. Y. B. Chavan, cannot be ignored. Incidentally,

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the presence of Dr. Sarimali and Mr. Kabir as Cabinet Ministers suggests that the argument about new blood is not always conclusive. New blood could be weak blood.

The case for letting in young blood, again, is not as conclusive as it may appear. It is an interesting fact that out of the 16 Cabinet Ministers, as many as nine are below 60, while five are 55 or less. It is true that the White House in Washington is biased in favour of men in their early forties, but then the President of the United States himself is 45. It is reasonable to suppose that our Prime Minister who is 74 may not feel as easy in the company of so much youthful zest as Mr. Kennedy might; and the first principle on which any Cabinet is composed is that the leader chooses the team he thinks he can feel easy with.

To our thinking what is important about Cabinet reform, therefore, is not whether Mr. Nehru is going to throw anybody out or even whom he is likely to bring in. The more significant issue is the better ordering of the business of the Government and the conduct of the Administration by the rationalisation of portfolios and ministerial responsibilities. If the Government has proved less efficient than the people are entitled to expect and its performance is poor in important areas of its responsibility, it is not so much because Mr. Nehru has failed to employ in his Cabinet men abler than his present colleagues, as because, through a series of errors of commission and omission, he has managed to construct a crazy quilt of criss-crossing ministerial jurisdictions, the final product of which must inevitably be frustration.

There has always been sufficient evidence that implementation of the various development programmes has been seriously obstructed by the confusion and overlapping of ministerial responsibilities. It is now becoming also clear that defence preparedness is suffering equally for the same reason. If the Prime Minister desires to improve the efficiency of his administration he would do well to give some attention to this problem. In the first place, the Ministry of Economic and Defence Co-ordination, as constituted at present, has created more problems than it has helped to solve. The Prime Minister will do well to abolish it and set up in its place, as a simple and straight alternative, a Ministry of Supply under which both defence and civil industries may be placed. It should be the responsibility of this Ministry to attend to both production and procurement. While in normal times defence production establishments such as the Ordnance factories are under the Defence Ministry, there is sound precedence for shifting them to civilian ministerial jurisdiction during a war or an emergency. In the present context there should be no objection to this procedure being followed. As regards civil industry, the existing division between heavy industries and consumer goods industries has proved unsatisfactory in actual working. No tears will be shed if this bifurcation is now ended.

It may be argued in some quarters that steel is a special case and that there should be a separate Ministry to look after it. The logic is not easy to follow. It is true that there is an important development programme in the steel industry, but a separate Ministry or a separate Cabinet Minister is not necessarily a condition for the proper accomplishment of this programme. After all, Mr. K. C. Reddy at one time and Mr. Swaran Singh at another did function as Minister for Steel without the steel expansion programme conspicuously benefiting thereby. Broadly speaking, there is undoubtedly much to be said for all industries, defence and civil, heavy and consumer goods industries, steel and others, being placed under a single Cabinet Minister at least for the emergency.

The lack of progress in agriculture has justifiably been a matter of national concern. It is now seriously to be considered whether the implementation of development programmes in this area cannot be energised or improved by the proper consolidation of ministerial functions and responsibility in the Central Cabinet. Now that the phase of large-scale development of hydro-electric power through multi-purpose river projects seems to be virtually over, it should be possible to contemplate the bifurcation of the Ministry of Irrigation and Power, absorbing Irrigation in the Ministry of Food and Agriculture. Additionally, the Ministry of Community Development may be wound up, but its worthwhile parts, such as Co-operation and an Agricultural Extension Service, may be united with the portfolio of Food and Agriculture.

Finally, the place of the Planning Commission in the machinery of Government needs to be examined anew. We are convinced that the Planning Commission should without further delay be reconstituted and reorganized so as to serve as a purely research and advisory body with no policy-making or executive authority whatsoever. This should be brought about by abolishing the post of the Minister for Planning and making the Planning Commission a part of the Prime Minister's Secretariat. In the new dispensation there will not be many occasions for Parliament to discuss directly the Planning Commission or its activities. But to the extent to which such necessity arises, the Prime Minister or a junior minister working under him could very well discharge the necessary parliamentary functions. The Planning Commission itself would only be a specialised body of persons, with a chairman, who will have no ministerial status and it would be expected to devote itself to broad issues of preparing the five-year Plans and generally advising on their implementation when a reference is made to it by a Cabinet Minister or by the Cabinet as a whole. That way, while the Government gets the benefit of a brains trust, its normal working and executive decisions will be freed from the delays and debates which are now constantly being caused by the Planning Commission being permitted

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to concern itself with the day-to-day functions of the Government. Having said all this we are constrained to conclude on a somewhat cynical note — Mr. Nehru may find it easier to reshuffle personnel rather than portfolios, for while he could always take a few more

Banking in 1962

IT IS a picture of impressive strides made by banks in their diverse operations and of rapid expansion in their funds which "Trends and Progress of Banking in India" unfolds for the year 1962. The growth in the sources from which funds are drawn and the consequent ability of the banking system to direct their use to the supply of credit on a marked scale as well as to augment their investment portfolios are features of last year's development on which the Reserve Bank's statutory report focuses attention to the detriment of due recognition of the stresses and strains which their financial structure is undergoing and seems threatened to suffer more acutely in the near future. These are certain trends in the working of banks which utter a warning against complacency with the present expansion in their resources. Reduced profitability which is bound to react on the build-up of reserves and dividend distribution as well as the rigidity which is being imparted to their pattern of expenses are the chief among the strains. At the same time, Government's fiscal policy holds out the disconcerting prospect of deposit resources assuming inflexibility in their expansion. These warnings appear to pass practically unheeded.

Expansion of deposits (excluding P.L. 480 funds) attained yet another peak in 1962. As against the increase in total deposits of the order of Rs. 168 crores in 1961, the increase in 1962 was Rs. 233 crores, which was made up of Rs. 84 crores in demand deposits and Rs. 149 crores in time deposits. The major factors for this record expansion are two — the higher rate of deficit financing in 1962-63 and the higher rates of interest offered by banks on time deposits. The upward revision of the maximum rates on deposits in pursuance of the Inter-Bank Agreement and the differential allowed to the smaller banks served to provide a stimulus to the flow of funds in the banking system. The deposits insurance scheme, which became operative at the beginning of the year, undoubtedly produced a marked psychological effect in revitalising confidence and is rightly regarded as an important factor in reversing the incipient trend of diversion of funds from the medium and small banks in certain areas. The effect of the measures of rationalisation undertaken to strengthen the liquidity and capital funds of banks on the mobilisation of deposits is likely to be exaggerated, since they operate as intangible forces apt to escape the attention of the average depositor. Other noticeable features in the changes in the sources of bank funds may be recounted briefly. Cash and balances with the Reserve Bank were drawn

people into his Cabinet it must certainly be more difficult to persuade Ministerial empire-builders to disgorge territory or satisfactorily settle fine points of prestige, precedence and prejudice arising from every one wanting some one else's job.

upon at a faster rate—Rs. 23.1 crores in 1962 as against Rs. 13.6 crores in the previous year. Investments were not reduced as in the year before, while the increase in borrowings from the Reserve Bank was of the nominal margin of Rs. 3 crores. The paid-up capital and reserves recorded a sizable increase of Rs. 6.5 crores which is to be compared with the increase of merely Rs. 1.3 crores in 1961. It reflects the effect of the obligation to strengthen the capital funds by compulsory transfer of 20 per cent of the profits to the reserve fund.

While the resources position of bank is undoubtedly of basic importance to the expansion of their activity, "Trends and Progress of Banking" invariably places accent year after year on the developments in the supply of credit with the specific object of demonstrating the effectiveness of the credit control policy enforced by

Eastern Economist 20 Years Ago

JULY 2, 1943

We have the largest amount of iron ore in the world, next only to the United States and France, and what is more, they are of the richest variety and of excellent quality. About 3,600 million tons of superior ore are said to be available. Our coal resources are also vast, although some are of inferior grade. They are estimated at about 50 to 60,000 million tons. And yet India's production of steel is the lowest of all comparable countries. The fact is that under modern economic conditions, it is an anachronism to have a Government in a country that is not established by its own people. From the narrow point of view of economic efficiency, the thing cannot work. A Government must be completely identified with the people and should also enjoy the power to act independently to further the country's interests. The Government of India cannot claim that they satisfy either test. Their ear is more keyed to listen to British and even foreign interests. When the late Sir Jamshedji Tata put up his scheme for the iron and steel factory, vested interests in Britain shook their heads and said that it could not be done. Time has proved that those Jeremiahs were false prophets. Today to every suggestion of increased steel output, production of motor engines, cars, electrical equipment, machine tools, etc., the invariable response is that they are not possible in war-time, and this in the face of glaring instances of rapid advance in several countries. India can and should plan for the production of at least 5 to 6 million tons of steel within the next ten years. Even that is only a slow rate of growth.

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the Reserve Bank of India. In so far as selective credit controls are concerned, the application of such controls generally produces the result of putting curbs on credit against specified securities. The follow-up procedure is not difficult for the Reserve Bank to pursue and violations of its directives cannot normally escape detection. But the claim of success for its overall credit policy has become something of a dogma for the past few years and it is in the light of this claim that trends in credit expansion need to be examined.

Over the year as a whole, in 1962, expansion of credit amounted to Rs. 146 crores in contrast with the much lower rise of Rs. 106 crores in 1961. In percentage terms the increases were 11.5 and 9.0 respectively. But this flat figure for the busy season and slack season combined gives no idea of the sharp behaviour of credit supply in response to the pressure of demand in the busy season or of the size of its contraction during the slack season. Some of the figures quoted in the report bear emphasis. The busy season of 1961-62 entered its phase of a high tempo at the start of the calendar year 1962. During the busy season as a whole, credit expansion reached the high water-mark of Rs. 204 crores which is to be compared with the figure of Rs. 199 crores for the previous season. There was yet another significant trend. The 1961-62 busy season extended to the first week of May, when the peak in the volume of credit was reached at Rs. 1,437 crores as against Rs. 1,320 crores in March 1961. At its height, the credit-deposits ratio in May last year was 73.2 per cent, while the previous year's corresponding figure was 72.5 per cent. The level of bank credit in the slack season is to be gauged by the volume of contraction. In the 1962 slack season the volume of credit contracted by Rs. 34 crores only in sharp contrast with the contraction of Rs. 78 crores in the preceding season and showed narrower disparities in seasonal fluctuations.

It is now pertinent to examine certain claims advanced by "Trends and Progress of Banking" in its appraisal of the credit policy. Stressing the role of the slab system of rates for lending to scheduled banks as the major instrument for restraining excessive expansion of credit, the report records its central finding that scheduled banks reduced their recourse to the Reserve Bank in 1962 as a result of two weighty factors — the satisfactory growth of deposits and the effective operation of the slab system of rates. Borrowings from the Reserve Bank stood at the maximum of Rs. 66 crores in 1962 as against Rs. 95 crores in 1961. Mention ought to be made in this context of another factor which contributed to the comfortable resources position of scheduled banks in 1962 — their ability to draw upon the cash and balances with the Reserve Bank to the extent of Rs. 23.1 crores as against Rs. 13.6 crores in 1961. But advertent to the first two causes, the report does not care to indicate how much of the decline in Reserve Bank borrowings could be attributed to the record de-

posit expansion and how much to the tier-system of rates.

There are, however, relevant trends on record about the latter. To constrain banks to rely more on their own resources, the three-tier system of rates was firmed up into a four-tier system from July 2, 1962. The rates were fixed at the Bank Rate of 4 per cent for the first slab of 25 per cent of the banks' average statutory reserves for the previous year and 6.5 per cent for the last slab in excess of 100 per cent of their reserves. Despite this change, in the slack season of 1962 (when the stricter system was introduced) borrowings from the Reserve Bank declined by a nominal figure of Rs. 3 crores as against Rs. 32 crores in the 1961 slack season. On the eve of the 1962-63 busy season, the slab system was tightened from October 31, 1962. Freedom to borrow in excess of 100 per cent of the statutory reserves at the penal rate of 6.5 per cent was taken away, and applications for borrowings above this line were subjected to special scrutiny and sanction in approved cases alone. But in the immediate context, the declaration of emergency upset the tenor of the different sectors of the economy. The efficiency of the stricter curb could not, therefore, be tested in the last two months of 1962.

The impressive expansion of the banking system, as indicated by the growth of deposits and credit supply, was accompanied in 1962 by a reverse trend in profits. The brief summaries of the working of banks disclosed in the statements at the annual general meetings have underscored this paradox. Actual figures, however, are available for 32 large banks with deposits of Rs. 5 crores or more. Their combined total earnings rose to Rs. 103.9 crores in 1962 as against Rs. 89.0 crores in 1961, but total expenses took a higher jump from Rs. 77.7 crores to Rs. 93.2 crores. Their profits were reduced in consequence from Rs. 11.2 crores in 1961 to Rs. 10.7 crores in 1962. The causes responsible for pushing up expenses and pruning the profits are now matters of common knowledge. Chief among them are the steep increase in establishment expenses mainly due to an increase of 10 to 12 per cent resulting from the Desai Award, the payment of premia for deposit insurance, expansion of branch offices which need to be subsidised by the older ones and the increase in the corporation tax from 45 per cent to 50 per cent imposed by the 1962-63 budget. Fiscal burdens continue to be added and the super profits tax, even in spite of its modifications in its application to banks, is the latest addition. The Compulsory Deposits Scheme is likely to show its adverse repercussions on the expansion of bank deposits in a community where modest savings are made more difficult by inflationary pressures on the cost of living. But if expenses are being made more rigid, larger resources must be raised to augment earnings even at a relatively higher cost. It is difficult to see how the drive for deposits can be pushed without the offer of competitive interest rates casting their shadow on the cost of bank credit.

Highlights of the Week

DEFENCE PRODUCTION

IF PUBLICITY is a weak spot in the Government's effort to boost the morale of the public for the defence effort, it is typically represented by a recent official handout which passes under the caption, "Gearing Up Defence Production". In an informative and business-like publicity document, a historical preface, even if brief, on the Government's policy for defence since independence, looks out of place. The harsh truth is that China's sudden and treacherous attack gave a rude shock to our complacency in the matter of modernization of arms and defence equipment. The handout in question lacks in clarity since it confuses procurement of defence equipment with indigenous production. This conclusion mars the utility of the effort to take the public into confidence to explain how domestic production of modern arms and equipment — undoubtedly of the medium and small range — is being stepped up.

Only precious little has been disclosed in this handout, although more information could have been imparted to the public without defeating the ends of security. The important facts on which fresh information is made available are that technical schools have been opened to train technicians and skilled workers in the six new ordnance factories which it is contemplated to establish in the course of the next three years in addition to the existing 20 odd units. The existing ordnance factories are working multiple shifts—which is quite obvious and their production has been increased four-fold. Top priority is being given to the manufacture of automatic weapons. It is, of course, absurd to expect a disclosure of the types and ranges of the automatic weapons whose production is taken in hand. But the point of emphasis is that for our immediate requirements overseas procurement and not production is of material value.

Concern for secrecy has been carried to an excessive degree and the public has been told what it either knows or can easily guess. Manufacture of arms and ammunition is exclusively reserved for the State sector in terms of the Industrial Policy Resolution, but the handout points out with an air of breaking confidential information, that there is a wide range of defence stores which can be produced by the private sector. This source is being tapped for expanding the supply of the stores badly needed by the army. What these stores are is a matter of public knowledge in other countries and nothing would have been lost by revealing how private industrial capacity has been geared to the production of specific defence stores. In that case the private sector would have been in a position to make positive proposals about entrusting to it items not delegated to it so far. One is constrained to observe that this document running into four sheets will come as a disappointment as throwing no mentionable light on the progress of defence production.

INDO-U.S. BARTER DEAL

LAST WEEK the largest ever barter deal negotiated in the history of the United States was concluded when India and the United States signed an agreement at Washington according to which this country agreed to export strategic materials, such as manganese ore in exchange for cotton and other farm surpluses from the United States. The terms of the deal made known so far indicate that India will receive approximately 300,000 bales of cotton and some farm surplus products from the United States, while the United States will get nearly 336,000 short tons of manganese ore, beryl ore and mica. The total value of the goods which will be bartered comes to nearly \$40 million. The deal will be transacted by the United States through the United States Agriculture Department's Commodity Credit Corporation which will be responsible for

supplying cotton and other farm products. The strategic materials, particularly manganese ore, which will be exported from India to the United States will be processed by the US industry into manganese metal and high carbon ferro-manganese for stockpile of strategic materials.

The importance of the barter deal lies in the fact that, hitherto, cotton and other food surpluses have been imported under PL 480 for which payments were made in rupees. According to the new deal, the problem of payment in rupees does not arise. At the ceremony organized in Washington for the signing of the agreement, Mr. B. K. Nehru is reported to have said that he was "not sure who got the better of who". In fact, it should not be a difficult exercise to determine as to what price India has received for its exports. The international prices of both the farm surpluses and the ores being known, it should be only a problem in arithmetic to know if the Indian Union had received a favourable price for its exports or not. Possibly, Mr. Nehru did not intend his observation to be taken in a serious vein. The fact, however, remains that the barter deal has obviated many of the difficulties which the sale and purchase of goods on such a scale usually entail. Mr. S. K. Patil, on his return from the US recently, had promised that agricultural shortages in this country would not be allowed to take a serious turn because arrangements were being made for the import of wheat, cotton and other farm surpluses from the US. The present deal is one in the same category to supply the much needed agricultural products to this country. The agreement is not only an example of the "intimate co-operation" that exists between the two countries but also an earnest and generous effort on the part of the US to make the Indian experiment in democratic planning a success.

TRENDS IN CAPITAL ISSUES COSTS

THE DEPARTMENT of Company Law Administration has conducted an interesting analysis into the various trends and changes that are undergoing in the recent past in the costs incurred for raising capital for new floatations or expansion of existing enterprises. Fifty-five cases of capital issues in the market for 1962-63 were selected for this analysis. These issues represent a cross-section of ventures so that the trends may be regarded as comprehensive in character.

The pattern of costs reveals one dominant feature. Excessive reliance on underwriters, brokers and sub-brokers is being reduced at a marked rate. This dominant trend is noteworthy since it reveals that company promoters are developing increasing confidence in direct approach to the capital market and leaning less on intermediaries, that support from institutional investors as well as the keen interest which the investing public is taking in subscribing to new issues have begun to emerge as important factors. This is an encouraging sign of the progress of the capital market towards modernization.

Out of the fifty-five cases of capital issues and the prospectuses of the companies concerned, which were investigated for the analysis, about one-half disclosed that they had no arrangements for underwriting. Considering the conventional role and influence of underwriting, this is surely a noticeable change. The number of issues in which there were no broking arrangements at all were, of course, not expected to be of a high order, but the Department of Company Law Administration's analysis has recorded its finding that five companies did not resort to brokers at all. Even so, this is over 9 per cent of the issues selected for study. There was yet another class of cases in which recourse to local underwriters was unnecessary because of the special arrangements of foreign collaboration or support from large-scale investing institutions — the ICICI being the one under reference. This class of

cases has been becoming a permanent feature of new company formations, but its share in the total number of floatations is bound to remain small.

Some of the statistical comparisons in this analysis should prove instructive. The outlay on raising share capital is progressively decreasing. As against a ratio of 4.5 per cent of the issued capital as the cost incurred in raising capital in 1961-62, the ratio dropped to 4 per cent in 1962-63. Taking the total cost of the project, the ratio of expenditure on raising capital to the aggregate project cost declined from 2.4 per cent in 1961-62 to 1.9 per cent in 1962-63. In individual cases, however, the analysis shows wider variations showing higher costs as well as lower costs. A follow-up study of this particular aspect of company floatations in the coming years should prove useful now that the capital market is emerging into a more mature and modernized avenue for funds.

LAND ACQUISITION FOR COMPANIES

THE GOVERNMENT of India has issued the rules governing the acquisition of land for private companies engaged in any industry or business which is for a public purpose pursuant to the amendment to the Sections 40 and 41 of the Land Acquisition Act. Under the amended Act, the rule making power has been removed from the State Governments in view of the disregard shown by them to their normal responsibilities to agriculturists who would be dispossessed and it is vested in the Central Government. These rules will have to be placed before both the Houses of Parliament which may exercise their right to suggest modifications, if necessary.

The rules now issued aim at ensuring that compulsory acquisition of land for private companies is made only where it is indispensable and that too after private negotiations for its sales have failed, that high-grade agricultural land would not be acquired to the extent it is possible and that the additional delays in the payment of compensation would be cut short. The last object is of course important inasmuch as compulsory acquisition would result in many cases in the displacement of the land owner from agriculture and require his resettlement in another avocation.

The District Collector, who will be directly responsible for carrying out the acquisition proceedings, will have to satisfy himself of the failure of private negotiations on payment of a reasonable price. He will also have to take into consideration the fact whether the land is suitable for the purpose of the company, whether its area is not excessive, whether it comes under the category of high-grade agricultural land without any alternative land for the site or construction work and whether the company in question is in a position to put the land to use expeditiously.

The State Governments will not be entitled to undertake the acquisition proceedings ordinarily under the special powers conferred on them for acquisition in cases of urgency, unless, of course, an exceptionally strong case is made out in this behalf. A novel feature introduced in the acquisition proceedings is the setting up of Consultative Land Acquisition Committees in the States whose advice must be sought before the declaration for compulsory acquisition is made by the State Governments.

Strict obligations are being laid on the private companies for whose benefit the land is being compulsorily acquired. A company has to deposit with the Collector a specified amount not exceeding two-thirds of the amount of compensation before the land is delivered to its possession. This is to be paid without undue delay to the owner of the land acquired. Proper utilisation of the acquired land is to be enforced by special agreements which the companies have to execute with

the State Government. These agreements would contain stipulations requiring that land would not be used for any purpose other than the one for which it is acquired, that the building or any other work should be completed within three years of the delivery of the land to the company (unless, of course, there is some exceptional justification for extension of time) and that if any of the stipulations is violated, the entire land or the unused portion of the land would revert to the State Government and the company in question would forfeit an amount not exceeding one-fourth of the total amount paid by it as compensation. It is not clear from the notified rules whether the dispossessed owner of the land has a right of pre-emption to buy the entire land or the unused portion of the land which would revert to the Government. The company in question is debarred from transferring the acquired land or any portion of it, by sale, mortgage, gift, lease or in any other manner, except with the previous sanction of the State Government. Rules have also been framed laying down the conditions under which the State Governments may sanction such transfers.

RAJASTHAN: TRAINING THE SERVICES

THE REPORT of the State Committee on Training, Government of Rajasthan, released to the Press recently lays stress on the centralisation of training institutions. It means that training institutions of all general services should be located at one place preferably in the University town. The advantages claimed are economy in expenditure and co-ordination in training programmes. In view of the fact that there remain regional demands to be satisfied within the State itself, it is difficult to understand how a beginning can be made in this direction. As regards interchange of field and college staff, it is also difficult to comprehend how teaching staff would be able to undertake the field duties particularly when they do not possess the requisite background for such work.

So far as the administrative services are concerned, it is, of course, a good idea that the officers of the RAS and IAS be attached for one month to an agricultural college as they have to deal with agricultural programmes in the discharge of their duties. During this period they would get acquainted with the different types of crops, soil, water and climate conditions under which they grow, operational details connected with cultivation, soil conservation practices etc. To cope with the changing administrative requirements, some modifications are suggested in the administrative training course conducted at Jodhpur for the administrative services.

For the technical services, the State Committee on Training has suggested that the officers of these services be encouraged to write articles and papers on various aspects of the problems they are dealing with. Writing articles will encourage the personnel to take an active interest in their subjects and keep them posted up-to-date with the recent developments. These papers may be examined by the departmental committees and mention may be made in the annual confidential reports of all articles and papers which are considered to be meritorious. Stress is also laid on the publication of journals from technical institutions. It is a pity that from most of these institutions, such as medical, veterinary, agricultural, engineering etc., no technical journal is being published. A quarterly, if not a monthly, journal could be easily published by most of these institutions in which articles could be subscribed by members of the staff, students and experts in their respective spheres.

To improve the level of education in the State, it is considered desirable to arrange special courses for lecturers under the auspices of the University of Rajasthan in which instruction in such subjects as techniques of teaching educational psychology, maintenance of class discipline and similar subjects may be given.

A POLICY FOR RAILWAYS—IV

The Cost of Carrying Coal

By T. M. RAO

THE PRODUCTION of coal in India is estimated at 97 million tons by 1966, representing an increase of 37 million tons over the target set for the end of the second Plan (1956-61). This is going to tax the rail capacity on the eastern railroads to the utmost. For bulk movement of coal, the railways have programmed to build 8 wheeled BOX type freight cars with centre-buffer coupling and a pay load of 55 tons. These BOX cars would go to form 3,600-ton trains hauled by twin diesel units. Trials have also been made to run 7,000-ton trains. The idea was to run these trains from the coal fields to distribution centres located at different points in the country, where coal dumps would be created. It was felt that this was the only way to meet the extraordinary demands of coal movement.

In the United States for bulk movement of coal, similar ideas have been put forward. One of the most publicised is a semi-permanently coupled "integral" train. The integral train concept devised by the Consulting Engineering firm of Theodore J. Kauffeld of New York is simply that of applying to railroads the same basic idea of the ocean bulk carrier. The vessel arrives in port to find its cargo waiting, loads it quickly, proceeds to the port of destination where it unloads quickly and is ready for another cargo. The integral train is expected to perform a similar operation. The new type of train could arrive at a loading point when a shipment of coal is ready, load quickly, operate speedily over the railroad, stopping only to change crews, arrive directly at the destination, unload, refuel and be serviced and then be ready in a matter of hours to return to the same mine or proceed for another load of coal.

Saving in Costs

This is a departure from the present practice of loading each day's output into hopper cars at the mine, and then moving the cars to classification yards, to be made up into trains for operation over the railroad. At destination terminals the cars are again classified according to delivery points. A considerable amount of time and money could be saved if the intermediate handling of cars could be avoided.

It would appear that approximately a 25,000 ton pay load per train would be a minimum. As presently conceived, the integral train will consist of four-axle cars with a maximum total weight of 251,000 pounds each and will be designed for a particular service. For coal service the cars will be permanently connected in blocks of four to seven by drawbars, without the use of couplers within blocks. By assembling the train from such permanently connected units, there will be a reduction in the number of draft gear couplers, etc., leading to a reduction in both tare weight and cost.

The power for the train consisting of 250 or more cars will be distributed throughout its length. It would be accomplished by the use of 2,500 h.p. units in four groups of two units each, located at the midpoint of each group of 60 cars. The controls of the locomotive units could be activated in unison by means of electrical cables stretching the length of the train, from a control cab at one end to an identical cab at the other. Thus the train would operate in either direction without having to be turned.

It is estimated that the cost of running an integral train of 270 cars over a 500-mile stretch could be as low as 84 cents

THIS DISCUSSION of the different modes of coal transportation is of topical interest to transport planning in this country where it has become as necessary that coal should be transported economically as that it should be transported adequately. When so much of our new investment in the Railways is directed towards expanding facilities for the transportation of coal, Mr. Rao's warning that it might be uneconomic to sink large amounts of scarce capital funds in amplifying rail capacity in this manner until alternative modes of transportation have been thoroughly investigated clearly needs to be listened to.

per ton of coal carried. The costs include a return on investment of 8 per cent. The charge for hauling coal on a similar run at present rates averages about \$3.50 per ton.

The integral train is expected to contribute toward railroad fixed costs, thus reducing the burden on other traffic. It is probable that it will contribute more than the conventional train it will replace. The integral train concept will strengthen the trend toward maximising the inherent advantages of each mode of transportation.

Another idea in the making to help bulk transport of coal is a network of coal slurry pipeline. Coal slurry is a mixture of coal and water in varying proportion—up to 70 per cent coal and 30 per cent water. It is ordinary coal that is mined and pulverized into a fine grain, mixed with water and poured into the pipelines, where it is pumped directly to the furnaces to be burned.

It is reported that Babcock and Wilcox Company who pioneered this idea, have held satisfactory demonstrations of slurry in a sixty-five — thirty-five mixture burned directly in boilers. The problem of what to do with the thousands of gallons of water seems to have been successfully solved.

Economic Need for Pipeline

George H. Love, Chairman of the Consolidation Coal Company in the United States, told the United States Senate Commerce Committee that "the economic need (for slurry pipelines) is great, the technological means and the raw resources are available and capital and labour are ready to perform. Only the right to acquire the right of way is needed."

In its April 30 issue, "Electrical World" said that a fully operating slurry line could deliver coal to Boston for 30 cents a million B.T.U. This may be contrasted with the rail-delivered price of about 37 cents a million.

"Gasund Wasserfach" a German publication, reported in its March 30 issue:

A hydraulic pipeline was designed by the Polish Central Mining Institute. Coal at a size up to 50 millimeters was transported over a distance of 200 kilometers (126 miles). Transporting costs for coal were 50 to 65 per cent less by pipeline than by railroad and capital costs were 80 per cent less.

The threat of a network of coal slurry pipelines has naturally caused concern to the railroads in the United States. The railroad people admit that coal pipelines offer transport-

ation at least 15 per cent cheaper than present railway rates. They, however, point to the integral train as a weapon in meeting the threat of competitive rates posed by slurry pipelines.

The conversion of coal energy into electricity near the mine and transmission of high-voltage power to distant points is another alternative which dispenses with the physical transport of coal over long distances. Until recently the limiting factor to the construction of large power plants in mining regions has been the availability of water. This difficulty has been largely overcome by new developments such as the hyperbolic cooling tower.

Mine-Mouth Generation

In the United States the trend toward mine-mouth generation seems to be growing. As an illustration two large power plants will be built shortly for the two new intertie systems recently created, viz., the Pennsylvania-New Jersey-Maryland Interconnection which will have a 1,600 mw power plant near Johnstown, Pennsylvania, and the Allegheny Power System which will be supplied from a 500 mw plant on the Monongehela River near Morgantown, West Virginia. These two systems combine the distribution network of 17 existing companies.

In Europe the mine-mouth power plants seem to be popular. The Emile Huchet Power Station in the mines of Lorraine in France has an installed generating capacity of 450,000 kw. Large size coal is brought to the station by rail, while fine coal, in the form of water slurry is carried to the station by pipelines. The slurry constitutes 80 per cent of the fuel consumed in the twelve Babcock and Wilcox pulverised coal

boilers. The coal slurry, upon its arrival at the station is first decanted and filtered, then dried from 24 per cent moisture to 8 per cent in four turbo-driers and the pulverized coal is then fired. At the Emile Huchet Station, cooling water is regenerated in hyperbolic cooling towers.

In the United States the railroads seem to fear that the mine-mouth power station would pose a more serious threat to their competitive position than the slurry pipeline.

In an interview with "Power" magazine, Frank Soen, Assistant Vice-President of the New York Central System, made the following comments on the emergence of the mine-mouth power station.

"Railroads today can carry coal at the same cost per B.T.U. as these transmission lines can carry energy. With the consent of I.C.C., the C & O Railroad recently offered coal rates equivalent to Virginia Electric Power Company's estimated cost of transmitting electricity over its planned 500 kv line. Yet the utility company went ahead and is now building its line. This will be an interesting test case." 2

In India a beginning has been made in mine-mouth generation of power with the inauguration of the 250 mw Neyveli Power Station in August 1962. It is built in the very midst of the lignite belt in South India and is the first power station in the country to use lignite as fuel.

In the United States, up to 90 million tons of coal is delivered to steel mills and power plants by water carriers. This roughly accounts for 36 per cent of all coal consumed by both the steel and power plants.

The barge lines have begun to emulate the railroads im-

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their efforts to reduce rates by using larger and more efficient-ly operated equipment. They are building larger barges of 1,000 to 1,500 ton sizes, capable of discharging the load within an hour where proper equipment is available at the terminal.

A spokesman for Dravo Corporation told "Power" magazine recently, "It's the size of the locks on our rivers in coal-producing areas that limits the size of our barges. But locks built today are 110 feet wide, to accommodate three 35 foot wide barges. Thus 16, 195 foot long barges, and a tow boat can be contained in one lock. This matches the size of the shuttle train load, and it's easier to unload. Now barges are also built much more sturdily: they have a stronger longitudinal frame rather than a heavy transversal frame, it withstand shocks better than older barges." 3

The purpose of the above discussion is to indicate the alternatives that are available in the field of bulk coal transportation. Given the location of the coal fields and the demand for coal at different points in the country, the opportunity costs involved in developing the different alternatives must be worked out. In any such calculation, the possibility of mine-mouth generation of power on a large scale in the future and the consequent reduction in the demand for long-distance transportation of coal must be included. When such a picture of the range of alternatives and economic costs involved in each of them is available, it will be possible to choose one alternative rather than another based purely on rational considerations. To my knowledge, such a cost analysis of different forms of transportation has not yet been made by the Indian Planning Commission.

In the United States comparative costs of the different energy-transport systems have been developed and are reproduced in the following table. In their very nature, they are rough estimates but they do present a useful guide to the alternatives available and the magnitude of investment involved in each of them.

Take for instance the slurry pipelines. It may offer a solution to the coal transport problem in India and paradoxical as it may seem, relieve the railroads of its major head-

ache. There are two reasons for making such a suggestion.

First is the fact that all the major steel plants are located within hundred miles of the Bengal-Bihar coal fields. Coal transport by rail over those short distances is not only uneconomical but has created problems for the railroads in this highly congested area which threaten to interfere with the efficient transport of coal over long distances. At the existing level of freight rates transport of coal seems non-compensatory. Most of the coal cars return empty and not only do not earn revenue but adversely affect line capacity slowing down the movement of other freight. It is also fairly certain that the rapid increase in the demand for coal transport would call for very heavy capital investments in railroad track and equipment which may fail to yield an adequate rate of return.

Capital Costs Favourable

Secondly, owing to their close proximity to the coal fields, the capital costs of building a network of slurry pipelines to feed the steel plants and power stations would seem to be far less than a network of railroads.

There is, however, some question whether it is technically feasible to transport metallurgical coal for steel mills in a slurry pipeline. It was learned from discussions with men experienced in furnace technology that there was nothing in the coal slurry that would preclude its use in steel production and if there was a limit to moisture content in the coal, it could be achieved by drying the slurry on arrival at the steel mills.

Until the alternatives outlined above are thoroughly investigated and a rational decision made on the most economic mode of coal transportation, it would seem a folly to sink enormous capital funds in increasing rail capacity merely to transport coal.

1. "The New York Times", May 26, 1962.
2. "Power", February 1963, McGraw-Hill Publishing Co., New York, New York.
3. "Power", op. cit.,

HOW ENERGY - TRANSPORT SYSTEMS COMPARE: INVESTMENT, OPERATING COST

Method	Investment Required	Direct Operating Cost Per Ton	Total Operating Cost Per Ton
Present rail-road practice		No available data	Average rate — not cost — estimated at \$4.59. Significant reductions have been put in since publication of Bureau of Mines Report.
Shuttle train then integral train	Some engineers estimate \$50 million needed with up-dated present equipment. Kauffeld estimates \$26 million for new equipment.	Bureau of Mines estimate \$1.06 Kauffeld engineers estimate \$0.85 or even less.	\$2.56 to \$3.66. A reasonable average is \$3.11 but rates may be anything that traffic will bear.
Coal-slurry pipeline	\$100 to \$130 million depending on location and distance.	Bureau of Mines estimates \$0.75	\$2.80 to \$3.32, including 4 per cent thermal loss for moisture. \$3.06 average. Some add a credit of \$0.40 because no drying is needed at mines.
EHV transmission for mine-mouth generation			
500 - kv ac	\$118 to \$122 million*		\$2.51 to \$3.22*
375 - kv dc	\$128 to \$137 million*		\$3.31 to \$3.51*

* The higher figure represents costs for higher-reliability systems with more interties. (Based on Bureau of Mines Report, and more recent data for the transportation of 9-million tons of coal per year from West Virginia to the East Coast). As presented in "Power", McGraw-Hill Publishing Co., February 1963.

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From Our Special Correspondent

PARIS:

EYEBROWS were raised here last week on reading a statement by the US Joint Secretary of Commerce, speaking to the annual conference in Washington of the American Marketing Association. Said Mr. Richard Holton, "If Europe is reasonable in the tariff negotiations on the Trade Expansion Act, the United States will be able to restore their balance of payments". The enormity of this claim is not immediately apparent and indeed will not become so to many Americans who will find in it further support for the belief that their country's monetary difficulties are due, basically, to the cussedness of a protectionist Common Market. Let the Six throw off the sinister domination of Gaullism and accept the modest proposals contained in President Kennedy's trade schemes, and the USA will be able to pay its way in the world. There is, fortunately, reason to think that some of Mr. Holton's colleagues do not accept this simple view. For example, when the Secretary of State, Mr. Dean Rusk, was urged by some Senators who are angry that Europe will not consent to be flooded with hygienically dubious American poultry, he pointed out that the USA had no interest in practising reprisals because it runs a surplus in its commerce with the Common Market.

Still, the full meaning of Mr. Holton's statement is worth elucidating because it reveals what is behind American anxiety to see Mr. Kennedy's trade plans adopted and explains the determination of European opposition to that proposal. In taking Mr. Holton quite literally, we risk exaggerating his meaning but scarcely betraying it altogether. The US payments deficit in the first quarter of this year was \$672 million or, seasonally adjusted, \$820 million. This means that the annual rate is \$3.3 billion (our billions are American billions from here on, since we are talking of dollars), compared with an actual deficit of \$2.2 billion last year, \$2.4 billion in 1961, \$3.9 billion in 1960, \$3.7 billion in 1959 and \$3.5 billion in 1958. Thus, to balance her international payments on aggregate account, the USA has to earn or save an extra \$3 billion a year.

Trade Surplus

Mr. Holton evidently thinks that this tidy sum can be found in a trade surplus. But the country's external trade is already leaving a very respectable surplus. That surplus this year so far is running at an annual rate of \$4.1 billion, somewhat reduced from last year's actual \$4.4 billion compared with \$5.4 billion in 1961. So what the Joint Secretary of Commerce envisages is a favourable trade balance of around \$7.5 billion a year, i.e. the present surplus plus the extra to be earned in order to wipe out the payments deficit. What's more, Mr. Holton thinks that most of these additional trade earnings can be scored in Europe, since the matter depends, he says, on Europe's reasonable attitude in the tariff negotiations next year on the Kennedy plan. And of course he is correct to the extent that the only place where the USA can make significant trade gains is West Europe, more specifically the Common Market, for there alone does one see the required combination of rapid industrial growth, rising incomes and a certain Americanisation of life. That the citizens of the Six countries are receptive to American wares may be seen in the fact that their imports from the USA have jumped from \$2.8

billion in 1958 to \$4.45 billion last year, and by now, at mid-1963, we must be able to say that they have doubled in five years. If they were to double again in the coming five years, or sooner, Mr. Holton's recipe for balanced payments would be well on the way to being realised.

The difficulty is that this trade between the USA and the Common Market is leaving a substantial surplus in American favour. That surplus was \$1.144 billion back in 1958, because against the above-mentioned imports from the USA of \$2.8 billion, exports to the USA were \$1.664 billion. By last year, the US surplus in commerce with the Six had grown to \$2 billion, because while imports from the USA mounted, as noted, to \$4.45 billion, exports to the USA had increased to only \$2.446 billion. Taking Mr. Holton at his word, he envisages that much of the extra \$3 billion that the USA has to earn in foreign trade to balance its aggregate accounts can be added to this surplus of \$2 billion in trade with the Common Market. That is, the Six's deficit in trade across the Atlantic should grow from \$2 billion to \$4 or may be \$5 billion. For memory, one should recall that the Common Market now runs a deficit in its trade with all the outside world, of the order of \$1.69 billion last year (up from a mere \$245 million in 1958 before the "closed, inward-looking and protectionist" European Community came into existence.)

American Design

Without attaching too much importance to these particular figures, one is now in a position to appreciate what the Americans mean by equal and mutual trade and tariff concessions between themselves and the Common Market. They mean an arrangement that will cost the Six several billion dollars a year, to add to their current deficit in this bilateral trade. By making carefully balanced concessions, on the lines suggested at Geneva by Mr. Herter, West Germany's deficit of \$405 million in trade with the USA last year, and France's similar deficit of \$349 million, could be expected to double. In practice, equality would mean a vast inflow of American goods into Europe and perhaps a moderate increase in European exports to the USA, in sum to unilateral advantage for the bigger partner.

In reality, matters would not have to go so far for the US payments deficit to disappear. Seeing that it was easy to flood West Europe with goods, American corporations would stop exporting capital to found businesses in the Common Market and would prefer to manufacture at home. American unemployment would thus diminish, and the moderation of the capital outflow (which is all that enables European countries to balance their payments with the USA at present, given their trade deficit) would cease to burden the US payments account. The solution is thus in every way ideal for the Americans and Mr. Kennedy is to be congratulated on his patriotism for having thought of it. The trouble is that it would entail the annihilation of much West European enterprise, and the ruination of most of the Continent's farming communities. The reply that the Europeans could, in this freer trade climate, make important gains in the US market is not taken seriously by Mr. Holton and his colleagues, because they see it as assured that the USA will make large unilateral trade advances, to the tune of some \$3 billion a year. If the Kennedy proposal were to lead to an expansion of trade in approximate balance, or without worsening the

present Common Market deficit, it would be of no interest to Washington.

It could be of course that in all this the Americans are being too optimistic. A comparison of current prices in the Common Market (where wages are still far lower than American) and in the USA does not indicate that the US corporations would have it so much their own way. But would current prices be relevant if the Kennedy plan were adopted? Firstly, it is clear that the Americans require the Six to reduce their low tariffs as fast as they themselves reduce their high tariffs, so that the ultimate duty burden to be added to current domestic prices would be higher in the one case than the other. That is, the Common Market would be virtually disarmed as to duties, while American enterprise would retain a solid protective barrier.

Secondly, Common Market industries are today working at very near full capacity and could not increase their output without considerable investment. US industry, on the contrary, is by and large working at well below capacity, and could thus increase output for exports at very low marginal cost. The circumstance is particularly important as regards steel and chemicals. European steelmakers, after years of working at the limit of installed capacity, are complaining because they can at present use only 80 or 90 per cent of their potential, but the US mills have been used for years to

working at half the pace they are capable of.

Thirdly, there is the indelicate question of dumping, that is, selling abroad for less than one sells at home. One would not raise it, except that the French Finance Minister told the students of Harvard this month that he would suggest, during the negotiations on the Kennedy plan, the creation of a world anti-dumping court which would monopolise the power now in the hands of national governments of decreeing the protective measures to be taken by a country exposed to dumping from abroad. Since he brought it up in connection with the trade negotiations between the USA and the Common Market, the Minister must have thought it relevant to the question we are now discussing. He probably had in mind not only clear instances of dumping in West Europe by American chemical producers who are hard put to use their capacity, but also the readiness with which Europeans (and Japanese) are accused of dumping in the USA whenever they make notable trade gains there.

So to a comparison of current prices must be added consideration of these three possibilities — unequal duties, the marginal cost of extra output, and dumping (or protection by "anti-dumping" measures). Then the large trade gains envisaged by Mr. Holton do not seem improbable. What does seem improbable, however, is that Common Market will consent to a trade deal having such unequal consequences.

Anglo-American Monetary Alliance

By PAUL BAREAU

LONDON:

A GREAT deal of nonsense is often uttered about the "special relationship" which is said to bind the two English speaking nations, the United States and the United Kingdom. The "speciality" of these links has on occasion been overstressed in recent years by Britain in the hope that these small islands might remain the economic and political stepping stone between the United States and Europe. There may be less and less substance in the claim, but the gospel has been propagated with such zeal as to provide General de Gaulle with his major reason and excuse for keeping Great Britain out of the Common Market. To allow Great Britain to enter Europe would be to trundle the American Trojan Horse into the Continent — that is the plea on which the veto against Britain's membership was entered.

Reserve Currencies

There is, of course, some substance in the special relation: a common language (more or less), a common basis of law, for the early settlers a common racial stock. In moving to more recent times there is also the common link provided by the fact that their two currencies, the dollar and sterling, perform the function of international reserve currencies, and share the relevant heavy responsibilities.

The main juxtaposition of forces in international balances of payments and in the foreign exchange markets, is no longer the US dollar versus the rest, but that of the reserve currencies versus the rest, and in particular versus the strong currencies of Central Europe. For some time past London and Washington, or rather London and New York, have felt that they are in the same monetary boat; that the pound and the dollar will sink or swim together.

The best expression and symbol of that conviction is the recent arrangement made between the two countries for

mutual credits of \$500 million and its equivalent in sterling. This arrangement will allow the Federal Reserve Bank of New York to draw up to £178 million from the Bank of England whenever it needs sterling to support the dollar in the foreign exchange market. Conversely the Bank of England operating for the Exchange Equalisation Account will have the right to draw up to \$500 million from the Federal Reserve of New York if it needs to supplement its dollar resources in order to meet pressure on sterling.

This is the latest and also the largest of a series of bilateral arrangements made between the American monetary authorities and those of other countries in order to provide a secondary line of defence for the US dollar. These arrangements are paralleled by corresponding but somewhat less formal understandings between the Bank of England and other central banks. These were first called into being in the spring of 1961 at the Basle meeting of the Bank for International Settlements and at the height of the sterling crisis in that year they had mobilised the equivalent of about \$900 million in support of sterling. All of this was repaid. In February and March of this year a further \$250 million was borrowed under these arrangements and at the time of writing is still outstanding.

The US mutual credit arrangements with other countries now total \$1,550 million. All but one of these are on a standby basis, i.e. they are not drawn upon until they are needed. The exception is a \$50 million credit with Belgium which was fully used from the moment it was arranged. The National Bank of Belgium was allowed to add \$50 million to its reserve. Conversely the Federal Reserve Bank of New York had the equivalent amount of Belgian francs credited to its account and this was added to the foreign exchange reserve of the United States. By this means the equivalent of \$100 million of international reserves was created out of nothing. The rabbits were pulled out of the hat straightway. In the case

of the other mutual credit arrangements the rabbits only emerge when they are needed.

These credits have added considerably to the mass of manoeuvre available to the monetary authorities of the world to counter speculative attacks or sudden movements of short-term funds from one market to another. They have undoubtedly added to the measure of confidence with which the endurance of the present pattern of exchange rates is envisaged. It is probable that the announcement of the \$500 million mutual credit between the United States and Britain was partly responsible for the calm and detachment with which sterling stood up to the early days of the political crisis that blew up after the resignation of Mr. Profumo.

Major Limitation

It would, however, be wise to appreciate the limitations of this Anglo-American monetary alliance. Its main limitation has already been indicated by the contention that these two currencies are now in the same boat. That implies that they cannot in all circumstances help one another. The analogy is with that of two men given to occasional fits of instability. If they can so arrange their gyrations that they compensate one another, then all may be well. If, however, the timing goes astray and they sway together, their mutual support will merely accentuate their imbalance. If the pound and the dollar are under pressure at the same time the \$500 million "swap" will be valueless.

This, therefore, is by no means the full answer to the problem of the reserve currencies. The Anglo-American mutual credit must be seen as a part of the devices that are being erected on a much wider front to protect the existing pattern of exchange rates, including the present monetary price of gold. These other means include the bilateral credit arrangements between the two reserve currency countries on the one hand and the European countries on the other. They also include the reinforcement of the International Monetary Fund—though here one would like to stress and deplore the seeming reluctance which the United States shows in using its large facilities at the IMF. It does so under the impression that to draw on the IMF would be an admission of weakness and thereby ensures that when it does draw on its facilities with the Fund this will be regarded by the world as a sign that the dollar is 'in extremis'.

Finally, there is a new interesting and intriguing technique for defending the dollar which the United States is now adopting with a number of countries: it is to induce monetary authorities and central banks which hold dollar reserves they deem excessive, to sell those dollars to the US Treasury and take in exchange two-year obligations of the US Treasury expressed in terms of the currency of the creditor country. In this way the US Treasury has already become obligated to Germany, Italy, Switzerland, Belgium and Austria. Things have indeed come to a pretty pass when the US Treasury finds it desirable and profitable to borrow dollars from little Austria.

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Subscriptions to the above loans will be received simultaneously and will be limited to a total of Rs. 225 crores (approximately). Subscriptions may be in the form of (i) cash/cheque or (ii) securities of 2½ per cent, Hyderabad Loan 1953-63, 4 per cent State Development Loans 1963, of Hyderabad, Bihar, Bombay, Madhya Bharat, Madhya Pradesh, Mysore, Saurashtra, Travancore-Cochin and Uttar Pradesh, 4 per cent Loan 1963 of Madras and West Bengal or Mysore Government, 4 per cent Conversion Loan 1953-63. All loans other than 2½ per cent Hyderabad Loan 1953-63 will be accepted for conversion at par. 2½ per cent Hyderabad Loan 1953-63 will, however, be accepted for conversion at Rs. 85.00 per Rs. 85.71 (O.S. Rs. 100).

Interest on the 2½ per cent Hyderabad Loan 1953-63, 4 per cent Hyderabad State Development Loan 1963 and Mysore Government 4 per cent Conversion Loan 1953-63 tendered for conversion will be paid at the respective rates upto 21st July, 1963. On the other loans offered for conversion, interest will be paid at the rate of 4 per cent per annum upto 14th July, 1963 and for the period 15th to 21st July, 1963, at the rate applicable to the new loans as applied for.

Interest on the new loans, which will be subject to tax under the Income-tax Act, 1961, will accrue from 22nd July, 1963. Interest on 4 per cent Loan 1969 will be paid on 8th November, 1963, for the period 22nd July to 7th November, 1963 and thereafter at half-yearly intervals. Interest on 4½ per cent Loan 1973 will be paid half-yearly on 22nd January and 22nd July.

Subscription lists will open on 22nd July, 1963 and close on 27th July, 1963, or earlier without notice.

Applications for the loans 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 work; and
- (c) Branches of the State Bank of India at other places in India.

For full particulars apply to any of these offices or branches.

LISTENING POSTS

Tarapur Atomic Power Plant

By Our Correspondent

NEW DELHI:

ON JULY 1, Professor J. K. Galbraith, the US Ambassador, announced that the United States had offered a foreign exchange loan of \$80 million (Rs. 38.1 crore) to finance India's first atomic power station at Tarapur, on the Arabian Sea, 62 miles north of Bombay.

The Tarapur plant, which is being undertaken by the Indian Atomic Energy Commission, will have a capacity of 380,000 kilowatts. When it is completed it will be one of the two largest atomic power stations in the world. It will also be one of the largest sources of power of any kind in Asia. The energy will be supplied to the Electricity Systems of Maharashtra and Gujarat which are to be interconnected. The major industrial loads to be served are in Bombay and Ahmedabad.

The Rs. 38,10,00,000 (\$80 million) foreign exchange loan will come from the Agency for International Development and will have a term of 40 years with no payments of principal for the first 10 years. The loan will carry a credit charge of three-quarters of one per cent. In addition, the US Government will provide the initial uranium fuel charge, estimated to cost about Rs. 7.14 crore (\$15 million), on a long term, deferred-payment basis. The total amount of US foreign exchange assistance for the project will be Rs. 45.24 crore (\$95 million).

The total cost of the plant — less the initial fuel supply — is estimated at Rs. 54,33,46,000, of which local costs of about Rs. 16,23,46,000 will be met by the Government of India.

U.S. Finance

Competitive quotations to build the station were accepted from a number of countries in August 1961, and a preliminary letter of intent was issued to the American firm, International General Electric, in September 1962. The General Electric Company has had substantial experience in building atomic power plants. The US was officially asked to finance the Tarapur Project in 1961, and a loan application was submitted in November 1962. Talks were held between representatives of the US Government and the Indian Atomic Energy Commission throughout the winter and spring. A.I.D. was assisted in its consideration of the proposal by the US Atomic Energy Commission and the US consulting engineering firm of Burns and Roe. An agreement on safeguards for the Tarapur plant was announced two days ago.

The 380,000 kilowatt plant will consist of two 190,000 kilowatt boiling-water type nuclear reactor. These reactors will be charged with slightly enriched uranium oxide (UO₂). They will generate high-pressure steam to turn two 1500-rpm tandem compound turbine-generators. The electricity produced by the turbine-generators will be stepped up through the main plant transformers to the distribution system transmission voltage of 230 kilovolts. The station will also have associated electrical equipment, condensing plant, and waste disposal and decontamination facilities.

The boiling-water nuclear reactors to be used at Tarapur are similar to units used in a number of power stations around the world, though the Tarapur plant will incorporate all the latest technological advances. A single boiling-water reactor of 318,000 kilowatts is being installed at Bodega Bay in California. Similar units of 237,000 kilowatts and 150,000 kilowatts, known respectively as the KRB reactor in Germany

and the SENN reactor in Italy are under construction. The 238 kilowatt boiling water type station at Dresden, Illinois, has been in commercial operation since 1960.

When it is completed in mid-1967, the Tarapur plant will be, with the Hinkley Point plant in England, one of the two largest atomic power stations in the world. These will eventually be superseded by two plants now in the planning stage, one for the Consolidated Edison Company in New York City and one at Wylfa Head in Wales.

In announcing the loan at a press conference on July 1, Ambassador Galbraith stated:

"Successful completion of the Tarapur nuclear power facility will be a further demonstration of the prestige and leadership of India in atomic development in Asia. Indeed, it has been India's record of nuclear research and development through your Atomic Energy Commission which has given the United States the confidence to provide so much assistance to this huge and exciting project."

**

The Cabinet Secretary, Mr. S. S. Khera has been given an extension of his term for another six months. This, it is believed was done at his own request, because Mr. Khera did not want a longer extension.

By practice and convention, the Senior-most Serviceman is appointed to the post of the Cabinet Secretaryship. In the batch following Mr. Khera are the Secretary, Company Law Department, Mr. D. L. Muzamdar and Secretary, Mines and Fuel, Mr. K. R. Damle. In the third batch are the Labour Secretary, Mr. Madhava Menon, the Secretary for Kashmir Affairs, Mr. Shanker Pershad and the Transport Secretary, Mr. G. Venkateshwar Ayyar.

That, this system lacks comparative continuity is its drawback. As was recently reported, if Mr. Damle were to succeed Mr. Khera, he would be due to retire from service in October 1964 and might have to be given extension. The administrative view has been that the Indian Civil Service being a covenanted service, none of its members should be given extension of service. They could, however, be eligible for re-appointment on mutually agreed terms. It may be added that not a single member of the Indian Civil Service was given extension by the British even during the War. It may also be added that it was largely on this ground that Mr. M. R. Sachadeva was not given extension of his service, although Hafiz Mohammad Ibrahim had recommended him for two years' extension. Another administrative view is that the tenure of the Cabinet Secretary should be, like those of others, for five years.

**

The Board of Trade is meeting here during this week for another session of tonnage exercise. The trends in trade do indicate an increase by Rs. 33.4 crores in 1962-63 as compared to the previous 12 months. This was notwithstanding a decline registered by cotton fabrics, manganese ore, ferro-manganese, raw cotton, cotton waste, raw wool, leather, tanned and dressed, iron and steel scrap and iron and steel. There was a decline in exports to Western Germany, Belgium, Austria, Norway and Portugal. Exports to Asian countries, excluding Japan also recorded a decline. The issue is of simple arithmetic namely that so long as the internal prices are higher than the world prices, the export drive will continue

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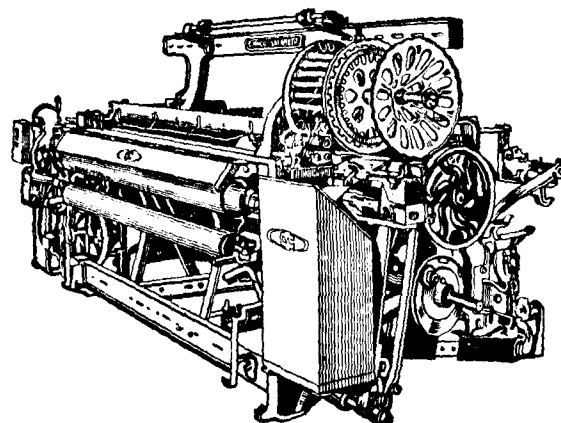
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to be an uphill task. The recent tendency of rise in the cost of production will have serious repercussions on export trade.

A non-stop procession of delegations and missions has been visiting Japan via Hongkong and yet no attempt, apparently has been made to reorient India's industries for export trade on the model of these two countries. Japan and Hongkong have hardly any raw materials and yet Japan is giving battle to Germans in Germany on Germany's own terms.

A change in industrial pattern and import outlook is needed to stimulate exports. India shall have to give all encouragement to new units of industry tied to exports, provided they do not increase the import bill. Token imports to step up standards of Indian production by introducing competition is also called for. In other words, what is needed is not tonsil exercise but constructive planning on inter-ministerial level.

★★

Shell International and British Petroleum have offered to acquire the total share holding of Burmah Oil Company. They have offered their holdings of Burmah Oil Company plus some money in lieu of its assets to the shareholders of Burmah Oil Company on pro-rata basis. Their plan is to retain the individuality of Burmah Oil Company of which, they will become equal partners.

Burmah Oil Company holds 24.5 per cent shares of British Petroleum and about 3 per cent shares of Shell International. In addition it is the cent per cent owner of the Assam Oil Company and through it, it is fifty-fifty partner with the Government of India in Oil India Limited, which owns and operates Assam Oilfields and has prospecting rights in Assam. It owns 50 per cent shares and assets of Burmah Shell Refinery Limited at Bombay and Burmah Shell marketing and Distribution Company. It has also acquired a small oil company, LOBOITS and has certain interests in Canada and Australia.

It will be thus seen that the Burmah Oil Company is both a holding and operating company. If the proposal made by Shell and British Petroleum were accepted, it will cease to be a holding company and its operating functions will be shared equally by Shell and British Petroleum. In Oil India Limited, for example, British Petroleum and Shell will hold twentyfive per cent shares each. Similar changes will take place in the pattern of ownership of Burmah Shell, Marketing and Distributing Company and Refining Company. Government of India is not likely to raise any objection to this change. It may even welcome it because both Shell and British Petroleum would be partners with Indian Government and in that capacity will provide India with two international companies prospecting oil in Assam and if permitted elsewhere, with latest equipment and most experienced personnel. This will also afford an opportunity to the personnel of Oil India Limited to get training in Europe and America.

★★

It has been possible to accelerate considerably the pace of electrification during the third Plan. In the period 1961-63, sections Gomoh - Moghalsarai and Nimpura - Tatanagar were commissioned, bringing the total AC electrified length to 1075 route kilometres (2518 track kms). By 1966, the entire main route section from Howrah to Kanpur on the one side, and line section from Howrah via Khargpur and Asansol is expected to be completed. In addition, sections Igatpuri-Bhusaval in the Western region and Madras-Villupuram in the Southern regions are also being electrified.

One hundred and ten AC broad gauge mixed traffic type electric locomotives are now operating in the eastern zone. Altogether about 330 locomotives are required for dealing with goods services in this area. Chittaranjan is expected to

manufacture 138 locomotives during the current Plan and the remaining are being imported.

In order to cater to the needs of the increasing traffic in and around Calcutta, particular care has been taken in electrification of the existing lines in this metropolis area. The suburban sections proposed to be brought under AC electrification aggregate to 440 route kilometres (905 track kms) and the following table indicates the targets planned at present:

Sealdah-Ranaghat;	)
Dum Dum-Bongaon;	)
Ranaghat-Krishnagar City	) August/December, 1963.
Kalinarayanpur-Shantipur;	)
Bandel-Naihati	)
Saktigarh-Dankuni;	)
Dankuni-Dum Dum and C.C. Link;	) December, 1964.
Dum Dum-Chitpur	)
Dankuni-Belur	)
Sealdah South-Baruipur Jn.	)
Ballygunge Jn.-Budge Budge	)
Sonarpur-Canning	) March, 1965.
Baruipur Jn.-Lakshmikanthapur	)
Baruipur Jn.-Diamond Harbour	)

Howrah-Khargpur is expected to be electrified by the end of 1966. In addition, the existing electrified sections Howrah-Bandel-Burdwan including Tarakeswar Branch are proposed to be progressively converted to the AC system by the end of this Plan, thus making unified working of the railway lines around Calcutta possible. Fast electric multiple unit services are proposed to be introduced in this area by employing nearly 640 electrical multiple unit coaches. In the early stages locomotive hauled trains are being introduced in the Sealdah area.

Traction Equipment

Simultaneously, considerable progress in developing indigenous manufacture of electric traction equipments has been planned and achieved, with a view to saving foreign exchange. For equipping railway tracks with 25 kv overhead wires and other ancillary items (excluding copper) the foreign exchange required has already been brought down from Rs. 25,000 per track km in 1958 to about Rs. 8,000. In order to attain self-sufficiency in the manufacture of AC rolling stock, the Integral Coach Factory in Madras has commenced turning out Broad Gauge EMU trailercoaches. Prototype motor coaches are now under construction and after necessary trials it is expected that the Integral Coach Factory will be in a position to commence production of AC motor coaches from early 1965.

For building electric locomotives in the country, capacity has already been created at the Chittaranjan Locomotive Works, which is currently handling an order for 21 broad gauge DC electric locomotives. These are expected to be completed very shortly, after which the delivery of AC locomotives will commence. During the third Plan, Chittaranjan is expected to build 138 AC freight type electric locomotives and reach an output of six locomotives per month by 1965. The mechanical parts for these locomotives are being manufactured in Chittaranjan while majority of the AC electrical equipments are expected to be manufactured by Heavy Electricals (India) Ltd., Bhopal. As a result of these measures it is hoped that the foreign exchange content in rolling stock as well as other equipments required for electrification will progressively come down in the next few years.

★★

A school of Paper Technology is to be set up at Saharanpur (Uttar Pradesh) with Swedish technical assistance. The Royal Swedish Government will contribute the foreign exchange cost of the project including the seconding of experts and the supply of equipment required for the School. The

machinery, laboratory equipment and spare parts to be supplied are estimated to cost 1,650,000 Swedish Kroners (Rs. 15 lakhs). The rupee expenditure on the project will be met by the Government of India and the Uttar Pradesh Government.

The School, the first of its kind in India, will have a training capacity of between 180 and 200 persons when in full operation. With the help of Swedish experts, the School will impart training in pulp and paper manufacture, instruments engineering for the paper industry, operation and maintenance of plant and equipment for the paper industry and paper and pulp laboratory techniques. In addition the School will, as far as possible, render consultative and advisory service to existing enterprises. It is expected that, in five years, which is the duration of this agreement, the technical and operational functions of this School will be taken over from the Swedish personnel.

Self-sufficiency Unlikely

India is unlikely to achieve self-sufficiency in heavy electrical equipment before the end of the fifth Plan because of the shortage of trained technical personnel and industrial raw materials. Mr. K. B. Mathur, Chairman, Heavy Electricals Ltd., said at a press conference here.

Effective steps had already been taken to remove these handicaps, he said.

Reviewing the progress at the four public sector projects, being set up with foreign collaboration, Mr. Mathur said that while the boiler plant at Tiruchi and the power equipment unit at Hyderabad were expected to go into production by the end of third Plan, the Hardwar unit of the Heavy Electricals would commence production in the first or second year of the fourth Plan.

The detailed project report for the Rs. 50-crore unit at Hardwar had just been received and the Russian experts were expected here within a fortnight to finalise details of the scheme.

The negotiations with the Soviet experts would be completed within a month or so and that work on the project might begin in August.

The Hardwar project will manufacture hydraulic turbines and generators of the sizes of 100,000 kw. capacity, steam turbines and turbo-generators of 50,000 kw. 100,000 kw. and

200,000 kw. capacity and heavy and medium-sized AC and DC machines.

The Hyderabad project had been somewhat delayed because of the Government's belated decision to undertake the manufacture of 100 mw. turbines instead of the 60 mw. turbines as initially decided. The revised project report had been received from Czechoslovakia and the project was expected to go into production in about two years.

★★

Birla Brothers Limited have indicated their interest in setting up a naphtha cracker in India in connection with the proposed unit for the manufacture of poly-propylene. The fuller details of their scheme are being awaited.

★★

The Punjab Government plans to set up a factory to manufacture seamless steel pipes, it is learned. It is a Rs. 5 crores project, including Rs. 2 crores in foreign exchange. The installed capacity proposed for the plant is 36,000 tons a year. The capacity, already licensed for seamless steel pipes is as under :

Madras	..	..	..	..	24,000 tons
West Bengal	..	..	..	..	60,000 tons
Punjab	..	..	..	..	9,600 tons
Gujarat	..	..	..	..	72,000 tons

★★

Triveni Engineering Works, Limited are already licensed to manufacture sugar machinery. Due to a fall, so far registered, in the offtake of sugar mill machinery and, in order to diversify their production, they now propose to undertake the manufacture of paper and pulp machinery in collaboration with a South American firm, BELOIT International. They plan to manufacture three sections of the equipment, namely stock refining and preparation, paper machine and paper finishing machines. With the assistance of their South American collaborators, they also propose to supply integrated paper and pulp mills.

★★

Fertilizer Corporation of India plans to establish a new undertaking at Bombay for the manufacture of refined methanol.

Woollen Industry's Reassuring Record

From Our Correspondent

BOMBAY:

THE INDIAN Woollen Industry has good reasons to feel proud for two reasons. First, it has had a very good chit from the Textile Commissioner, Mr. R. Doraiswamy, for its contribution to the defence effort, and, secondly, it has closed its ranks by bringing about a merger of the two associations that represented the industry until May 27 last. Mr. Doraiswamy, who, in a way, contributed to the latter consummation also complimented the industry on it. It is in the interest of the industry itself, as he said, to have one organisation; in that case, its grievances are bound to be effectively attended to by the Government.

Playing a magnificent role in the work for the country's defence is one thing and facing the problems of a growing industry is another. While, as Mr. R. K. Birla, Chairman of the Federation of Woollen Manufacturers in India, observed, the industry may be prepared to continue to do its best, it should, in turn, be enabled to play its role by the provision of such facilities and incentives as are necessary for the purpose. For instance, if the industry is asked to improve its produc-

tion, both quantitatively and qualitatively and also bring down its cost of production, it follows that, as far as possible, no hurdles must be placed in the way of the industry getting all its requirements of suitable raw material and modernising itself. In fact, Mr. Birla addressed himself primarily to these two needs of the industry.

As regards raw material supply, Mr. Birla said that, for making quality fabrics, whether for the domestic market or for the export market, India had to import fine wool, be it against barter or in the normal course. He had to make some plain speaking. Indian wool is good only for making carpets, for which, of course, there is a good foreign market, and not for making fine fabrics. But the industry has a target for export of woollen and worsted fabrics to the tune of Rs. 2½ crores, besides Rs. one crore worth of raw wool and carpets, and blankets, yarn, etc. worth Rs. 50 lakhs, not to speak of Rs. 5 crores worth of hosiery, for which Mr. Manubhai Shah, Union Minister for International Trade, maintains, on the basis of his recent study survey, there is a ready market abroad. It is a moot point whether, with its present outmoded machinery, the industry can reach anywhere near this ambitious

target. One notices among officials a facile feeling of optimism about fulfilling the export target. Even the present realistic Textile Commissioner told the meeting that, with about Rs. 3 crores to be made available to the industry for import of raw materials, it should be possible for the industry more or less to meet its requirements. Anyway, if the anticipated exports materialise — what with hopes of substantial orders from Russia expected in the wake of the coming Indian Exhibition in Moscow! — “the problem of import of raw material will be automatically solved”. But it is a big “if” all right.

The F.O.W.M.I. Chairman had genuine grounds to grouse about Government's prodding the industry time and again to produce more without itself doing anything much to provide it with the requisite facility. Here is his bitter complaint: “Day in and day out, we are advised to produce and provide cheaper and finer finished goods to meet the requirements of Indian consumers and also be able to export to foreign markets. I personally, and my colleagues in the Federation, have explained, times out of number, that the woollen industry very badly needs modernisation and rationalisation. The machinery in most of the existing units is obsolete and outdated. We fortunately have the capacity and the know-how to be able to produce fine and competitive goods and can possibly compete with the best in the world, but this will not be feasible unless we are given facilities to modernise our machinery. On this point we do not have to convince Government as, through a number of independent surveys, they themselves have come to realise the absolute necessity for modernisation. I am obliged to lay stress on this point again as Government's decision to come to our rescue in this respect is still awaited”.

Holding the Price Line

In the matter of prices, Mr. Birla seemed to hint that, although most of the woollen mills had kept the prices of their finished products at last year's levels, and this in spite of the substantial increases in tax levies, including super profits tax, it might not be possible for the industry to hold the price line when the price spiral all round was rising higher and higher. He even complained that the Government had failed to keep the price line of essential commodities in check or even at a reasonable level, but Mr. Doraiswamy contended that prices of both Indian and imported wool tops had been well under control. Perhaps there are yet other requirements of the industry where the price line has been barely held.

★★

Mr. Raj Bahadur, the Union Minister for Shipping, paid a hurried visit to Bombay City to intervene in the harbour strike. He successfully persuading the (striking) workers to call off the strike. The Minister took the opportunity to review the progress made by Indian Shipping at a gathering under the auspices of the All-India Manufacturers' Organisation. In the post-Independence period, the shipping industry had received its due share of attention. It is not true that ‘all had not been done’ for shipping because it had to be viewed against the background of the entire economy of the country. Besides Plan allocations, which during the third Plan try. Besides Plan allocations, there had been tax concessions, amounted to Rs. 51 crores, there had been tax concessions, exemption from wealth tax and the allotment of a big bulk of Government cargo to shipping companies. As a result, of Government cargo had risen rapidly, so that, at the end of shipping tonnage had risen to 1.5 million tons. Coastal the third Plan, it might as well reach 1.5 million tons. Coastal shipping had expanded simultaneously and it now stands at 4.1 lakh tons.

The solution to the country's shipping problems lay in securing ‘a bigger share of the bulk carrier trade’ in overseas shipping. The Indian shipping companies were earning Rs. 29 crores annually mostly through liner trade. The bulk carrier trade amounted to only 4 per cent. Fortunately, the Indian bulk carrier trade was developing very rapidly because ‘both

the situation and the men had conspired to assist it.’ The country's attempt to build a bulk carrier fleet had coincided with a period when the shipping yards of the world were literally ‘thirsting for building.’ In this connection, the Minister praised the efforts made by the Jayanti Steam Shipping Company in securing bulk carriers on a nominal (10 per cent) initial instalment and paying the major portion as the ships earned. As a result of the efforts made by the Indian shipping interests, Indian shipping companies now had a larger share of overseas shipping. This had risen from 29 per cent to 40 per cent and it would soon rise to 48 per cent in the near future.

★★

The Government of India has announced a series of changes in the Gold Control Order to minimise the chances of evasion of rules and to standardise the supplies of primary gold. The new rules direct the refineries and dealers to convert within a week their stocks of gold into gold of 14-carat purity. Production of higher purity in any primary form after July 1 will be illegal. Simultaneously, the Government also expressed determination to unearth illicit gold held by individuals. Modern electronic devices are being employed by excise and customs authorities, who are now armed with additional powers, to detect hidden gold. The Gold Board announced during the week-end that the rules published were clear and there was no scope for confusion.

★★

It is reliably learnt that the Government will shortly introduce a proposal to start an investment trust in the public sector. The Reserve Bank has finalised the outlines of the scheme. The Finance Minister had hinted on such a possibility in the course of the budget debate. The idea behind the investment trust is to enable the small investor to participate in the various developmental projects and thus enable him to share the national prosperity. The funds of the Trust might as well be used to support the capital market. An important point which should not be lost sight of in this connection is that the Trust must be managed efficiently and with imagination and skill. Otherwise, the poor middle classes will be backing a losing proposition. There is yet another consideration. With the various schemes like the introduction of compulsory deposit, the increase in taxation and cost of living, it is doubtful whether the middle class investors would be left with any savings to patronise the investment trust. While the idea is good, there is reason to doubt whether the present time is at all opportune to launch on yet another experiment in the public sector.

★★

The first year of the third Plan showed progress in the co-operative movement. The total working capital at the end of 1962 stood at Rs. 256 crores and this represented an increase of nearly a third over that of the previous year. The loans disbursed came to Rs. 256 crores, whereas the outstandings due went down from 10.6 per cent in 1955-56 to 4.1 per cent in 1961-62. The health of the co-operative movement seems to be improving. This is a welcome development, inasmuch as the co-operative credit institutions are expected to finance nearly 50 per cent of total agricultural credit (Rs. 1,300 - 1,400 crores) by 1965-66. It is obvious that there is a long leeway to be made up. There is, again, a lot of unevenness in the development of co-operative credit societies in different States and in different regions even within a State. An encouraging feature of the situation, however, is that the Reserve Bank authorities are fully aware of the drawbacks of the co-operative structure and accent is being placed upon toning up the structure from down below side by side with expansion.

★★

There was a sizable return flow of funds into the banking system. During the week ended June 21, deposits swelled by Rs. 10.8 crores to Rs. 2,123 crores and credit contracted

by Rs. 16.4 crores to Rs. 1,524 crores. The borrowings from the Reserve Bank showed a reduction of Rs. 6.5 crores and they amounted to just Rs. 1.3 crores. Bank credit contracted since May 3 — the peak of the 1962-63 busy season — by Rs. 69 crores, whereas, in the corresponding period of last year it went down by Rs. 22 crores. The seasonal contraction in credit has been sharper than in the previous year. The evidence of the comfortable conditions in the banking system is reflected in the inter-call money market. The call money rate is now ruling around 1½ per cent. The Reserve Bank suspended its open market operations last week, it seems, for preparing the market for the floatation of cash loans — the second instalment of Government borrowing programme. The announcement of the loans has now been made.

Dalal Street beat a hasty retreat. It was anticipated

Spotlight on Tea

From Our Correspondent

CALCUTTA :

WHILE FORMALLY inaugurating the new tea auction centre of the Calcutta Tea Traders' Association in Calcutta last week, Mr. Manubhai Shah, Union Minister for International Trade, struck an optimistic note of the prospects for tea exports from India. The fact that two-thirds of the world's population are yet to take to tea should dispel all fears about over-production in the near future. Another factor in favour of tea among other beverages is its comparative cheapness and its popularity both among the common man and the higher strata of society. But it would be idle to imagine that these advantages alone will bring expanded markets for it. As Mr. Shah has emphasised, there is need for intense propaganda.

It is gratifying that Mr. Shah has placed the emphasis on increasing output in India, for the results so far in the current plan period are not very encouraging. If the third Plan target of 900 million lbs. is to be hit in time, vigorous work has to be put in by all concerned during the remaining period. Production last year was 150 million lbs. short of the target and there is not much time left to complete the task. It is true that it is within the competence of the Indian tea industry to step up production to the required extent. And the industry also knows quite well enough what needs to be done. A sizable part of the increase in output can be attained without extending the acreage under tea since average yield in our country is still well below that attained in some other tea producing countries. But for producing 900 million lbs. quite a large number of existing tea gardens have to be rehabilitated while more suitable land is to be brought under tea.

All this requires money and time. As Mr. Shah has himself admitted a new garden to be brought under tea takes something like five years. It is on the score of finance that the industry is in hard straits. There is no reason to think that tea producers lack the determination to attain the target set for them but the real impediment is the paucity of funds, as they are themselves unable to plough back any appreciable amount, as the taxes and other levies and obligations to labour eat up almost all the earnings. The difficulties of the industry have been ventilated too often in recent months from a number of platforms to need recapitulation. In short it may be said that without adequate help from Government the industry is apprehensive of hitting the third Plan target of production. Mr. Shah's assurance in Calcutta last week that any worthwhile scheme from the industry for the expansion of pro-

duction will receive the sympathetic attention of Government is therefore timely and welcome. Remedial action to remove the avoidable difficulties brought about by the multiplicity of levies imposed by the various State Governments alone will go a long way towards freeing the industry from work that profits neither the industry nor the Government. Financial help too is necessary.

Since 1960 tea exports have been well maintained. In 1962-63 the value of tea exports was Rs. 7 crores more than in the previous year. The improved result is mainly due to the growing realisation on the part of the Government of India that higher exports have to be consciously promoted especially since the overseas buyer has many sellers to choose from. The reduction in the export duty in the 1962-63 budget had gone some way towards making Indian tea attractive. Among the various factors governing exports, perhaps the three most important are price, quality and propaganda. It is a truism that the buyer will, given that quality is comparable, go in for the tea that has a price advantage too. A country's tea may have both these requirements but it may not still sell well on the overseas markets if adequate propaganda is not there to tell the consumers about its qualities. Referring to the need for vigorous propaganda for tea, Mr. Shah has pointed out that the tea industry and trade should not rest content with the work done by the Tea Board. Perhaps the tea industry is quite anxious to supplement the Tea Board's propaganda with its own efforts. But if it is not doing it, it is not because it has no interest in the matter, but most probably because it has no resources to spare for undertaking such a costly task. For the fact remains that for all its excellent performance on the export front, its own finances are in no good shape. Hedged in by high taxation, multiplicity of levies imposed by the Central and the State Governments and ever rising cost of wages, amenities etc., it is finding it hard to mobilise adequate funds even for necessary developmental works such as replanting etc.

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Lyons Range has been showing improvement in sentiment since the resumption of forward trading at this centre last week. But the apprehension persists that in common with other Exchanges where conditions deteriorated after a brief spell of recovery following the resumption of forward trading, Calcutta's present recovery may not be sustained. While the long awaited resumption of forward trading will afford greater freedom to operators than had been enjoyed by them since the imposition of the ban, there is

from the fact that forward trading is no longer what it used to be. It is now hemmed in by a number of restrictions, a gist of which has been provided by the Calcutta Stock Exchange authorities for the guidance of its members. The other centres where forward trading was resumed earlier than in Calcutta have already had a fair experience of the working of the new regulations and such experience has not been very happy. It is unlikely that Lyons Range will be able to like them better. Whatever others may think of the outlook, the investors who should after all provide the momentum to the onward march of the stock market do not seem to be in any great hurry to extend their commitments. The dividend and growth prospects being what they are, buyers will be extremely choosy.

Lately there has been a slight improvement in the undertone in the jute goods market following reports that the industry may decide to curtail production. It is evident however that the market is beginning to worry about the continued absence of sizable foreign enquiries, though now and then a few enquiries are received. Despite the fact that US burlap consumption has been well maintained so far this year, operators seem to be less hopeful than some time back that there will be an even flow of orders from that country. It is however the declining trend in sacking exports that is causing concern. The expectation that the Government would

initiate remedial measures so that sacking comes into its own again on world markets has not materialised and with report of the Pakistani industry taking active steps to expand its production, it is feared that continued inaction on the part of the Government of India will further jeopardise the outlook of sacking and consequently the Indian jute industry as a whole.

Problem of Bumper Crop

It is now generally expected that raw jute production in the new season will be quite large, at least as large as in the 1962-63 season. The problem of dealing with another bumper crop may perhaps not prove difficult if vigilant measures are taken in good time. For adequate steps to handle the crop, ensuring at the same time an equitable return to the grower, seem to have been taken. Further measures have been suggested by the ad hoc committee of the National Agricultural Co-operative Marketing Federation for making the price support scheme successful. These include the provision of adequate revolving finance to the co-operatives participating in the price support scheme, priority in the allotment of wagons to co-operatives and arrangements regarding weighing, inspection and storage of jute stocks. Nearly 600 co-operative marketing societies are now functioning in the various jute growing States and under the price support scheme the co-operatives are likely to procure some 17.50 lakh maunds of jute during the 1963-64 jute season.

Power Cut Extended

From Our Correspondent

MADRAS :

THE MADRAS State Electricity Board is going through a testing period as even with the large additions to hydel generating capacity in the past few years and the commissioning of the three thermal units in Neyveli, the heavy dependence on hydro power has been forcefully brought out. It had been expected that the drastic cut in power utilisation by high tension consumers would be for a short period and that heavy rains would prevent the situation from taking a turn for the worse. The expectations in this regard have not, however, materialised and Mr. R. Venkataraman, the State's Minister for Industries and Electricity, was painfully compelled to announce last week that the cut had been extended by another week and that even if the rains set in, the cut would remain in force for the specified period.

Economic Use of Power

The Government had to take a definite decision because the industrial units would have difficulty otherwise in laying off workers or arranging for the statutory holiday or undertaking overhaul of plant and machinery. The Industries Minister addressed the people of the State in a radio broadcast and appealed for their co-operation in the economic use of and available power in the present critical period. The existence of a large unsatisfied demand and the inability of the Electricity Board to meet even basic needs has been clearly emphasised by the present crisis even though the thermal capacity of the Neyveli station and the two units of the Electricity Board in Madras and Madurai now amounts to 32 per cent of the total generating capacity. This thermal capacity alone is as much as 221,000 kW while the aggregate installed capacity of the State's hydel and thermal units is now 560,000 kW. Including 150,000 kW of capacity of the three thermal units at Neyveli, the total installed capacity is 710,000 kW. This is truly an impressive figure apart from the fact that the thermal capacity alone is equal to the total generating capacity

of some of the neighbouring States. This emphasises the fact that power consumption for both agricultural and industrial purposes has increased phenomenally in the past decade while domestic consumption also has gone up appreciably. This accounts for the increase in 'per capita' consumption of electricity to 72 units from only 12 units in 1951. It is difficult to comprehend what would have happened if power from Neyveli had not been available in the present context. Neyveli itself is accounting for a capacity of 30,000 kW for its own purposes.

Mr. R. Venkataraman, therefore, emphasised in his speech the need for firming up power availability by the erection of more thermal capacity in the coming years. Actually, there will be no problem of power availability in the next three years as some more units in the Kundah Project are expected to be commissioned in the immediate future, while all the four sets under the Mettur Tunnel Scheme will be completed before the beginning of 1965. Besides, the fourth unit at Periyar should also be available. This would result in a substantial addition to hydel capacity. But the problem of meeting the demand for power in the summer months will remain especially as a large number of industries will be reaching the production stage in the next three years and the consumption of the existing industrial units also is increasing sharply.

The Industries Minister has, therefore, suggested that the greatest emphasis should be laid on the expansion of the capacity of the Neyveli Thermal Station. In fact, he has indicated that the Madras Government had urged on the Centre for drawing up a scheme to raise the aggregate capacity of the Neyveli Thermal Station to 1,000 mW instead of 600 mW as originally anticipated. Besides this ambitious expansion, the State Electricity Board has also proposals for erecting thermal units at Ennore (near Madras), Cuddalore or Nagapattinam, and Tuticorin, each station having a capacity of 100 mW each. The objective is to have fresh thermal capacity of about 1,000 mW during the fourth Plan apart from the Kalpakkam

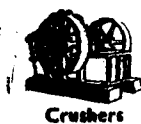
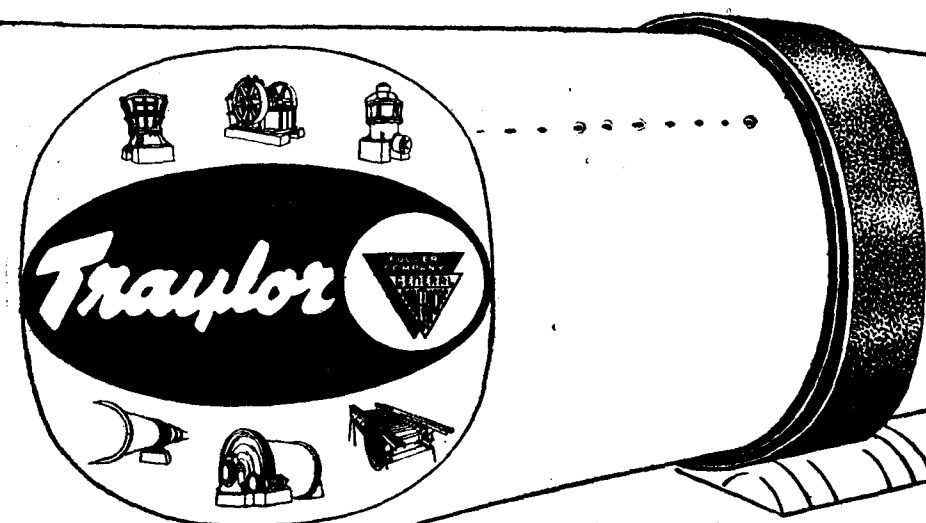


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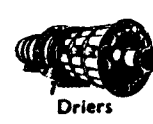
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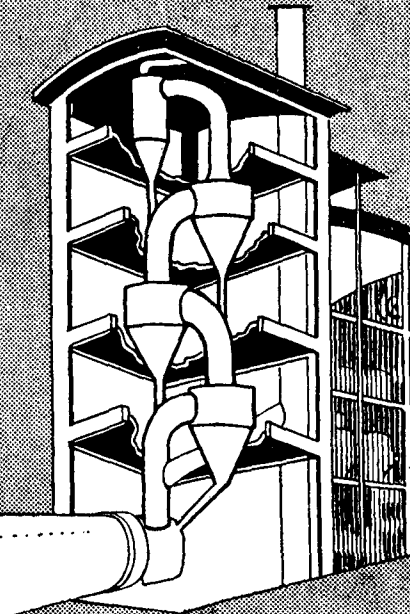
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Nuclear Power Station. It is emphasised that this latter unit also should have an initial capacity of 500 mW so that the power problem would have been satisfactorily solved at least for some time.

There will necessarily have to be greater emphasis on the creation of additional thermal capacity in the State in 1966-71 because easily harnessable hydro power resources have been tapped and the allotment for power projects in the next Plan will have to be mainly for thermal units. The coastal towns have been selected because coal can be easily brought by sea even though the cost of fuel will become appreciably higher thereby. It is considered advisable in the present context to have more high cost power rather than be subject to periodic crises which result in the loss of industrial production running into several crores. How all these proposals will be implemented remains to be seen. But from the manner in which the whole scheme has been drawn up, it would appear that the projects put forward by the industrialists would not be sponsored. This will indeed be tragic especially as the latest reports suggest that, besides the scheme drawn up by a group of industrialists to have a thermal station at Tiruvottiyur, it is proposed to have a thermal unit for supplying the power to industrial consumers in a different suburb of the city.

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The effect of the cut in power supply has been disastrous on many producers. The textile mills have virtually stopped production of cloth and yarn except where some units have been able to work partially with power produced by their own generating sets. Even the engineering units in Madras, which are engaged in supplying nearly the whole of their output to the Defence Services, are not able to operate for more than two days in a week. The loss in production of all industrial units in a fortnight is estimated to be over Rs. 15 crores. This loss can be only partially made up because many of the units are working on a three shift basis and the lost time cannot be regained in these cases. There is, therefore, a great anxiety to know whether at least after July 4, the cut will be restored. Unfortunately, there are as yet no indications of the vigorous onset of the monsoon and the position in the Nilgiris particularly, which is the main source of supply of hydel power, is very precarious.

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For quite a long time there was a controversy whether Boeing aircraft of Air India should touch down Madras Airport on its International flights to and from the East. On the plea that the necessary additional ground was difficult to be acquired from the Military authorities and the additional facilities needed would also be costly, the question was put off for some time. Actually, it was suggested that Bangalore should be used for this purpose. Ultimately, however, as a result of vigorous representations by the Madras Government and a recognition of the claims of the Madras Airport for handling the air traffic to the East, it was decided to build a large runway and create also the necessary servicing facilities in order to enable easy landing and handling of Boeing aircraft. After the additional ground was acquired from the military authorities, the work of constructing the new longer and stronger runway was taken up and it was found when the Boeing "Everest", of Air India, landed in Madras on Tuesday last week that the runway was very satisfactory and is now even considered the best in the country. Two demonstration flights were arranged on that day and the large number of visitors, including journalists, that flew in the aircraft were greatly impressed by its performance. International flights have been handled by the Madras Airport authorities when the Comets were in operation. With the airport now in

a position to receive much heavier and faster aircraft, it is only to be expected that the complaint about the lack of originating services from Madras, on account of the lack of requisite workshop facilities would be removed. Madras is now handicapped considerably as there are no early morning flights to the principal centres in the country. Businessmen have to spend more time while travelling to New Delhi, Calcutta or Madras on account of the lack of facilities for leaving the city in the morning and returning to the same place by the evening.

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The moving finger writes

WITH NEHRU away in Pahalgam, "The Times of India" to a great degree and some other newspapers to a lesser extent were working their leaderwriters and columnists over-time to advise and admonish the Prime Minister on the reconstitution of the Cabinet. The common theme there was that the Government we now have is a tired and stale government, wholly inadequate for the responsibilities it faces and that the country must have a new leadership if it is to survive, not to say thrive.

It is curious in the circumstances that any suggestion that Mr. Nehru himself should leave has been carefully avoided. This certainly shows good sense. For it is a patent fact that, although Mr. Nehru is 74 and is no longer in the enjoyment of that phenomenal good health which had been among the greatest assets of the Prime Minister of India in the last 16 years, there is nobody in the Congress hierarchy who can safely be expected to substitute satisfactorily for him in the difficult and dangerous times through which the country is now passing. It is of course true that, when necessity arises, another Prime Minister will certainly be found. But that is no argument for deliberately making a choice when the need for choosing has not actually arisen.

At the same time, it must be confessed that it is not good for any country that it should burden indefinitely a man of 74 with prime-ministerial responsibility now running into its sixteenth year. How then is the matter to be dealt with? As was suggested in these columns recently something could be done to make the best of a bad situation by the Prime Minister himself nominating a second man in the Cabinet by reviving the post of Deputy Prime Minister (cf. "Eastern Economist" dated June 21, page 1419). Another step which Mr. Nehru may take is to shed as many as possible of his direct departmental or administrative functions. Thus, while retaining the general and ultimate direction of foreign policy in his own hands, he could still appoint a separate Minister for External Affairs. Again, in the context of the suggestions which have been made in the first leading article of this issue for the reconstitution of the Planning Commission, the Prime Minister need not retain the Chairmanship of that body. Finally, the portfolio of Atomic Energy can be safely merged, surely, with the portfolio of Mines, Fuel and Power.

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I like the candour of Mr. Nambodripad's statement that he and his wife are going to Moscow on the invitation of the Soviet Communist Party to take a holiday in the Soviet Union. I wish some of our Ministers, Central or State, and the large number of high government officials who have managed to spend some part of this summer, despite the emergency, in more salubrious climates outside this country, had been equally honest about the real character of their peregrinations. I confess, for instance, that I do not quite know what really had Dr. Sushila Nayar accomplished, during her recent visit to the United States, by way of bringing health and happiness to the people of this country. And I certainly do not believe that Mr. R. K. Nehru, who is or should be leaving the Government of India soon, since the third extension of his tenure is about to end, is justified in contemplating a whole series of leave-taking visits to all the capitals of Europe at the tax-payers' expense. It is not to the credit of the Government that while, on the one hand it is setting itself up as a stern judge of the necessity of foreign travel where private citizens are concerned, it has no scruples at all in encouraging a state of affairs where quite a number of Ministers and high officials are able to travel so widely and so frequently

that if one is to write to them one might normally have to address the letter to "c/o Thos. Cook and Sons."

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I make no apology for appending the following list of Ministers with details regarding their age and period of office in the Central Cabinet. This would serve to illustrate some of the points made in the first leading article in this issue.

- Mr. Jawaharlal Nehru (74), Prime Minister and Minister of External Affairs, since Independence.
- Mr. Morarji R. Desai (67), Minister of Commerce and Industry, 1956-58; Minister of Finance since 1958.
- Mr. Jagjivan Ram (55), Minister of Labour since Independence — May 1962; Minister of Communications, May 1952 — Dec. 1956; Minister of Transport and Railways, Dec. 7, 1956 — April 16, 1957; Minister of Railways, April 17, 1957 — April 9, 1962; Minister of Transport and Communications, since April 10, 1962.
- Mr. Gulzarilal Nanda (65), Minister for Planning, 1951; Minister of Planning, Irrigation and Power, 1952-57; Minister of Planning, Labour and Employment, since April 1957.
- Mr. T. T. Krishnamachari (64), Minister of Commerce and Industry, 1952-55; Minister of Commerce and Industry and Iron and Steel, 1955-56; Minister of Finance and Iron and Steel, 1956-57; Minister of Finance, April 17, 1957 — Feb. 18, 1958; Minister without portfolio, June — Nov., 1962; Minister of Economic and Defence Co-ordination, since November 1962.
- Mr. Lal Bahadur Shastri (59), Minister of Railways and Transport, 1952-56; Minister of Transport and Communications, 1957-58; Minister of Commerce and Industry, 1958-61; Minister of Home Affairs, since 1961.
- Sardar Swaran Singh (56), Minister of Works, Housing and Supply, 1952-57; Minister of Steel, Mines and Fuel 1957-62; Minister of Railways, April 10, 1962 — June 25, 1963; Minister of Railways and Minister of Mines and Fuel, since June 26, 1963.
- Mr. K. C. Reddy (61), Minister of Production, 1952-57; Minister of Works, Housing and Supply, 1957-61; Minister of Commerce and Industry, since 1961.
- Mr. Y. B. Chavan (49), Minister of Defence, since Nov. 1962.
- Mr. S. K. Patil (63), Minister of Irrigation and Power, April 1957 — March 1958; Minister of Transport and Communications, April 1958 — August 1959; Minister of Food and Agriculture, since August 1959.
- Mr. A. K. Sen (50), Minister of Law, since 1957.
- Mr. B. Gopala Reddi (56), Minister of Revenue and Civil Expenditure, 1958-61; Minister of Works, Housing and Supply, 1961-62; Minister of Information and Broadcasting, since April 10, 1962.
- Mr. C. Subramaniam (53), Minister of Steel and Heavy Industries, since April 10, 1962.
- Dr. K. L. Shrimali (53), Parliamentary Secretary (Ministry of Education), December 1953 — May 1955; Deputy Minister of Education, May 1955 — April 1957; Minister of State (In the Ministry of Education and Scientific Research), April 1957 — March 1958; Minister of Education, since March 1958.
- Mr. Humayun Kabir (57), Minister of Civil Aviation, 1957-58; Minister of Scientific Research and Cultural Affairs, since 1958.
- Mr. Satya Narayan Sinha (63), Minister of State for Parliamentary Affairs, 1948-52; Minister of Parliamentary Affairs, since 1952.

Trade Winds

COMPULSORY DEPOSIT SCHEME

WITH A VIEW to simplifying the working of the Income-Tax Payers and Employees Compulsory Deposit Schemes and to relieve the congestion at the Post Offices and branches of the Reserve and State Banks of India, the Government of India have announced a number of important procedural changes. These are briefly summarised below.

It has been decided that scheduled banks having an all-India character may also, on the recommendation of the Reserve Bank, be authorised to maintain the accounts of compulsory deposits in the same way as in the Post Offices and branches of the Reserve and State Bank of India. Meanwhile, in so far as the compulsory deposits recoverable during the month of July 1963 are concerned, the period within which they should be remitted to the deposit offices is being extended from 14 days to 45 days. In order that this extension may not involve any loss of interest to the depositors, interest on all such deposits will be allowed with effect from 1st August, 1963. It has been further decided to allow factories and establishments, which have been exempted under Section 17 of the Employees' Provident Fund Act, to maintain the individual accounts of Compulsory Deposits recovered from their employees. They will have to open only a single account in the name of the factory or establishment with a Head Post Office, or with the Reserve Bank or the State Bank or its subsidiary banks conducting Government treasury business in which the amount recovered by them from month to month will be credited in lump. Detailed instructions on this point will be issued separately.

It has also been decided to waive the requirement for getting an application form filled by individual employees. As the only purpose of the application form was to establish a direct link between the depositor and the Post Office, or any other authorised office where the account is maintained, to facilitate withdrawal of the amount, and as withdrawal is ordinarily permissible only after five years, it is not considered necessary to delay or complicate the opening of accounts by getting applications individually filled at this stage. Accordingly, the employers can get the account opened in the name of their individual employees by applying to the deposit offices. The facilities outlined above will materially reduce the pressure of work at Post Offices and other authorised offices and minimise inconvenience to individual depositors as well as to employers who have the responsibility of collecting these deposits from a large number of employees.

GOLD CONTROL RULES

In an attempt to standardise the supplies of primary gold and minimise the chances of evasion of sales, the Government has announced a series of changes in the Gold Control Rules. The new rules, notified in the Gazette of India Extraordinary dated June 24, 1963, directs refineries and dealers to convert within a week their stocks of gold into gold of 14-carat purity. Production of gold of higher purity in any primary form will hereafter be illegal. The rules as amended provide for the licensing of some non-power refineries in areas which are not served by any refineries at present. All refineries including those operated by power which are already in existence and are working or those which may be licensed in future, will be required to restrict the purity of any primary gold which may be produced by them to a maximum of fourteen carats, and (except in certain very special cases where pure gold has necessarily to be used and the permission of the Gold Board has also been obtained) the production of gold of any higher purity in any primary form will hereafter be illegal. Existing stocks with refineries and dealers

and any stocks which may be acquired by them hereafter will also have to be converted into gold of a purity not exceeding 14 carats within a period of seven days. Provision has also been made in the amended rules for the hall-marking of all primary gold which is produced by the refineries, and the necessary particulars, which are to be included or specified in the hall-marks, will be prescribed separately as soon as possible.

It has also been provided that the use of gold for the manufacture of anything other than ornaments or primary gold will also have to be authorised and regulated by the Gold Board. The existing provisions relating to control over the transactions of persons who are dealers as well as money-lenders or pawnees have been clarified and amplified. The new rules provide that the manufacture or sale of ornaments and the lending of money against the pledge of gold ornaments or other gold should be carried on in separate premises and that the return of pledged or pawned ornaments will be regulated to the extent necessary for checking evasion or contravention of the various provisions of the law. The opportunity provided by these amendments has been utilised to clarify the position regarding the search and seizure of gold and documents or records relating to articles in respect of which any contravention of the rules has taken place or is suspected as well as the prosecution and compounding of offences.

INCREASE IN SUGAR INDUSTRY CAPACITY

The Government of India have decided to resume licensing of additional capacity in the sugar industry. Consequently, applications for the establishment of new factories and expansion in the existing factories which have been recommended by the State Governments and are pending consideration are being taken up. A special Committee representing the Departments concerned has been set up for scrutinising these applications and advising the Ministry of Food and Agriculture with regard to the suitability or otherwise of the proposals, in the light of availability of sugarcane, economy of existing units and new ones which may be set up, and the prospects of early completion of the projects. The intention is to achieve installation of an additional capacity of five lakh tons during the next two or three years. The committee is expected to complete its work in about three months' time.

LOAN FOR RAJASTHAN CANAL

A further loan of Rs. 40 lakhs to the Rajasthan Government for financing the Rajasthan canal project during the current year has been sanctioned by the Union Ministry of Irrigation and Power. This brings the total amount sanctioned to the State Government for the project since 1957-58 to Rs. 27.24 crores. The Rajasthan canal, when completed, will be 425 miles long — 110 miles in Punjab and 315 miles in Rajasthan. Estimated to cost nearly Rs. 135 crores for the canal system and about Rs. 100 crores for the Pong Dam on the Beas river, it will convert the endless arid stretches of sand in the desert of Rajasthan into extensive farms and pastures. In all, it will irrigate an area of 15 lakh acres in Kharif and 21 lakh acres in Rabi, producing foodgrains and other agricultural products to the extent of 2.5 million tons annually.

The construction of the canal is planned in two stages. The first stage covers the Rajasthan feeder and the main canal up to 122 miles and is expected to be completed by 1968-69. The second stage, scheduled to be completed by 1975-76, covers the remaining length of the main canal up to the tail and all the branches and distribution system. Progress is being maintained on the construction of the project. The Rawatsar Distributory, commanding an area of 87,000

acres and the Suratgarh branch, commanding 2,75,000 acres, have already been completed.

PROGRESS OF GLASS INDUSTRY

In spite of the many difficulties in obtaining raw materials the glass industry has made a considerable headway. In 1960 the production increased to 224,740 tons compared with 124,200 tons in 1955. In the first two years of the third Plan, the onward march was well maintained and in 1962 production reached 2,50,000 tons. By the end of the third Plan it is expected that the production would reach around 4,40,000 tons. Accordingly, provision has been made in the third Plan for an additional capacity of 3,16,000 tons to be attained by the setting up of thirty units and substantial expansion of 18 existing units. A large number of units are located in West Bengal and U.P. Uttar Pradesh has the largest number of factories (28) accounting for a capacity of 83,000 tons.

Although imports are fast dwindling, some specialities still continue to be obtained from abroad. The industry has already entered the export market but progress in this direction cannot be said to be very satisfactory. This is because its products are unable to compete with others in respect of prices.

Speaking at the recent annual meeting of the Bengal Glass Manufacturers Association, Mr. P. P. Chandra, the president, pointed out that the future of the industry was bright. The Study Team of the National Productivity Council of India which visited the UK and the USA last year had made a number of valuable suggestions and recommendations for the production and development of the Indian Glass Industry and it is to be hoped that early action will be taken towards implementing them.

PRICE SUPPORT FOR LEMONGRASS OIL

The State Trading Corporation of India is entering the lemongrass oil market with a view to giving price support to the lemongrass oil industry. Purchase depots are being set up at Telicherry, Calicut, Alwaye, Cochin and Alleppey. Producers and collectors will be able to sell at these depots lemongrass oil of requisite citral content at the minimum prices fixed by the Government. The S.T.C. purchase price of lemongrass oil with 76 per cent citral content will be Rs. 13.75 per kg. The prevailing prices at present below Rs. 12.00 per kg.

Lemongrass is chiefly grown in Kerala. At present India is exporting about Rs. 2 crores worth of lemongrass oil annually to countries like the U.K., West Germany, the U.S.A., Switzerland, Japan and Italy. Lemongrass oil is mainly used for the manufacture of synthetic vitamin 'A' and as a base for some perfumes for the soap-making industry.

JUTE MARKETING CO-OPERATIVES

Under the price support scheme of the Central Government, Jute Co-operatives in Assam, West Bengal, Bihar, Orissa, U.P. and Andhra Pradesh and the Union Territory of Tripura purchased nearly 4 lakh maunds of jute during 1962-63. Under the price support scheme the jute co-operatives are likely to procure some 17.50 lakh maunds of jute during 1963-64.

In order to protect the interest of the jute growers, the State Trading Corporation was allowed to enter the market in 1962-63 and make purchases of jute from co-operative marketing societies of the eastern region on the basis of Rs. 30 per maund. Since co-operative marketing societies needed continuous revolving funds, the State Trading Corporation also provided special financial assistance of Rs. 50 lakhs to the Government of Assam and Rs. 5 lakhs to the Tripura administration to enable them to finance co-operatives undertaking jute procurement operations.

While reviewing the progress of the price support scheme during 1962-63 season, the ad hoc committee of the National

Agricultural Co-operative Marketing Federation which met recently recommended some measures which are necessary for the successful working of the scheme. These include the provision of adequate revolving finance to the co-operatives participating in the price support scheme, priority in the allotment of wagons to co-operatives and arrangements regarding weighment inspection and storage of jute stocks.

EMERGENCY RISKS INSURANCE

The rates of premia under the Emergency 'Risks (Goods) Insurance Scheme and the Emergency Risks (Factories) Insurance Scheme' revised from July 1, 1963 for the next quarter are 7.50 naye paise and 11.25 naye paise respectively for every hundred rupees or any part thereof of insurable value.

The rates for the previous two quarters were:

	Goods	Factories
1st Quarter	15 nP.	25 nP.
2nd Quarter	10 nP.	15 nP.

DEDUCTION OF SPT BY COMPANIES

Section 349 of the Companies Act, 1956, lays down the manner in which the net profits of a company are to be determined for purposes of computing the remuneration of the managing agents, managing directors, etc. Clause (d) of subsection (4) of the said section 349 provides that in determining the net profits any tax notified by the Central Government as being in the nature of a tax on excess or abnormal profits shall be deducted. In pursuance of this provision the Central Government have decided to notify the super profits tax chargeable under section 4 of the Super Profit Tax Act, 1963 as being in the nature of a tax on excess or abnormal profits.

INVESTMENT IN DEVELOPING COUNTRIES

Mr. Manubhai Shah, Minister for International Trade, in his speech at the Round Table Conference in Berlin, convened by the Association for Study of the Problems of Europe, on the subject of "Private Foreign Investment in Developing Countries", stated that the importance of the contribution which private foreign capital can make in not only providing capital but also in providing foreign exchange plus know-how and managerial capacities, should be fully recognised. The fields in which foreign capital can make contribution need to be identified with reference to a long-term picture of a country's development. Foreign capital can usefully play a role in import-saving or export-oriented industries. Of these the latter are more important from every point of view. Developing countries, Mr. Manubhai Shah stressed, should provide adequate climate for foreign investment along with the necessary infrastructural facilities. Levels of taxation are not such great impediments as is generally believed and in so far as concessions and incentives are concerned, perhaps the industrialised countries could at this juncture make a much more significant contribution than the developing countries themselves. Among the impediments to the flow of capital one of the most important is the lack of adequate knowledge of the actual conditions in an economy and this knowledge is better disseminated through influential channels rather than by inter-governmental negotiations or agreements. It is in this field, Mr. Manubhai Shah added, that he would urge large scale publicity measures and creation of sufficient intelligence and information services in both the industrialised and less developed countries.

CREDIT TO SMALL INDUSTRIES

In the issue of "Eastern Economist" dated 21st June on page 1420 under the above caption erroneous figures were mentioned inadvertently. Rs. 130.2 crores, Rs. 103.8 crores and Rs. 64 crores should be read as Rs. 13.02 crores, Rs. 10.38 crores and Rs. 6.4 crores.

Company Affairs

HINDUSTAN MACHINE TOOLS

THE ANNUAL Report of the Hindustan Machine Tools Ltd., for the financial year 1962-63 indicates a net profit of Rs. 2.15 crores, which is a substantially good progress when seen in the light of last year's net profit of Rs. 1.28 crores. The chairman in his annual report indicates that the gross revenue for the year stood around Rs. 7.68 crores, while the domestic sale prices of all Hindustan Machine Tools were nearly 10 to 20 per cent below the cost of European machines of equivalent quality. The Company has decided to pay 10 per cent dividend which is the highest in the public sector. The annual bonus based on profit and productivity equivalent to an average of Rs. 125 is proposed to be paid to every employee. The production of the two machine tools factories in Bangalore registered a record output of 185 machines during November 1962 which was maintained for the remaining period of the financial year. Work on the third machine tool factory at Pinjore is progressing well and the construction of a training centre was completed in February 1963 and training commenced in March. The factory is expected to be ready for commencement of production before the end of the year. A fourth machine tools factory is to be built at Kalamassery in Kerala, at an estimated cost of Rs. 7.5 crores. A temporary training centre was established in Trivandrum which was inaugurated by the Union Minister of Steel and Heavy Industries in May this year. The proposal to establish a fifth machine tools factory in Secunderabad with the foreign exchange credit to be made available by the Government of Poland is under consideration. When all the five machine tool factories are in operation, it is intended to decentralise the various production lines in Bangalore and permit each factory to specialise in one or two families of machines in order to ensure greater efficiency and lower costs. The Company's watch factory is progressing well and during the year 51,562 watches were assembled out of imported components and indigenous manufacture of components commenced from January 1963 with the manufacture of 25 components making 48 per cent of the total components. The Company has exported 26 machines valued at Rs. 10.62 lakhs to West Germany, Switzerland and Nepal and further orders have been booked for exports to Europe.

METAL BOX

Mr. M. K. Vellodi, Chairman of the Metal Box Company of India Ltd., at the annual general meeting held recently, reported about the successful performance of the company in spite of adverse conditions that prevailed during the year. The sale proceeds of the company increased from Rs. 10.50 crores last year to Rs. 11.35 crores during the financial year 1962-63, showing an increase of nearly 13 per cent. It continued its efforts to sell large quantities in the foreign market and in spite of various political changes in South-East Asia, its direct exports stood around Rs. 21.37 lakhs. It may be added that apart from direct exports the production of this company helped many other exporters by providing them with containers and packing materials made to international standards of quality. The Chairman highlighted the problem of raw material shortage especially of tinplate which was not being produced within the country. At various stages, he indicated, the company had to discontinue its manufacture though by and large the Government did realise the necessity and allowed them to import their requirements. The Chairman mentioned various schemes to develop alternate package products. The company developed its manufacturing of treated and laminated papers and boards and containers made out of them which will save a lot of tinplate. It has also started storage and printing of tinplate and the manufacture of open

top cans in new factory, and at Cochin the service installation for the prawn can industry has been expanded into a full-fledged manufacturing unit. It is also developing a wide range of flexible packages for indigenous raw materials and a new plant has now been commissioned to supply printed polyethylene bottles and a variety of canned and laminated flexible packages and flexible package materials.

ENGEL INDIA MACHINES

Specialised machine tools are planned to be produced by Engel India Machines and Tools Limited at its Calcutta factory where the construction has already started. Its authorised capital is Rs. 1 crore out of which Rs. 50 lakhs is being issued in the first instance. The directors and their friends and foreign collaborators will take up shares worth Rs. 20 lakhs and the remaining shares worth Rs. 30 lakhs will be issued to the public. The entire public issue is underwritten by the Industrial Finance Corporation of India, West Bengal Financial Corporation, Jardine Hendersons Ltd., and the L.I.C. The Company has also recently been granted a loan of Rs. 25 lakhs by the Industrial Finance Corporation. The total cost of the project, after its full implementation will come to about to Rs. 1 crore. The Company has secured the technical collaboration of Maschinenfabrik Ludwig Engels K.C. of Austria. The turnover of the Company is expected to be around Rs. 1 crore during the initial period. It has got exclusive export rights to the neighbouring countries. The plastic industry in India will thus be able to obtain latest type of machines locally. The Union Carbide India Limited has been appointed as the sole selling agents of the Company, for both the home and foreign markets.

BRITISH INDIA CORPORATION

Mr. Satish Chandra, Chairman of the British India Corporation Ltd., highlighted the quick response given by the company to the defence requirements while reviewing the working of the company at the annual general meeting held recently. A quick change, he said, was effected in the manufacturing programme of the woollen, textile and leather units and, to some extent in cotton textile units also. Production for military and civil requirements which was in the ratio of 20 to 80 in the woollen branches was reversed by the company and production targets were well maintained. Similarly, the Cooper Allen Boot Factory which was closed for several years was reopened to meet the defence needs. This increased operation was reflected in profits which stood around Rs. 133.38 lakhs—about 27 per cent more than last year's figure of Rs. 105.36 lakhs. The Chairman indicated that the balance sheet on the liability side shows a bank overdraft of Rs. 226 lakhs as against Rs. 129 lakhs a year before. This is attributable to a record level of production which required substantial increases in stocks. During the year, the cotton group carried through a programme of rehabilitation and modernisation and a licence was received for the installation of 12,000 additional spindles. An overall rehabilitation and modernisation programme was envisaged for its sugar factories too.

DALMIA CEMENT

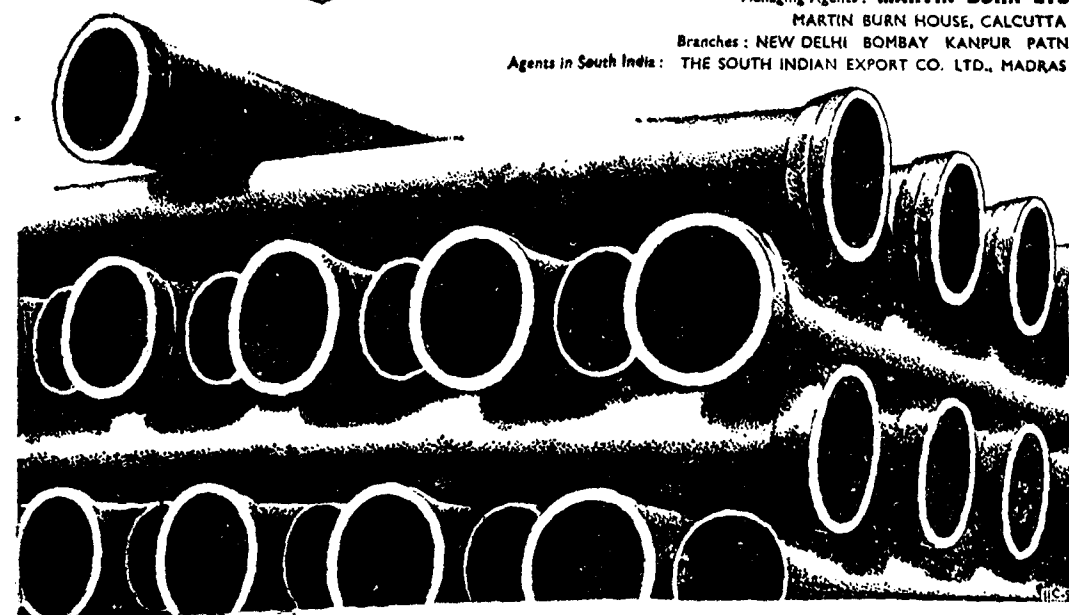
Mr. V. H. Dalmia, Chairman, Dalmia Cement (Bharat) Ltd. highlighted the problem of packing charges faced by the industry while speaking to the shareholders at the annual general meeting held recently. He pointed out that the packing charges announced by the Government on a quarterly basis are determined as an average of the prices of new and of second hand bags. In determining the price, the proportion of second hand bags was raised by the Government with effect from the quarter October-December, 1962, to 50 per

C. I. PRESSURE PIPES BY



THE INDIAN IRON & STEEL CO. LTD.

WORKS: BURNPUR & KULTI
SALES DEPARTMENT, 12, MISSION ROW, CALCUTTA I
Managing Agents: **MARTIN BURN LTD.**,
MARTIN BURN HOUSE, CALCUTTA I
Branches: NEW DELHI BOMBAY KANPUR PATNA
Agents in South India: THE SOUTH INDIAN EXPORT CO. LTD., MADRAS I

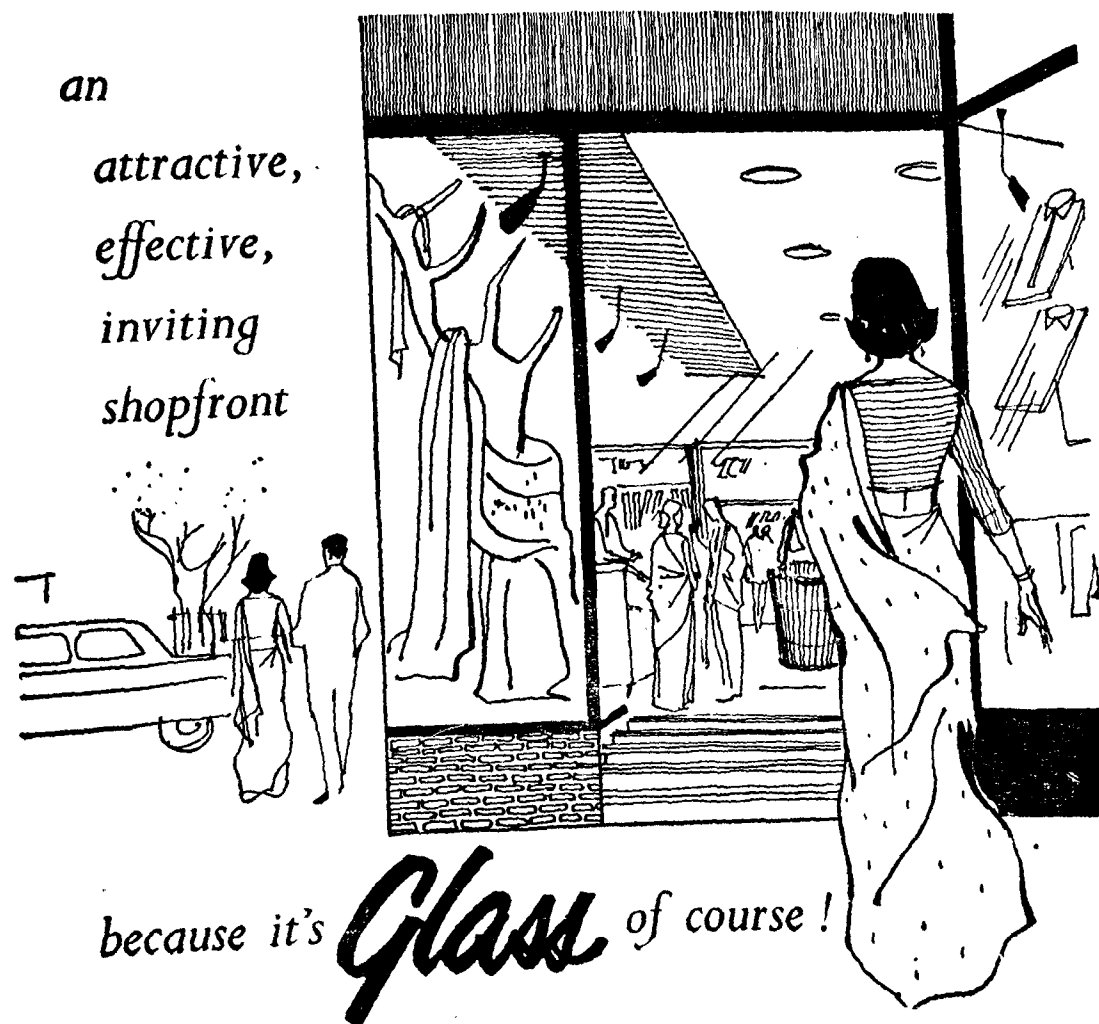


IISCO-STANTON Cast Iron Spun Pipes

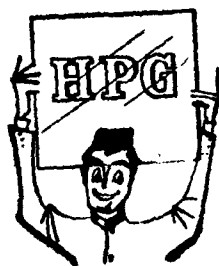
Made to BS 84 1211 of 1955 and Vertically Cast Pipes to BS 84 78 of 1955. IISCO pipes are used throughout the length and breadth of the country. Among the big projects that have already used IISCO pipes are: the Mattanchery Project at Ernakulam, 8,62,000 Rft; the Water Supply and Drainage Scheme in Madras State, 48,02,000 Rft and the Ajmer Water Supply Scheme, Rajasthan, 3,69,000 Rft. Today, IISCO pipes are being employed at:

Barren Water Supply Project A/c. Chief Engineer, P.H.E.D., Bihar, Patna.	4" to 30" Spun Pipes	1,36,050 ft.	5355 tonnes approx.
Coal Mines Water Supply Scheme A/c. National Coal Development Corporation Ltd.	14" to 27" Spun Pipes	1,25,591 ft.	5456 ..
Municipal Corporation of Delhi.	24" to 36" Spun & V.C. Pipes	53,613 ft.	11943 ..
Ahmedabad Municipal Corporation.	60" V.C. Pipes	5,676 ft.	2345 ..
Fertiliser Corp. of India Ltd., Namrup Project.	16" to 24" Spun Pipes	22,874 ft.	1461 ..
The Chief Engineer, L.S.G.F.D., Lucknow.	15" to 27" Spun Pipes	25,695 ft.	1448 ..
Corporation of Madras.	21" to 33" Spun & V.C. Pipes	23,766 ft.	2135 ..
The Executive Engineer, P.H., Visakhapatnam.	14" to 18" Spun Pipes	16,405 ft.	196 ..
The Public Health Engineer, M.P. Bhopal.	30" to 36" Spun & V.C. Pipes	10,454 ft.	1375 ..
Maharashtra State Electricity Board.	21" Spun Pipes	21,000 ft.	1761 ..

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attractive,
effective,
inviting
shopfront



For the finest,
most durable glass
you can depend
on HPG



A customer is inside this shop long before she actually steps in! And no wonder. Thanks to the clear, bright, glass exterior, your display has gone half way out to greet her.

Inside too, glass counters are hard to beat. Goods are effectively displayed but stay protected at the same time.

And glass is so elegant, so easy to clean and so very functional. It lets in natural light but shuts out the dust and noise of the street.

Available in a wide variety of sizes and thicknesses, and quality tested at every stage of manufacture, there's an HPG sheet glass to suit every purpose.

HINDUSTHAN-PILKINGTON GLASS WORKS LIMITED

Managing Agents: Talukdar Law & Company Private Limited
Hindusthan Buildings, 4 Chittaranjan Avenue, Calcutta-13

JWTHP 5449

cent from 25 per cent, without even consulting the industry. This presupposes the procurement of something like 90 million second hand bags for cement packing which is an impossible figure. Moreover, an insistence on the extensive use of second hand bags is likely to lower the standard of packing which would go against the interest of the consumers, and lead to considerable wastage. He urged the Government to review its decision in determining the average price by taking into account second hand bags to the extent of 25 per cent. The Chairman indicated that the profit of the company has risen considerably from Rs. 34.02 lakhs to Rs. 146.62 lakhs during the year under review. The provision for taxation, however, has increased considerably, but it has been possible to maintain the dividend. Referring to iron ore produced by the company, the Chairman expressed satisfaction that the railways have increased their capacity for the transport of iron ore by the all meter-gauge route from the Bellary-Hospet region to Cuddalore Port and he expected that the company will be able to increase its pace of export with the development of Cuddalore Port. He also pointed out that Japanese steel mills had contracted with the State Trading Corporation to buy more iron ore which is a favourable development for this company.

JAIPUR METALS

Jaipur Metals and Electricals Ltd. during 1962 recorded satisfactory results with sales and profits showing new heights. Earnings at Rs. 23.79 lakhs were nearly 40 per cent higher than last year's figure of Rs. 16.23 lakhs. The Directors have recommended a dividend of 6 per cent on ordinary shares, which is lower than last year's dividend because of higher appropriations on account of depreciation, taxation, etc. Mr. R. H. Kamani, Chairman of the company at the annual general meeting held recently, pointed out that the production of "Jaipur" meters has been very encouraging and has reached a record production which is 20 per cent more than last year's. The production of "Siemens" meters taken in hand in 1961 was also well maintained. The working of the metals division was also quite satisfactory. The Chairman pointed out that a major part of machinery for the manufacture of cycle-meters and magnets, the two most important components for the manufacture of "Jaipur" meters has arrived and the company hopes to be nearly self-sufficient in the manufacture of final products. He has also pointed out that the company has obtained industrial licence for the manufacture of enamelled copper wire and cotton, silk and paper covered wires and strips. The Chairman hopes that the import licence required for machinery will soon be received. The Industrial Finance Corporation of India has approved a further loan of Rs. 65.26 lakhs for the above development and expansion programme. The company also issued during the year 25,000 equity shares of Rs. 100 each at a premium of Rs. 15 per share by way of rights shares.

LEINER-KNIT ISSUE

The subscription list for the public issue of Leiner-Knit Gelatine Company Ltd., will open on July 1, 1963 to close on July 13 or earlier but not before July 3, 1963. It has an authorised capital of Rs. 50 lakhs, all in equity shares of Rs. 100 each. It has already issued shares of the value of Rs. 6.62 lakhs to the promoters, directors and friends and Rs. 1.87 lakhs to the foreign collaborators. It is proposed to issue shares worth Rs. 16.50 lakhs of which shares of the value of Rs. 1 lakh have already been allotted to the directors, their friends and associates and the foreign collaborators will be allotted shares of the value of Rs. 3 lakhs against the supply of machinery. Offer to the public will be in the form of 12,500 shares of Rs. 100 each. The entire public issue has been underwritten by the Industrial Finance Corporation of India, the ICICI, and the L.I.C. The Company proposed to establish a factory in Madhya Pradesh for the manufacture

of industrial, pharmaceutical, photographic and edible gelatines and allied products. It has been licensed to manufacture 1,200 tons of gelatines of various types and by-products every year. It has also been granted the licence for the manufacture of 12,000 tons of ossein and 10,200 tons of di-calcium phosphate every year. It has secured the collaboration of Leiner & Sons Ltd., of England who will supply machinery of the value of Rs. 3 lakhs for the project. The bulk of the machine to be imported has already been shipped and the plant is expected to go into production in the second half of this year. The total capital outlay on the project is expected to be around Rs. 50 lakhs which will be financed by the equity capital to the extent of Rs. 25 lakhs, a loan of Rs. 19 lakhs from the M.P. Financial Corporation and the bank borrowings of the order of Rs. 6 lakhs. The Company's annual turnover is estimated at Rs. 75 lakhs.

TRAVANCORE CEMENTS

The working of the Travancore Cements Limited during 1962 was quite successful in the sense that the sales of white cement increased steadily and 4,623 tonnes were sold against 3,447 tonnes a year before. The net profit of Rs. 9.68 lakhs was recorded against Rs. 4.99 lakhs during 1961. The Directors have recommended the payment of dividend at the rate of 7 per cent (taxable) against 6 per cent a year before. The Chairman, Mr. C. S. Loganathan, informed the shareholders at the Annual General Meeting held recently, that a research institute to be called "Cement Research Institute of India" has been formed by the Association of Cement Manufacturers, where scientific research will be conducted on cement and allied industries. The company has contributed its due share. The Chairman made a pointed reference to the recent decision taken by the Government of India in respect of cement prices which have been raised by Rs. 2.75 per ton with effect from June 1, 1963 on account of increase in prices of coal, railway freight, electric charges etc., and additional expenditure by way of Emergency Risk Insurance. It is quite unfortunate that this increase in price has not been allowed to this company. There cannot be any justification, as the Chairman pointed, for the Government to exclude this company alone from getting the benefit of this price increase. It is true that this factory is working very efficiently but it cannot be denied that raw materials and the cost of production of various other items have increased for this company too.

BURN AND COMPANY ISSUE

The board of directors of Burn & Company Ltd., have decided to approach the Controller of Capital Issues for consent to the capitalisation of free reserves to an extent of Rs. 84 lakhs and make a bonus issue in the ratio of one ordinary share for every such share held.

CAPITAL ISSUES

Five companies have been authorised by the Controller of Capital Issues to raise capital aggregating over Rs. 2.10 crores. One company is issuing part of its capital on a right basis to its foreign collaborators. One is issuing equity plus preference shares. One company is a public sector enterprise. The consent in all cases is valid for 12 months.

Saund Zweirad Union (India) Private Ltd., Delhi, a company registered last year to manufacture auto-cycle, mopeds and allied products in collaboration with Zweirad Union AG Nurnberg, West Germany, has been accorded consent to issue capital of Rs. 20 lakhs divided into 20,000 equity shares of Rs. 100 each. Out of this shares of the value not exceeding 24.99 per cent will be offered to the foreign collaborators against import of plant and machinery and the balance for cash at par.

Hindustan Machine Tools Limited, Bangalore, a Govern-

July 5, 1963

ment of India undertaking, is raising further capital of Rs. 1.44 crores, divided into 14,400 equity shares of Rs. 1,000 to be subscribed privately by the Government of India.

Everest Cycles Limited, Gauhati, will issue capital of Rs. 10 lakhs divided equally into equity and preference shares of Rs. 5 lakhs each. The capital is required for repayment of loans for acquiring a factory at Gauhati for the manufacture of bicycles.

Reichhold Chemicals India Limited, Madras, is to issue further capital of Rs. 20 lakhs, divided into 20,000 equity shares of Rs. 100 each, to be issued privately for cash at par. Out of this shares of the value not exceeding Rs. 9 lakhs, will be offered to its U.S.A., collaborators, on rights basis. The money will be used for manufacturing synthetic resins.

The Commercial Printing Press Limited, Bombay, with a paid up capital of Rs. 16,50,000 will issue capital of Rs. 16,50,000 in equity shares of Rs. 1,000 each for cash at par. The proceeds for the issue would be utilised for the purchase of land and construction of building for the printing press.

LICENCES ISSUED

The Union Ministry of Commerce and Industry has granted licences to the following firms under the Industries (Development and Regulation) Act, 1951 during the week ending 22nd June, 1963. The list contains the names and places of the licensees, articles of manufacture and annual installed capacity.

IRON & STEEL CASTINGS

Orient Steel and Wire Industries Private Ltd., 2, Brabourne Rd., Calcutta (Lillooah, Howrah, West Bengal) — Chilled cast iron shots 1,200 tons. **Saru Smelting and Refining Corporation Private Ltd.**, Sardhana Road, P.B. No. 58, Meerut (Uttar Pradesh) — Chilled iron shots and grits 1200 tons, Steel wire grits 240 tons.

OTHER METALS

Bhandary Metallurgical Corporation Private Ltd., Vekh-rol, Bombay-79 (Maharashtra) — Brass/Bronze, wires and rods 600 M.T.

ELECTRICAL LAMPS

India Carbon Co., Ganesh Bag, Nehru Road, Bombay-80 (Greater Bombay, Maharashtra) — Cinema Arc Carbons 3 million pairs per annum, Midget Electrodes 75 million pieces per annum, miscellaneous carbon products like slabs etc. 30 tons.

ELECTRICAL CABLES

Universal Cables Ltd., P.O. Satna (Madhya Pradesh) — Thermoplastic power cables 240 miles.

ELECTRONIC EQUIPMENT

Lalji Ramji & Co., 17, Keshavji Naik Road, Post Box No. 5013, Bombay — 9 (Greater, Bombay, Maharashtra) — Magnetic tapes of different varieties used in recording and re-producing sound 90 million linear ft. per annum i.e. 75,000 spools.

TEXTILES MACHINERY

Lakshmi Card Clothing Mfg. Co. Private Ltd., Avenashi Road, Pappana Lokenpalayam, Coimbatore (Palladam (Coimbatore), Madras) — Licker-in-wire 30 tons.

MACHINES TOOLS

Manek Lal & Sons 115/116, Narayan Dhum Street, Bar-bhai Mohalla, Mandvi, Bombay-3, Proposed name: Yodoguwa

Maneklal Press Mfg. Co. Private Ltd. (Udhna, Surat, Gujarat) — (1) Single and double crank presses up to 300 tons, (2) High speed notching Presses (5-10 ton capacity), (3) Friction screw Presses (50-200 ton capacity), (4) Knuckle Joint Presses (50-200 ton capacity), (5) Deep drawing presses (45-100 ton capacity), (6) Plate shearing machines (capacity up to 3/8" x 8"), (7) Press Brakes (3/8" x 8") Capacity Rs. 6 lakhs worth in the first year going up to Rs. 50 lakhs in the 5th year. **Tak Machinery Ltd.**, Janmahoomi Bhavan, Ghoga Street, Fort, Bombay-1 (Maharashtra) — Guillotine Shearing Machines 50 Nos. per annum Combination punching Cropping and shearing machines 100 Nos.

PLASTICS MOULDED GOODS

M. Varadarajan, B/15/16, Industrial Estate, Sanatnagar, Hyderabad-18, (Proposed name: M/s. Wavin India Ltd., (Near Madras, Madras) — Hard PVC Pipes and fittings 600 to 1000 tonnes. **Bhor Industries Ltd.**, Sir Vithaldas Chambers 16, Apollo Street, Bombay-1 (Baroda, Gujarat) — PVC Flooring material 1200 tonnes per annum. **Bhor Industries Ltd.**, Sir Vithaldas Chambers, 16 Apollo Street, Bombay-1 (Baroda, Gujarat) — PVC rigid pipes 480 tonnes. **Shri Surinder Kumar Jain**, 4639/40, Sundar Bhawan, Deputy Ganj, Delhi-6, Proposed name: Synthetic Foams (India) (Kota, Rajasthan) — Synthetic Foams 720 tonnes.

PORTLAND CEMENT

Chettinad Cement Corporation Ltd., 80, Sembudoss Street, Madras-1 (Karur, Thiruchirappuli Dist., Madras) — Portland Cement 400,000.

HAND TOOLS

Steel and Allied Products Ltd., 17, Brabourne Road, Calcutta (Majerhat, Calcutta, West Bengal) — Threading taps 2,50,000 Nos., Chasers/dies 20,000 sets.

CHEMICALS

Excel Industries Private Ltd., 184-87, Ghodbunder Road, Jogeshwari, Bombay-60 (Jogeshwari, Bombay, Maharashtra) — Camphor 120 M. tonnes. **Indian Copper Corporation Ltd.**, C/o Gillanders Arbuthnot & Co. Ltd., Post Box No. 174, Gillander House, Calcutta-1 (Ghatsila, Bihar) — Nickel Sulphate 260 tonnes.

JUTE

The Kelvin Jute Co. Ltd., Mcleod House, 3 Netaji Subhas Road, Calcutta-1 (Calcutta, West Bengal) — Wide Hessian (Carpet Backing cloth) 120 Broad looms for producing 12,600 tonnes. **Khardah Co. Ltd.**, Post Box No. 140, 7, Wellesley Place, Calcutta-1 (West Bengal) — Wide Hessian (Carpet Backing cloth) 116 Broad looms for producing 12,180 tonnes. **The Nuddea Mills Co. Ltd.**, 2 Fairlie Place, Calcutta (West Bengal) — Wide Hessian (Carpet Backing cloth) 40 Broad looms for producing 4200 tonnes.

SHEET AND PLATE GLASS

Andhra Pradesh Industrial Development Corporation Ltd., Nizam Sugar Factory Building, Fateh Maidain Road, Hyderabad-4, Proposed name: Andhra Pradesh Glass Works Ltd., Andhra Pradesh) — Sheet glass 24 M. sq. ft., Glass Bottles 12000 tons, Glass shells 20 M. pieces i.e. 900 tons, Glass Tubes 900 tons, Crystal Glass and glass ware 1500 tons.

CHANGES IN THE NAMES

(During the week ending 22nd June, 1963).

From name of the undertaking: **M/s. Dhemo Main Collieries Ltd.**, Asansol to name of the owner: **Shri S.K. Rungta**, Calcutta. From licensee: **Dr. M. S. Patel**, Bombay to name of the undertaking: **M/s. Cashew Shell Products and Chemicals Ltd.**, Bombay.

July 5, 1963

Readers' Roundtable

IS THE RUPEE OVERVALUED?

Sir, — During my speech on the Finance Bill on the 25th April, 1963, I argued that the over-valuation of the rupee in relation to sterling and dollar was one of the persistent causes for India's unfavourable balance of trade. The following is the text of my remarks on the subject.

There is also another element which has upset our balance of payments and which is making our export drive largely ineffective. It is a fact that our rupee is over-valued in terms of foreign currency. If we take the price indices of 1939 and 1963 and find out how much a dollar or a pound bought in terms of ordinary goods before the World War and how much they buy today, and similarly if we calculate how much a rupee bought in 1939 and how much it buys today, we find that today the dollar and the pound buy a proportionately greater quantity of goods than the rupee. Therefore our rupee is over-valued, because the same 1 shilling 6 pence continues, while its internal value has deteriorated; our rupee is highly over-valued, and unless it is brought on a par with other currencies there will be a fundamental disequilibrium in our economy, which cannot be remedied. It has been the experience of all the countries of the world that an over-valued currency is like a burden, which one carries when one is walking up a hill. Therefore, I suggest that this matter should be seriously examined by experts of the International Monetary Fund, and I have no doubt that their experts will advise our Government to devalue the rupee. If we can have one shilling as the rupee equivalent, then our economy will be on a more even keel than it is today. It is quite true that on account of exchange control and import control we are prevented from reaping the full disadvantages of this over-valuation — they are partly counter-balanced — but still it makes our economy permanently sick, and I do not believe that all the efforts and concessions in relation to the export drive will succeed. Over-valuation means that our exports are proportionately more costly, and our imports are proportionately less costly. Therefore, it makes for a greater disequilibrium in the balance of payments."

After making the speech I had gone away on a tour to Maharashtra in connection with the Study Team for Panchavati Raj Finances. The Finance Minister replied next day and he vehemently repudiated my contention that the rupee was over-valued. He argued that between 1949 and 1963, the depreciation of the rupee was not much greater than the depreciation of other currencies including the sterling and the dollar.

To be fair to the Finance Minister, the reporter of the Rajya Sabha had made a mistake in my speech by putting the year 1949 instead of 1939 and if the wholesale price index of 1949 were taken as a base, there was some justification for his contention though even during this period the rupee deteriorated to a greater extent than the sterling and the dollar. The indices of wholesale prices given in the table opposite have been taken from the Report on Currency and Finance of the Reserve Bank of India for the year 1961-62.

It will be seen that between 1953 and 1961 Indian wholesale prices increased by 21 points as against 16 points in the U.K. and only 8 points in the U.S.A.

But my main contention was based on the relative value of 1939 and 1960. With the same base index of 1953 equal to

100, the following figures have been calculated from the statistical year books of the United Nations:

	India	U.K.	U.S.A.
1939 ..	27	31	46
1948 ..	93	67	95
1955 ..	90	104	101
1960 ..	118	102	109

From this it will be clear that the prices in U.S.A. increased by 240 per cent and U.K. 330 per cent, while in India the increase was as much as 440 per cent. On 18th September, 1949, the sterling was devalued by 30.5 per cent so that it was brought into pre-war parity with the dollar. The Indian rupee also was devalued simultaneously to the same extent but there was a wide gap between the depreciation of the rupee and the sterling which was not made up in any manner. It is this disparity that has been weighing down our economy. As I pointed out, owing to our stringent controls on imports and foreign exchange the disadvantages of over-valuation were partly counter-balanced. This is a kind of artificial respiration which cannot be continued indefinitely.

The Finance Minister, protested that anyone who talked of over-valuation of the rupee or the need for its devaluation was doing harm to the country. I agree with him that this is a delicate issue on which it is wrong to speak, or write without due sense of responsibility. But I am convinced that the Indian economy is not in a healthy condition and this is the reason why, in spite of all the herculean attempts at planning and injection of a thousand crores a year, the national income is not rising appreciably. I feel that one of the causes of this sickness is the lack of proper relation between the rupee and the principal foreign currencies of free countries which are dominated by the dollar and the sterling. At the present rate of exchange of the rupee at one shilling six pence, the cost of production in India is so high in relation to international prices of almost all manufactured articles that exports of our industries cannot be increased without heavy subsidy, direct or indirect. The Finance Minister

INDEX NUMBERS OF WHOLESALE PRICES (Base 1953 : 100)

	India	U.K.	U.S.A.
1950 ..	105	85	94
1955 ..	88	103	100
1956 ..	99	107	104
1957 ..	104	110	107
1958 ..	107	111	108
1959 ..	111	112	109
1960 ..	118	113	109
1961 ..	121	116	108

is not in a position to provide the requisite subsidy in the form of sacrifice of taxation, reduction of railway freights etc. Hence all the highly advertised export promotion schemes are not likely to yield satisfactory results.

K. SANTHANAM, M.P.

MADRAS.

BOOKS BRIEFLY

When the Monarch Trades

Nationalisation of Industries in India: By K. C. Bhandari; Academic Publishers, 11, Panchanan Ghose Lane, Calcutta-9; Pp. 221; Price: Rs. 10.

Reviewed By "M. M."

THE QUESTION of nationalisation of industries has been agitating many minds in India and abroad, especially after the independence of the country in 1947 and the incorporation of a rapid programme of industrialisation in India's five-year Plans. Dr. Bhandari tries to give a short, but comprehensive, account of the whole subject, and he succeeds in this.

Dr. Bhandari's book is divided into nine chapters, three Appendices, a Bibliography and an Index. Chapter I deals with the controversy about the meaning and implications of the term 'nationalisation' and with the historical aspect of the theory of nationalisation. Chapter II discusses the economics of public enterprise in relation to some standard criteria, such as, maximum welfare to the whole community, maintaining full employment, and others. Chapter III gives the views of well-known thinkers, scholars and economists on the subject. Chapter IV narrates Nationalisation elsewhere, that is, in other countries. Chapter V examines the economic policy of the "State vis-a-vis nationalisation". The nationalised sector in India is reviewed in Chapter VI. Various forms of administration of public enterprises in India are discussed next in Chapter VII.

In Chapter VIII, Dr. Bhandari discusses the problems of 'nationalisation' in India under two broad heads: (a) Problems of nationalisation, and (b) Problems of nationalised industries and services. This, according to the author, can claim to be an "original contribution to the subject". This chapter is interesting, specially the second part. Some of his observations merit serious consideration, such as, Members of Parliament and Ministers should not find a place on the Boards of Corporations or of Directors, there should be no Civil Service personnel on the Boards, the arguments against creating an "Economic Service", etc. This chapter should be enough for a busy reader.

The weakest chapter is, however, the last one devoted to 'Conclusion'. No one disagrees with Dr. Bhandari's main conclusion that "Nationalisation" is a 'fait accompli' — it is accepted fairly widely. But some of his other conclusions are rather scrappy, and smack of political rhetoric. For example, take the last paragraph of Chapter IX which reads as:

"Nationalisation as an important part of the planned economy of the country has come to stay. With its future is linked the future of the country. It must, therefore, succeed, as failure would be a national disaster. Let us, therefore, be cautious, vigilant and watchful and the future is ours."

Again, there are two lines in this Chapter on page 172 (last para) which read:

"It may, however, be stated that Fertilisers Industry should also be developed exclusively under the public sector. Public ownership of such an industry in an under-developed country like India which is fighting its food battle, is bound to accelerate the development of agriculture which is the mainstay of the country's economy."

The sentiments expressed above may be sound or otherwise, but the way they are expressed do not carry conviction. If the author's idea was to justify public ownership of the Fertilizer Industry, then he could have done it much better

by giving some hard facts.

Dr. Bhandari's book — "Nationalisation of Industries in India", however, is, on the whole, a good introduction to the subject and is a good compilation of much scattered materials that have appeared at many places before from time to time.

CREATING AN IMAGE

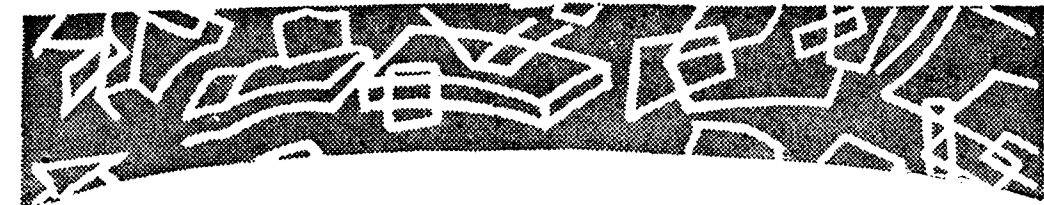
Foreign Trade of India: Journal of the Ministry of Commerce and Industry, Government of India.

THE MINISTRY of Commerce and Industry has brought out a monthly journal, "Foreign Trade of India", for export publicity abroad. The first issue, dated April 1963, is devoted to cotton textiles. There are some excellent articles by specialists on various aspects of this industry which make good reading. The reviewer feels that these things have their place, but only a very limited one, in journals of this sort that aim at creating a certain image of Indian Industry—or any specific branch of it—in the minds of the overseas public. A useful lesson to this end may be learned from similar journals in other countries. In fact, in this sort of business cost should be no consideration and there should be no relaxation of standards in colour printing and general layout. A riot of colours is in order, in fact, called for—in contrast to the melancholy specimens of models and designs as they have come out in print in this issue.

It is good to learn that subsequent issues of the journal are scheduled to cover some important sectors of the Indian Export Industry. While the new venture has much to commend itself, the reviewer still feels that the business at hand calls for a more colourful journal and should perhaps be left to professional publicists conversant with the world market. An image of India by definition will not be attained by statistics and learned articles, but by deft handling by trained specialists. The creation of an Indian image abroad is too serious a task to be left to the erudites of a government department however well-meaning; they rarely know the difference between red and scarlet, yellow and gold....

ECONOMY IN PERSPECTIVE

Industry in India: Published by Industry & Trade Services, 4/9 Asaf Ali Road, New Delhi; Pages 416; Price Rs. 15. THE PUBLICATION of 'Industry in India' at a time when we are devoting full attention to various plans and economic programmes is highly useful. A genuine attempt has been made in it to present a fairly comprehensive picture of not only the Industry of India, but of the whole economy as such. There is hardly an aspect which has not been touched upon in this volume. If one is taken into the dry fields such as stock exchanges which, of course, play a substantial role in mobilising risk capital, one is also taken out of it and provided with a deep insight into the land of India and its people. A separate section is devoted to the State sector where the entrepreneur is given an idea as to how some of the State Governments have been taking a keen interest in providing many facilities for the establishment of new industries within their respective territories. To the industrialists and entrepreneurs, it should, therefore, be of greater value for it places before them in clear terms the vast opportunities of industrial expansion in the country. The considerable scope that exists for starting many new industries and also in diversifying existing ones is unravelled by the experts on the subject. The results of the first two five-year Plans and a brief outline of the third five-year Plan acquaint the reader with what has been achieved and the task that lies ahead.



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COMPANY MEETINGS

ASIAN CABLES CORPORATION LIMITED

Extracts from the Address of Shri Girdharlal B. Kotak, Chairman, Asian Cables Corporation Ltd., delivered at the Third Annual General Meeting of the Shareholders of the Company, on the 27th June, 1963.

Gentlemen,

It being the first year of production your Directors had to take very important and far reaching decisions on certain matters involving policy such as bifurcation of Accounts of Project I and Project II, allocation of pre-operational expenses to appropriate Heads of Capital Assets, valuation of closing stocks, etc. This necessitated the extension of the time for holding the Annual General Meeting which the Registrar of Companies was pleased to grant.

PROGRESS

The Corporation has made during the year under report a loss of Rs. 11.52 lakhs after providing for depreciation of Rs. 6.60 lakhs which would leave an actual working loss of Rs. 4.92 lakhs, not unusual in the initial year of production. This is inevitable in all new ventures, at least in the first one or two years of production. Our Company came into regular production in January 1962. It will be seen from month to month production that the output has been steadily rising from about Rs. 25,000 in January 1962 to about Rs. 7.50 lakhs at present, our full-rated capacity.

The production has now stabilised round the figure of about 12,50,000 core metres of cables per month valued at about Rs. 7.50 lakhs on a single shift basis. In the month of March 1963, the production touched a record figure of Rs. 8 lakhs. I have no doubt that with the efficient and competent staff that we have and the happier relations we are maintaining with the labour, we should be able to maintain this progress, and show better results for the current year.

MARKET REVIEW

I am happy to inform you that on the removal of the prospects of an immediate threat of further Chinese attack, and improvement that is now felt in the general economic conditions in the market, sales have started picking up and have increased considerably in the recent months. Our quality is being considered as good as the best produced in our country, and even in the United Kingdom.

RECENT INCREASE IN EXCISE DUTY

I may make here a reference to an additional factor which has affected more or less all the industries, but more the newly established industries. For Cables, the Government had imposed last year an excise duty for the first time. Simultaneously the percentage of excise duties on several other articles used in the manufacture of Cables was also increased. During this year the incidence of excise duty on many of the basic articles that go in the manufacture of Cables has been increased further. It will be thus seen that levies have to be paid at various stages on the same articles which are used as ingredients in the manufacture of Cables. This naturally affects the cost structure; obviously all this extra burden on the cost of finished products cannot wholly be recovered from the customers. The Industry itself will have to bear some part of these multiple additional imposts.

PROJECT II

The foundation stone of our Project II was laid on 25th February, 1963. The construction of the buildings for the new Project has already begun. Orders have already been placed for the necessary machinery and equipment and we expect the shipment of the machinery to commence before the end of

this year, and production to start before the end of the next year. Some technicians have already been recruited and five of them are now under training in England in the Power Cable Factory of M/s. Enfield Standard Power Cables Limited. I am glad to report to you that our Collaborators agreed to contribute their full part of investment in the equity capital of our Company amounting to US Dollars 11,30,000. We as citizens of this country really feel grateful to those who have been unstintingly assisting this country in order that better standards of living are obtained here and thus creating enduring prospects for peace and security and goodwill amongst the nations of the world.

I may also refer to the unpaid balance which remains to be called up on the right shares of the Company. The unpaid balance could have been called earlier. But actually the Company has not been in need of this much of money so soon. Collecting these balances earlier and when not needed would unnecessarily deprive the shareholders of the interest that may be accruing to them on their bank balance though the company would have certainly been benefited by the interest advantage that would accrue on such called-up capital. It will, therefore, be appreciated that the Company has not called up the balance share capital for the sake of convenience and benefit to the shareholders.

I am very thankful to Industrial Credit and Investment Corporation of India Ltd. and Industrial Finance Corporation of India who have stood by us all along in our need of Foreign Currency. I extend my thanks to Company's Bankers for their hearty co-operation.

I take pleasure to inform you that we have in our midst as Shareholders, besides the Banks and Insurance Companies, the Life Insurance Corporation which has invested Rs. 2,56,000 in the Equity Share Capital of our Company.

Before I conclude I should not fail in my duty to thank on behalf of the Board, the shareholders and on my own behalf, the Engineers, the Staff and the employees of the Company, for the efforts they have put in and the spirit of co-operation they have shown which have greatly contributed to the successful and satisfactory progress of the Company during the year under report. This encourages your Directors to look to the future with greater confidence. Our thanks are also in no small measure due to the spirit of sacrifice and service of the two Managing Directors who worked without any remuneration for nearly 3 years and even after that on a remuneration of Rs. 1,250 per month only because of the inadequacy of profits.

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

LEND TO DEFEND
INVEST IN
NATIONAL DEFENCE
CERTIFICATES

COMPANY MEETINGS

DALMIA CEMENT (BHARAT) LIMITED

Summary of the speech of the Chairman, Shri V. H. Dalmia, delivered at the Eleventh Annual General Meeting of the Company held at Dalmiapuram (Madras State) on 28th June, 1963.

Gentlemen,

It gives me great pleasure to welcome you to the Eleventh Annual General Meeting of your company. Since we met last, many eventful developments have taken place. The most significant, of course, was the unprovoked aggression on our northern frontiers towards the end of last year.

2. Your company was quick to respond to the emergent situation. Apart from the contributions to the Defence Fund, special attention is being given to maximising the production. The Joint Production Committee consisting of representatives of the employees and the Management has done a good job in raising the production at your Dalmiapuram Works to a record level.

3. I am sure you must have received with satisfaction the working results of your company for the year ended 31st December, 1962. The gross profit has risen from Rs. 84.02 lakhs to Rs. 146.62 lakhs — an increase of Rs. 62.60 lakhs. At the same time, the provision for taxation has gone up by Rs. 46.50 lakhs. Taxation will take away over 74 per cent of the increased profit made in 1962, partly due to the newly levied Super Profits Tax. It is, however, a matter of satisfaction that despite the heavy burden of taxation, it has been possible to maintain the dividend as also to strengthen your company's Reserve position by transferring Rs. 13.50 lakhs to the General Reserve.

4. Cement continues to be in short supply throughout the country and the position has somewhat worsened with the increased requirements of the Government on account of the Emergency. The expansion of cement industry has not, however, kept pace with the demand for various reasons including the difficulty in procurement of essential plant and equipment. In 1962, the installed capacity touched 9.728 million tonnes against 9.4 million tonnes in 1961, an increase of barely 3.5 per cent. The available estimates of the likely expansion of the production capacity within the third Plan period would indicate a continued shortage of cement. I am glad to inform you that there has been a distinct improvement in the utilisation of the installed capacity by the removal of such impediments as inadequate supply of coal, wagons for supply of raw materials and despatch of the finished product etc. The Government is also giving active consideration to encourage the manufacture of blended cements by the admixture of fly ash and other pozzolonas and blast furnace slag. Blended cements are used widely in other countries and an early start should be made in our own country also to mitigate the persisting shortage of cement.

5. The cement industry is being put to considerable loss by the recent changes made by Government in the system of computing the packing charges. The packing charges announced by the Government on a quarterly basis are determined as an average of the prices of new and second hand bags. In making out the average, the proportion of second hand bags was raised by Government with effect from the quarter October-December 1962, from 25 per cent to 50 per cent, without consulting the industry. This envisaged procurement of something like 90 million second hand bags for cement packing, which would not be possible. Besides, insistence on extensive use of second hand bags would lower

the standard of packing, which would not be in the interest of the consumer. Nor would it be desirable to permit the wastage of this important commodity, which is in short supply, through avoidable seepage. Despite the best efforts made by the Industry, it could procure and use second hand bags during 1962 to the extent of only 34 per cent of the total packing. I would urge the Government to review its decision at an early date and at least revert to the earlier practice of taking the usage of second hand bags at 25 per cent for determining the average packing charges.

6. Since I spoke to you last, there has been a marked improvement in the raisings of coal and its distribution, on which Government, the Railways, and the Coal Industry are to be congratulated. One of the factors, which have undoubtedly contributed to this improvement, is the carriage of coal by the rail-cum-sea route. I regret, however, that I am unable to express myself with equal satisfaction over the performance of the authorities in the implementation of the scheme, which was announced by the Government of India on August 1, 1961, to subsidise the movement of coal by sea so as to equate approximately the cost of sea-borne coal with coal carried by the all rail route. In February 1963, the Coal Controller had postulated a formula for the computation of coal subsidies which, while effecting a simplification in procedure, has aggravated further the gap between the subsidy which could thus be realised and what should be given if the cost to the consumer of seaborne coal is to be, more or less, the same as the cost of coal transported by the all rail route. It is to be hoped that the Government will rectify this defect and, at the same time, arrange for a very expeditious payment of subsidy claims.

7. Partial recession in the Steel Industry on a world-wide basis and large scale development of new sources of iron ore have tended to depress the international prices of iron ore and have greatly increased the competition which India must face in world markets. However, the State Trading Corporation of India had concluded a contract with the Japanese Steel Mills for export to Japan of 2.54 million tons of various grades of iron ore in 1963-64 and 2.65 million tons in 1964-65, including the supply of certain quantities of high grade iron ores. Your company may now hope to make further supplies of high grade iron ore from their mines to Japan through the State Trading Corporation of India.

8. Simultaneously with the development of new sources of iron ore and the consequent extension of the supply lines, the steel industry in various countries and particularly in Japan are faced with the urgent need to lower and stabilize transportation costs and to secure reliable supply routes. This had led to a growing trend towards the building of larger and faster exclusive ore-carriers capable of taking 40,000 tons and more of ore. Unfortunately, Indian ports are, by and large, not equipped to handle such large ore-carriers and therefore, India will continue to be at a disadvantage vis-a-vis those countries, such as South Africa and South America, at some of whose iron ore ports larger ore-carriers can be accommodated. I am sure that the Government of India will rise to the occasion and that the port facilities in our country will be developed as rapidly as possible to meet this challenge. Until such time as the major developments required for the

accommodation of such carriers are carried out, I would suggest that ports, such as Cuddalore, be improved rapidly to allow of their handling smaller ore-carriers of 20,000 to 30,000 tons.

9. It is gratifying to note that the Railways have increased their capacity for the transport of iron ore by the all meter-gauge route from the Bellary-Hospet region to Cuddalore port and we may expect that they would be able to increase this still further to keep pace with the development of Cuddalore Port.

10. There is an urgent need of a greater sense of security being given to the iron ore mining industry and particularly to those mines who are supplying ore for exports. Given reasonably long term contracts for supplies of iron ore, some of the mine-owners could introduce a degree of mechanisation in their mines and, where necessary, instal ropeways for the carriage of the ore from the mines to the rail-heads thereby reducing costs of operation and transport. This together with other measures, which Government will doubtless plan and implement, would enable Indian iron ores to meet competition in international markets more effectively.

11. I am sorry to advise that, contrary to expectations, there has been a recession in the deadburnt magnesite industry which is reflected in the working results of M/s. Dalmia Magnesite Corporation, in which your Company is a partner. This is due mainly to the fact that the Steel Industry, which directly or indirectly through the refractory industry consumes nearly the entire output of deadburnt magnesite in the country, has not progressed according to the Plan target. It is now apprehended that the Steel Industry may be able to reach a production of barely six million tonnes per annum by 1965-66 instead of the target of 10 million tonnes, to which the deadburnt magnesite industry, as part of the refractory industry in the country, was gearing itself. While there was thus a tapering off of the demand for deadburnt magnesite, the installed capacity of the industry was increased substantially by the commissioning, last year, of a new plant with a capacity of 18,000 tonnes per annum. Exports of deadburnt magnesite would be facilitated if special export incentives were granted to the industry and if a substantial rebate in Railway freight to the ports for the exported material were allowed. I must also strike a note of caution in estimating the future demands for deadburnt magnesite, due to the growing preference for L.D. and other Oxygen processes for the manufacture of steel. The industry, must, therefore, wait for reliable advice on the trend of the future expansion of the steel industry before planning for any further substantial increases in its own capacity.

12. I would now like to refer to the Scheme for conversion of the deferred shares of your company into ordinary shares by the issue of one ordinary share of Rs. 10 in lieu of every four deferred shares of Re. 1 each. The Central Board of Revenue has taken the view that Capital Gains Tax will be attracted in the event of the conversion of the deferred shares into ordinary shares. Representations have been made to the Board by the Chambers of Commerce that the law should be amended, if necessary, to take such conversion of shares out of the purview of the Capital Gains Tax, since it would be unreasonable to levy Capital Gains Tax, when the shares are not disposed of and continue to be held by the same person though the nature of the holding is changed. I hope that Government would relieve shareholders from the levy of Capital Gains Tax on the conversion of the deferred shares into ordinary shares in view of the considerations that I have just mentioned. It is desirable to encourage such conversion and eliminate the deferred shares so as to streamline the capital structures of the companies.

13. In their report, your directors have explained how interest paid by the company to your subsidiary, Dalmia Cement Limited, on the amounts due to the latter has been disallowed in the tax assessments of your company. The value of the assets taken over by your company from Dalmia Cement Limited has, ever since the scheme came into effect, been shown as due and payable to the latter company and interest has been paid on the outstanding amounts in the usual course of business. It appears to me to be taking too narrow and legal a view to suggest that interest on such outstandings is not allowable as the same does not pertain to capital borrowed for the purpose of business. In such matters, an appreciation of the real nature of the transaction should be made and the arrangement should be viewed from the commercial point of view. When the interest is being treated as income in the hands of the recipient, it is unreasonable not to allow it as a deduction in the tax assessment of the payer. A representation has been made to the Central Board of Revenue and it is my hope that an equitable view will be taken in this matter and relief granted to your company.

15. Before I conclude, I would like to express on your behalf and on behalf of your directors, our appreciation of the services rendered to the company by all the executives, staff and workers and for the goodwill and co-operation which continue to mark the relations between the employees and the management of the company.

JAI HIND

N.B.: This does no purport to be a report of the proceedings of the General Meeting.

THE BRITISH INDIA CORPORATION LIMITED, KANPUR

BRANCHES DIVISION

Cawnpore Woollen Mills Branch
New Egerton Woollen Mills Branch

Cooper Allen Branch
North West Tannery Branch

LONDON OFFICE

BEGG SUTHERLAND DIVISION: SECRETARIES & TREASURERS

The Elgin Mills Co. Ltd.
Cawnpore Textiles Ltd.
Brushware Limited

Cawnpore Sugar Works Ltd.
Champaran Sugar Co. Ltd.
Saran Engineering Co. Ltd.

Secretaries for: Beta Picker Co. Ltd.

Agents for: The Oriental Fire & General Insurance Co. Ltd.

JAIPUR METALS & ELECTRICALS LTD.

Speech of the Chairman Shri R. H. Kamani delivered at the 19th Annual General Meeting of the Shareholders of the Company on 29th June, 1963 at Jaipur.

IT GIVES me great pleasure to greet you and welcome you on behalf of my colleagues and myself to this Nineteenth Annual General Meeting of your Company.

Since we met last year, we have been passing through grave national crisis caused by the unprovoked and dastardly violation of our country's border by the Chinese which has made it absolutely necessary for all of us, as true Indians, to keep ourselves fully prepared for any situation that may arise. This crisis, however, shall not stop us from contributing our mite towards building our national economy and bringing prosperity through industry to our people. We have already offered our services to the Government in these critical times and I am confident that your Company will be able to serve the country in many ways. I am really happy to inform you that during the year under review, the workers, and the staff have voluntarily contributed a sizable amount, which along with your Company's contributions amounted to Rs. 87,000, to the National Defence Fund.

I cannot but mention the novel tax — the Super Profits Tax — which has come into force from the beginning of the current financial year for the first time in India. Plenty of criticism has been made on this legislation which is likely to have very far-reaching effects on the Corporate Sector. No doubt the Government require very large funds for the defence and development of the country and we do not grudge towards paying the same. However, the rigours of this tax are rendered slightly less unbearable due to various concessions provided by the same. Since it is an emergency measure, I earnestly hope it will be withdrawn when the emergency no longer exists.

The Directors' Report, Audited Balance Sheet and Profit and Loss Account for the year ended 1962 have been with you for some time past and with your permission, I propose to take them as read.

ACCOUNTS:

The working of the Company for the year under review has shown satisfactory results with sales and profits touching new heights. The earnings of the Company during the year under review amount to Rs. 23,79,314 as against Rs. 16,22,825 of the previous year.

Allocations include Rs. 1,48,499 for the Managing Agents' Remuneration as against last year's remuneration figure of Rs. 1,02,919 and Rs. 7,38,247 for Depreciation as against Rs. 4,33,709 for the previous year. The provision for taxation has been increased from Rs. 3,90,685 to Rs. 6,85,000 (including Rs. 52,000 for Super Profit Tax) and Development Rebate Reserve has increased from Rs. 3,05,000 to Rs. 3,50,000. A sum of Rs. 1,22,049 has been added to the General Reserve.

The Directors in their Report forwarded to the members of the Company have recommended a dividend of 6 per cent on Ordinary shares, which is 4 per cent less than the previous year's owing to higher appropriation on accounts of Depreciation, Development Reserve, General Reserve and Taxation including Rs. 52,000 for Super Profit Tax. The Directors have also recommended a dividend on Preference Shares. After providing Rs. 3,39,694 for the proposed dividend, a sum of Rs. 6,068 has been carried forward as against Rs. 7,561 brought in.

PRODUCTION

The production of "JAIPUR" Meters has been very encouraging. It has reached a record production which is about 20 per cent more over the production in the previous year. The production of "SIEMENS" Meters which was taken in hand only during the last quarter of the year 1961 has maintained the same average during the year under review.

As far as the working of the Metals Division is concerned, 1817 metric tons of material was produced as against 1717 metric tons in the previous year. As the Government did not allocate any copper for the manufacture of Copper Conductors from March 1962, the above production was achieved due to your Company having secured orders on conversion basis.

DEVELOPMENT AND EXPANSION

You will be happy to know that a major portion of machineries for the manufacture of Cyclometers and Magnets — most important components for the manufacture of JAIPUR METERS — has arrived and the balance is expected in a few months. The Company hopes to be nearly self sufficient in the manufacture of JAIPUR Meters in the very near future.

You will be happy to note that the Company has commenced production of A.C.S.R. and All Aluminium Conductors thus switching over to Aluminium from Copper as per the directive of the Government of India who desire to minimise use of copper in order to save foreign exchange.

The Company has already obtained Industrial licences for the manufacture of Enamelled Copper Wire and Cotton Silk and Paper covered wires and strips. It is hoped that the Import Licences for machineries for the manufacture of those two items, for which applications have been made some time back, will soon be received and the Company will be in a position to manufacture these items as early as possible. This opens fresh sources of income to your Company.

You will also be happy to note that the Industrial Finance Corporation of India have approved a further loan of Rs. 65.26 lakhs to the Company for implementation of the above development and expansion programme.

During the year your Company issued 25,000 Equity Shares of Rs. 100 each at a premium of Rs. 15 per share by way of Right Shares. All the shares have been fully subscribed and paid for.

RESEARCH

In order to improve the existing high quality and workmanship of the products manufactured by your Company as also to achieve still higher production and better efficiency, the technical personnel are always experimenting and improving on the methods of production. The increase of more than 20 per cent over the previous year's performance in case of Jaipur Meters is entirely due to this.

Our present achievements and hopes for a bright future are a result of good efforts, co-operation, devoted service and loyalty of workers and the staff of your Company and the encouragement and appreciation that your Company has received from all of you from time to time for which I thank you all.

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

RECORDS AND STATISTICS

Consents for Capital Issues: 1962-63

DURING THE year ended 31st March, 1963, the Controller of Capital Issues gave consents for the issue of capital to 424 applicants to the tune of Rs. 444.17 crores as compared to 426 consents involving an amount of Rs. 272.72 crores given during the previous year.

A break-up of consents given between agriculture and allied activities, industrial and non-industrial groups indicates that out of the total amount consented to, Rs. 4.42 crores was for agriculture and allied activities, Rs. 371.49 crores for industrial and Rs. 68.26 crores for non-industrial groups.

A study of the consents given during the year 1962-63 according to different size-groups shows that in 72 cases the amount of capital consented to was Rs. 1 crore or more each and aggregated Rs. 347 crores, which accounts for 78.1 per cent of the total capital consented to. In 63 cases the amount consented to in each case was Rs. 50 lakhs and below Rs. 1 crore, in 115 cases the amount involved ranged between Rs. 25 lakhs and below Rs. 50 lakhs and in the remaining 174 cases the amounts involved were less than Rs. 25 lakhs. The table opposite gives the number of consents and the amount involved according to different size-groups of consents.

An analysis of the types of securities to the issue of which consents were given during the year under review shows that 19.6 per cent of the consents were for initial issues, 48.0 per cent for further issues, 2.4 per cent for bonus issues, 10.3 per cent for debentures and 19.7 per cent for loans etc.

A split-up of the consents given between public and private companies shows that consents for total amounts of Rs. 210.49 crores and Rs. 233.68 crores were given to public and private companies respectively.

The table below gives an analysis of consents between

DISTRIBUTION OF CONSENTS BETWEEN GOVERNMENT AND NON-GOVERNMENT COMPANIES

(Amount in Rs. Lakhs)

Type of Security	Non - Government Companies				Government Companies			
	Public		Private		Public		Private	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Initial	104	74,35.59	18	5,83.00	5	6,25.00	3	90.00
Further	107	39,24.89	15	7,17.25	1	50.00	34	1,66,25.94
Bonus	54	9,62.23	20	98.17	..	..	..	..
Debentures	15	44,24.17	1	40.00	..	..	1	1,00.00
Loans etc.	33	34,80.57	7	43,56.78	3	1,47.43	3	7,56.68
TOTAL	313	2,02,27.45	61	57,95.20	9	8,22.43	41	1,75,72.62

* The data given under this group refer to the issue of capital by banking and insurance companies and to the issue of bonus shares to which exemption does not apply.

Government and non-Government companies.

It will be seen from the table that of the total consents given, shares of Government and non-Government companies come to Rs. 183.95 crores and Rs. 260.22 crores respectively.

DISTRIBUTION OF CONSENTS ACCORDING TO SIZE GROUPS

Size-groups of consents	No. of Consents	Amount (Rs. crores)
Below Rs. 10 lakhs*	78	2.98
Rs. 10 lakhs and below Rs. 15 lakhs	32	3.94
Rs. 15 lakhs and below Rs. 25 lakhs	64	11.81
Rs. 25 lakhs and below Rs. 50 lakhs	115	38.46
Rs. 50 lakhs and below Rs. 100 lakhs	63	39.98
Rs. 100 lakhs and above	72	347.00
TOTAL	424	444.17

Inter-Company Investments

UNDER SECTION 372 (4) of the Companies Act, 1956, a company has to obtain the approval of the Central Government, if it intends to subscribe for or purchase the shares of other companies in excess of the limits laid down in sub-section (2) of Section 372.

During the period from the 1st December, 1962 to the 30th April, 1963, the Central Government accorded approval to the proposed investments in terms of sub-section (4) of Section 372 to the following cases:

Serial No.	Name of the Investing Company	Name of the Investee Company	Amount of proposed investment
1	2	3	4
			Rs.
1.	Associated Cement Companies Ltd., Bombay	M/s. Tata-Robins-Fraser Ltd.	12,00,000
2.	Atul Products Ltd.	M/s. Cynamid India Ltd.	11,34,847.20
3.	Bombay Dyeing and Mfg. Co. Ltd., Bombay	Chatsworth Mfg. Co. Ltd., of U.K.	£5,000
4.	Bombay Safe Deposit Co. Ltd., Bombay	In one or more of the thirty-two companies named in the resolution	30,000
5.	Burn and Co. Ltd., Calcutta	M/s., Reyrolle Burn Ltd. (Proposed)	15,00,000
6.	Coimbatore Cotton Mills Ltd., Coimbatore	M/s. Lakshmi Machine Works Ltd.	5,00,000
7.	Globe Motors Ltd., New Delhi	M/Luk Auto Ancillary (India) Pvt. Ltd.	10,20,000
8.	India Motor Parts and Accessories Ltd., Madras	M/s. Brakes India Pvt. Ltd.	10,00,000
9.	India Pistons Ltd.	M/s India Pistons Repco Pvt. Ltd.	12,75,000
10.	Indian Iron and Steel Co. Ltd.	M/s. IISCO Stanton Pipe & Foundry Co. Ltd. (Proposed)	2,00,00,000
11.	Indian Tube Co. (1953) Ltd., Calcutta	The Cyanides and Pigments Ltd.	2,33,250
12.	Indo-Burma Petroleum Company Ltd., Calcutta	M/s. Indo-American Electricals Ltd.	7,00,000
13.	Industrial Development Corporation of Orissa Ltd., Bhubaneswar.	M/s. Indian Metals & Ferro Alloys Ltd.	22,00,000
14.	Khatau Makanji Spg. & Wvg. Co. Ltd., Bombay	The Khatau Dyes & Fibres Ltd.	1,00,000
15.	Metal Distributors Ltd., Calcutta	M/s. Cominco Binani Zinc	42,00,000
16.	Madan Mohan Lall Shri Ram Ltd., Delhi	M/s. Usha Refrigeration Industries Ltd.	15,67,650
17.	Octavius Steel and Co. Ltd., Calcutta	The Chundeecherra Tea Co. Ltd.	9,180 equity shares of Rs. 10 each, at Rs. 23.12 per share or the prevailing market price, if less.
18.	Premier Mills (CBE) Ltd., Udumalpet	M/s. Lakshmi Machine Works Ltd.	5,00,000
19.	Rajalakshmi Mills Ltd., Coimbatore	M/s. Lakshmi Machine Works Ltd.	5,00,000
20.	Ritz Continental Hotels Ltd., Bombay	M/s. A Firpo	9,50,727.78
21.	Shashi Finance Ltd., Calcutta	Gaya Ganga Tea Co. Kores (India) Ltd.	14,57,549
22.	Shaw Wallace & Co. Ltd., Calcutta	(i) Matheson Bosanquet & Co. Ltd.	14,403
		(ii) Wallwood Plantations & Agency Ltd.	3,540
		(iii) Criickshank & Co.	15,493.80
23.	Sindhu Resettlement Corporation Ltd., Bombay	The Gandhidham Spg. & Mfg. Co. Ltd.	17,45,000
24.	Tata Iron & Steel Co. Ltd., Bombay	M/s Tata-Robins-Fraser Ltd.	18,60,000
25.	Tata Oil Mills Co. Ltd., Bombay	M/s. Tata Finlay Pvt. Ltd.	12,50,000
26.	West Coast Electric Supply Corporation Ltd., Madras	(i) Srisunder Welders & Engineers Pvt. Ltd.	5,55,594
		(ii) Spheroidal Casting Pvt. Ltd.	

Foreign Collaborations

APPROVED DURING JAN.-MARCH 1963

Serial No.	Name & Address of Indian Firm	Name of the Foreign Firm	Item of Manufacture
1.	M/s. Acme Pig Iron & Centrifugal Pipe Works Ltd., 8-Hammam Street, Fort, Bombay.	M/s. North British Steel Foundry Ltd., U.K.	Steel Castings.
2.	M/s. Bombay Dyeing & Mfg. Co. Ltd., Neville House, Graham Road, Ballard Estate, Bombay.	M/s. Fothergill & Harvey Ltd., Littleborough, Lancashire, U.K.	Tygan Blind Cloth and Tygan Screen Cloth.
3.	M/s. Dharamsi Morarji Chemical Co. Ltd., 317-21, Dr. Dadabhoy Naorohji Road, Bombay-1. (M/s. Borax Morarji Ltd.)	M/s. Borax (Holdings) Ltd., London.	Borax and Boric Acid.
4.	M/s. Devidayal Tube Industries Pvt. Ltd., Gupta Mills Estate, Reay Road, Bombay-10.	M/s. Delta Metal Co. Ltd., London.	Non-ferrous metal seamless tubes.
5.	M/s. Communication & Power Equipment Co. Pvt. Ltd., 17-19, Bomanji Master Rd., Bombay-2.	M/s. Crofts (Engineers) Ltd., Bradford, England.	Reduction gears etc.
6.	M/s. English Electric Co. of India Pvt. Ltd., P. B. No. 147, New Delhi.	M/s. English Electric Co. Ltd., U.K.	Fuse gears and relays.
7.	M/s. Gramophone Co. Ltd., Post Box No. 48, Calcutta.	M/s. Electronic Reproducers (Components) Ltd., Hedley Road, St. Albans, Herts, England.	Pick-up Cartridges.
8.	The Industrial Development Corporation of Orissa Ltd., Bhubaneswar-1.	M/s. Commonwealth Trust Calicut. (A U. K. firm).	Roofing tiles, Ridge tiles, Flour tiles, and Ceiling tiles.
9.	M/s. Jost's Engg. Co. Ltd., Great Social Bldg., Sir Phirosh Shah Mehta Road, Bombay-1.	M/s. Nevilles (Liverpool) Ltd., Purley Way, Croydon, Surrey, England.	Coil Winding Machines.
10.	-do-	M/s. Martonaire Ltd., U.K.	Pneumatic cylinders.
11.	-do-	M/s. Glacier Metal Co. Ltd., U.K.	Centrifugal oil filters.
12.	M/s. Kesar Sugar Works, Ltd., 45-47, Appollo St., Fort, Bombay-1	M/s. A. C. C. (Brotherton) Ltd., of U.K.	Sodium Hydrosulphite and allied products.
13.	M/s. Kaycee Industries Ltd., Kamani Chambers, Nicol Road, Ballard Estate, Bombay-1.	M/s. Santon Ltd., New Port, U.K.	Rotary Switches of larger sizes from 100 amps to 500 amps.
14.	M/s. Malleable Iron & Steel Castings Co. Pvt. Ltd., Mathuradas Mills Compound, Tulsipipe Rd., Lower Parel, Bombay-13.	M/s. Mowat's Pioneer Grits Co. Ltd., U.K.	Chilled iron shots and grits and steel wire grits.
15.	M/s. Motolite Ltd., 111/e, Barrackpore Trunk Road, (Baranagar), Calcutta-35.	M/s. Joseph Lucas (Industries) Ltd., U.K.	Horn Relays and Horn Ring and Flasher Assemblies.
16.	M/s. Sankey Wheels Ltd., Wakefield House, Sprott Rd., Ballard Estate, Bombay-1.	M/s. Joseph Sankey & Sons Ltd., U.K.	Automobile wheels.
17.	M/s. Steam & Mining Equipment (India) Pvt. Ltd., 207/B, Park Street, Calcutta.	M/s. Brentford Transformers Ltd., U.K.	Electric power voltage Regulators.
18.	M/s. Tacalemit (India) Ltd., Calcutta.	M/s. Tacalemit of U.K.	
19.	M/s. Usha Automobile & Engg. Pvt. Ltd., 14, Princep Street, Calcutta.	M/s. Josiah Parkes and Sons Ltd., U.K.	Key Operated Disc Tumbler Locking Devices for automobiles.
20.	M/s. Voltas Ltd., 19-Graham Road, Ballard Estate, P. B. No. 1198, Bombay-1.	M/s. Scottish Machine Tool Corporation of U.K.	Sheet metal working machines.
21.	M/s. A. C. C. Vickers-Babcock Ltd. 16-Queens Rd. Estate, Bombay-1.	M/s. Fuller Co., Catasuqua, P.A. U.S.A.	Cement machinery viz., Crusher Rotary Kilns, Grinding Mill etc.

FOREIGN COLLABORATIONS—CONTD.

Serial No.	Name & Address of Indian Firm	Name of the Foreign Firm	Item of Manufactures
22.	M/s. Air Conditioning Corporation Ltd., Bombay Life Building, N Block, Con. Circus, New Delhi.	M/s. Taylor Instrument Co., U.S.A.	Fulscope and flexotimer.
23.	M/s. Amar Dye Chem. Ltd., Rang Udyan, Sitaldevi Temple Road, Mahim, Bombay-16.	Mr. Permut of U.S.A.	Pigment emulsions.
24.	M/s. Continental Plant Machinery Co. Ltd., 16 Hare St. Calcutta.	M/s. Athlas Chemical Industries Inc. Wilmington, 99, Delaware, U.S.A.	Electric detonators, detonating fuses, etc.
25.	M/s. The Crown Spg. & Mfg. Co. Ltd., Sir Vithaldas Chambers, 16-Apollo St., Fort, Bombay-1.	M/s. Schmidt Mfg. Co., New Bedford Massachusetts, U.S.A.	All metal plastic tended rubberset reeds
26.	M/s. The Indian Rayon Corpn. Ltd., United Bank of India Building, Sir. P. M. Road, P. B. No. 10039, Fort, Bombay.	1. M/s. Rheem Mfg. Co. U.S.A. 2. M/s. Roehren Fertigungs Anstalt of Liechtenstein.	Steel pipes.
27.	Shri P. L. Kapoor, 3, Friends Colony, New Delhi (M/s. Napco Bevel Gear of India Ltd).	M/s. Napco Industries Ltd., U.S.A.	Napco Bevel Gears etc.
28.	M/s. Milkhiram (India) Pvt. Ltd., Waterloo Mansion, Wodehouse Road, Fort, Bombay-1.	M/s. B. F. Co. of San Francisco, U.S.A. (through Mr. I. H. Hanspal U.S.A.).	Rubber contraceptives.
29.	M/s. Orissa Industries Ltd., P. O. Barang, Orissa.	M/s. Harbison-Walker Refractories Co., Pittsburgh-22, Pennsylvania, U.S.A.	Refractories.
30.	M/s. Polychem Ltd. 45-47, Apollo Street, Bombay-1.	M/s. H.K. Ferguson Co., Cleveland Ohio, U.S.A.	Styrene Monomer.
31.	M/s. Raymond Woollen Mills Ltd., J.K. Bldg., Dougall Rd., Ballard Estate Bombay-1.	M/s. Helene Curtis Inc, Chicago, Illinois, U.S.A.	Various organic and inorganic chemicals.
32.	M/s. Tractor Engineers Ltd., I.C. House, Dougall Road, Ballard Estate, Bombay-1.	M/s. Caterpillar Tractor Co., East Peoria, Illinois, U.S.A.	'Caterpillar' crawler tractor parts
33.	M/s. United Carbon India Ltd., United India Bldg., Sir P.M. Road, Bombay-1.	M/s. United Carbon Co. of Houston, Texas, U.S.A.	Carbon Black.
34.	M/s. Hindustan Gas & Industries Ltd., 22, New Tangra-Road Calcutta-46.	M/s. Hitachi Machinery Co. of Japan.	Turret Lathes.
35.	M/s. Indo-Nippon Chemical Co., Ltd. Alice Bldg., Dadabhai Naorohji Rd., Fort, Bombay-1.	M/s. Nichimen and Co. Ltd., Japan.	Plasticizers.
36.	M/s. P.S. Jain Motor Co. Pvt. Ltd., 7-A, Rajpur Road, Delhi.	M/s. Osaka Bearing Mfg. of Japan.	Ball Bearings.
37.	M/s. Olympus Optical Instruments Mfg. Co. Pvt. Ltd., 899, Meena Bazar, Mehrauli, New Delhi.	M/s. Olympus Optical Co. Ltd., Japan.	Microscopes and optics.
38.	M/s. Rajen and Santosh Pvt., Ltd., Industrial Area 'A', Ludhiana.	M/s. Kashihara Machinery Trading Co. Ltd., Osaka, Japan.	Loop wheel machine and sinker body machinery.
39.	M/s. Bombay Steel Tubes Ltd., Shri Ambica Mills Premises, near Kanakaria Loco Siding, Ahmedabad.	M/s. Mannesmann of West Germany.	Steel tubes.

FOREIGN COLLABORATIONS—CONTD.

Serial No.	Name & Address of Indian Firm	Name of the Foreign Firm	Item of Manufacture
40.	M/s. East Asiatic Co. (India) Pvt. Ltd., Navel House, Graham Road, P.B. No. 639, Ballard Estate, Bombay-1.	Dr. George O. Hagen of West Germany.	Special purpose machine tools.
41.	M/s. Electronics Industries Pvt. Ltd., Nizampura, Baroda-2.	M/s. G. Schuxfeld & Co., Hamburg, West Germany.	Condensers
42.	Do	M/s. Nichinan Sangyo Co. Ltd. Japan.	Carbon Resistors.
43.	M/s. Grindwell Abrasives Ltd., Army & Navy Bldg., Mahatma Gandhi Road, Bombay-1.	M/s. Chemical Research Corp., Rockland, Massachusetts.	Grinding wheels.
44.	M/s. Guindy Machine Tools Pvt. Ltd., B-17, Industrial Estate, Madras-32.	M/s. Berg & Co., GmbH, Bielfeld, West Germany	Three-jaw chucks.
45.	M/s. K.C.P. Ltd., Ramakrishna Bldgs., P.B. No. 714, 38-Mount Road, Madras.	M/s. Wilhelmsburger Maschinenfabrik Hinriches & Sohn of West Germany.	Plate working machinery.
46.	Prime Engineering Products Co. Ltd., The Amerind 15th Road, Khar, Bombay-52.	M/s. Elster & Co., Ag., West Germany.	Water meters, gas meters & Pressure reducers.
47.	M/s. Rai & Sons Pvt. Ltd., 9A, Connaught Place, New Delhi.	M/s. Spareg Electro industrie GmbH of West Germany.	Alternators.
48.	M/s. Sen & Mettenheimer Pvt. Ltd., Vakil Bldg., Khadia, Gandhi Road, Ahmedabad.	M/s. G.W. Mottenheimer & Co., West Germany.	Photo-engraving and Galvanic Processing machinery, for engraving & processing of textile printing rollers.
49.	M/s. Lakshmi Machine Works Ltd., 348, Avanashi Road, Pappanaickenpalayam, Coimbatore-1.	M/s. Reita Machinery Works Ltd., of Switzerland.	Textile machinery.
50.	M/s. Tahira Industries (India) Pvt. Ltd., 19/21, Manohardas St., (Opposite G.P.O.), Bombay-1.	M/s. Tokheim M.V. Holland of Switzerland.	Tokheim petrol pumps.
51.	M/s. Killick Industries Ltd., Home Street, Bombay-1.	M/s. Bohler Bros. & Co. Ltd., Vienna-1, Austria.	Steel files.
52.	Universal Tyres Ltd., 15 India Exchange Place, Calcutta.	M/s. Semperit, Vienna I, Austria.	Automobile tyres and tubes.
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57.	M/s. Khandelwal Udyog Ltd., 166, Dr. Dadabhai Naoroji Road, Bombay.	M/s. Munck International, Norway	EOT Cranes.
58.	M/s. Rightaids (Orient) Pvt. Ltd., 331-333, Thambu Chetty Street, Post Box No. 1872, Madras.	M/s. C. Stark, Munich.	Ink Paste.

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July 5, 1963

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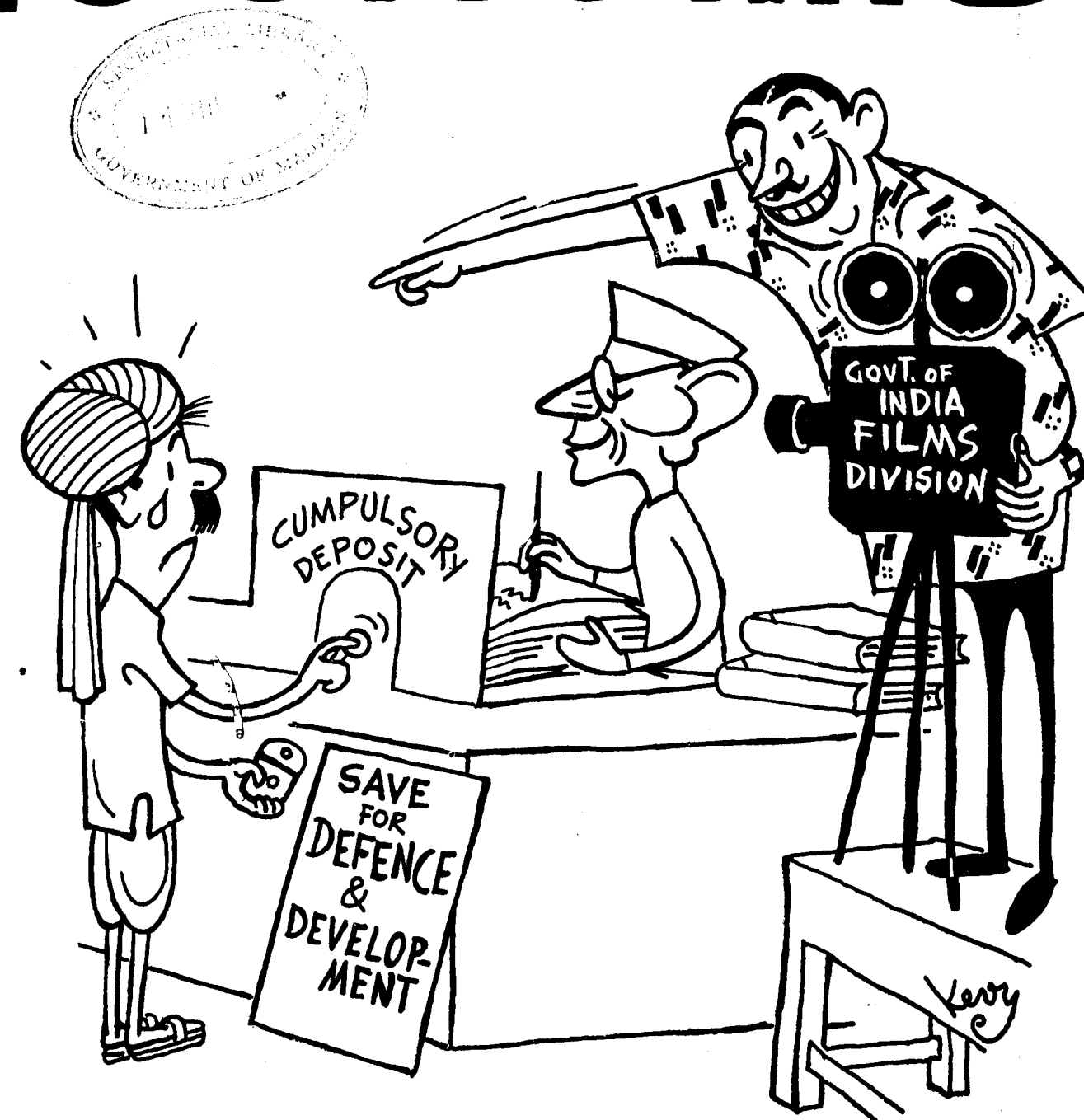
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C.D.S. Gets Off to a Start

THE COMPULSORY Deposit Scheme got off to a good start on July 1 in a calm atmosphere, contrary to the predictions of the prophets of gloom. Their predictions, of course, were not altogether baseless or irresponsible, if the original plan of the Government to launch the scheme is taken into account. In particular, the procedure—and this is what matters most for every single depositor — was so cumbersome that it could not but have caused considerable irritation and annoyance to all, who either endorsed the scheme from its very inception or subsequently reconciled themselves with its necessity in the present emergency. The irritation and discontent generated by it were the two factors on which the opposition was hoping to capitalise. But the last minute changes announced in the procedure and the machinery for collection of the deposits proved effective in taking the wind out of the sails of the opposition.

Even those who wished well of the scheme had genuine and profound doubts about the smooth and efficient implementation of the scheme, looking at the half-hearted manner in which matters were allowed to drift practically until the last moment. Criticisms advanced against the practical procedure could have been met and corrective action could have been taken to rationalise the machinery and procedure for collection in good time. But the fact that these inescapable measures of reform were announced on the eve of the launching of the scheme indicates that wisdom dawned upon the authorities rather late in the day. Even if belated, the improvements, which have now been introduced for the smooth and efficient operation of the scheme, are welcome. They will undoubtedly go a long way in removing much of the irksome liability originally foisted on the depositor and, in addition, they will also relieve the three accredited agencies — the post offices, the Reserve Bank and its branch offices and the State Bank and its branch offices—of the mounting pressure of work arising from the volume of deposits.

Some credit may be claimed in all fairness by the Finance Ministry for removing the hardship that was involved in the original procedure. But it cannot be gainsaid that the eleventh hour changes were clearly a product of after-thought whose necessity was brought home to it by the magnitude of the paper work that would have to be gone through in too short a time. If the haphazard manner in which the War Risk Insurance Schemes were introduced without the completion even of the elementary pre-conditions are fair indications of official planning in such matters, there could be no doubt that a good deal of confusion and chaos as well as harassment to the public would have been caused in diverse ways, particularly in procuring the application forms and account books. And it is no secret that the Government had approached employers to print the requisite forms for the benefit of their own employees. The procedure now evolved directly goes to scrap much of this superfluous paper work. It makes the introduction of the scheme easy for the Government and convenient to the depositor. The extension of the period of grace from 14 days to 45 days to make the initial deposits will serve to ease pressure on both the parties.

Possibly the most sensible change now introduced is to dispense with the obligation first laid upon every single depositor to tender his application form. Authority is vested in large-scale employers coming within the purview of the Employees' Provident Fund Act to maintain a single account with the accredited collecting agency for the entire body of their employees liable to make the deposits. This one radical reform has saved individual employees from going through the troublesome procedure on their own. Individual accounts of the depositors will, of course, be

maintained by the employer in regular official registers, which would enable repayments as well as payments of interest to be made in accordance with the scheme. This procedure does not cover income-tax paying employees. In their case the one difficulty which makes it impracticable to collect their deposits at the source is the possibility in a majority of cases of other earned or unearned income accruing to them and in consequence raising the proportion of the amounts of deposit they have to make. The employer cannot necessarily be aware of this additional income and it would be too much to place an obligation on him to collect and verify facts relating to the full extent of such income.

Seven scheduled banks, having a comprehensive network of branch offices throughout all the parts of the country, have been brought in the picture as agencies for the acceptance of deposits and the subsequent supervision of their accounts. The accretion of these banks, with a large number of branches or offices, will greatly relieve the official agencies of the high pressure of work and, simultaneously with it, it will also be conducive to the convenience of the depositors, many of whom would prefer to make their deposits with banks which are far more specialised by long years of experience in this type of work than the post offices that were the mainstay of the collecting apparatus in the

Upgrading Sugar Target

THE UNION Government has decided to raise the third Plan target of sugar production to 4 million tons as against the earlier target of 3.5 million tons. The timing of this decision has created the erroneous impression that the present shortage of sugar in the country was due to the insufficiency of installed capacity and that, perhaps, an immediate stepping up of the target for the third five-year Plan was extremely urgent. Since the present capacity of the industry is around 3.35 million tons and with the available capacity the output of the industry has been, in 1960-61 and 1961-62, at levels well above the total of domestic demand and exports, the emphasis on expansion in capacity is not fully justified. The problem in the sugar industry today is not one of capacity; it is one of the supply of adequate quantities of sugarcane to the factories and stoppage of diversion to khandsari and gur producing units.

Three weeks ago, the President of the Indian Sugar Mills' Association, Mr. G. M. Modi, had warned the Government that the stipulated target of 3.3 million tons of sugar production for the 1963-64 season is not likely to be achieved primarily because the khandsari producers and the gur manufacturers are likely to attract large quantities of sugarcane vitally needed by the factories since the khandsari producers are at present happily placed in so far as the price situation is concerned. Because they can afford to pay higher prices for sugarcane — the market price of khandsari being almost double that of the controlled price of sugar—they will definitely, in the current season, offer higher prices to

original scheme. The delay in announcing the names of the seven scheduled banks, after the scheme was launched on July 1, indicates that negotiations for enlisting their co-operation were started too late.

The opposition parties have been baulked of the initial sharp weapon with which to launch the attack on the Compulsory Deposit Scheme and the quiet atmosphere in which it is being introduced over a period of six weeks has taken them by surprise. Nevertheless, there can be no doubt that persistent efforts would be made by them to organise resistance to the scheme. The ground on which their resistance is based mainly relates to the sacrifice and hardship involved in effecting 'forced savings' to comply with the new proposal. *Eastern Economist* does not take the view that the Compulsory Deposit Scheme is either irrational in concept or onerous in its impact. Its justification lies in the emergency measures by which resources must be raised by the State to finance fresh outlays. A patient and firm policy on the part of the Government in pursuing the scheme, coupled with a vigorous, though tough, educative propaganda to be conducted by the party in office, should prove equal to the task of countering the mischief which the opposition is bent upon creating, despite its approval and acceptance of the extraordinary expenditure for defence and development.

the sugarcane growers and thus once again repeat the story of the last season. The burden of the excise duty on khandsari producers being extremely light, they are able to offer higher prices for sugarcane even when their yield is extremely poor in relation to the factories, and thus keep the level of factory sugar output at a considerably reduced level.

It is a pity that no effective steps are being taken to curb the diversion of sugarcane from the factories to the gur manufacturers and the khandsari producers. The two measures which have recently been announced seem half-hearted in the sense that they are not likely to bring about the desired objective of feeding the sugar factories with all the cane that they need. In the first place, the Government has banned the movement of khandsari from one State to another and, in the second place, the Union Government has asked the States to licence wholesalers in gur and khandsari on lines followed in respect of sugar. As the price of khandsari has been rising steeply because of the shortage of factory sugar, the Government has taken the second measure, as clarified in the official announcement, only to "keep a watch over the trade". In plain terms, the Government has acknowledged that licensing of gur and khandsari wholesalers is not the solution of the problem and that it is just a preliminary to collecting the requisite data on the basis of which alone a concrete policy may be evolved to regulate the production of khandsari. It is, however, a patent fact that the high differential between the excise duties imposed on the factories and the khandsari manufacturers has acted

as a potent factor against the factories. Unless the Union Government raises the excise duty on khandsari to the same level as in the case of the factories, the diversion of sugarcane is likely to continue. Again, the sugar acts in some States (particularly in U.P.) need to be modified in such a way that the diversion of cane from the factories to the other producers is completely stopped.

Basically, there is nothing wrong in extending the target of sugar production for the third five-year Plan if the additional licensing of factories is so planned that the production of the present units is not affected. In the past, licences have been granted to new factories without giving full attention to the demands of the existing factories in regard to the supplies of their raw materials. Sugarcane being a perishable commodity, the factory can draw its cane only from its immediate neighbourhood. It is, therefore, essential that the extension of the target and the establishment of new factories should be so arranged that the "cane zones" of existing factories are not in any way affected.

Another element which needs to be taken into consideration while planning an expansion in the sugar industry is that wherever possible preference should be given to the extension of the existing factories. It is a known fact that the cost of manufacture can be lowered by economies of scale in all industries and the sugar industry is no exception. In the case of all the major sugar producers of the world, the Governments have encouraged the factory owners to raise their installed capacity, and in any scheme of expansion, a preference is given to an increase in the capacity of the existing units over the establishment of new factories. It is an unfortunate fact in this country that the weakness of the Government for the co-operative sector has acted very often against the national interest; co-operative sugar factories have been allowed to be set up while the national interest demanded an expansion of the existing units. Wherever possible, therefore, the Government should allow an increase in the capacity of the operating units. The applications for the establishment of new factories as well as expansion in the

Postscript on Policy

THERE HAVE been postscripts and postscripts on policies of countries but never one so pertinent to our country at the present juncture as the "postscript on policy" left behind by Prof. J. K. Galbraith, US Ambassador to India, on his last visit to Bombay on the eve of his laying down office. If only for this compelling reason, one must hope that neither the Government of India nor the US Government will take Prof. Galbraith's sporting remark: "Anything that I say that seems inconvenient can be readily dismissed by your Government and disavowed by mine." Although some of his remarks appear critical of our Government, one could not consider these so inconvenient as to dismiss them as such. They might not be novel but are certainly thought-provoking and ought to make our planners take stock of the situ-

existing factories have been with the Government for the last so many years. In the sanctioning of new capacity, due regard, therefore, should be given to the task of lowering the cost of manufacture and maximisation of output.

An attempt has been made by the official spokesmen of the Union Government to prove that the target of 3.3 million tons of sugar fixed for 1963-64 is likely to be achieved because the cane needed for the factories is available within the country. It is stated, for instance, that the total crop in 1963-64 is estimated to be around 90 million metric tonnes while the demand of the factories is not more than 1/3rd of the total production. It is well-known that the cane needed for the factories is there in the country but the other major economic pull i.e. the prevailing market-price is so dominant—as clearly shown by the experience of the last year — that unless some fiscal concessions are announced well in advance of the crushing season, it may not be possible to hit the target which the Union Government have assigned to the factories.

It has become a fashion with the official spokesmen to exhort the industry to modernise plant and machinery and thus reduce its cost of manufacture. Every time the case of the industry has gone before the Tariff Commission, the demand for an increase in selling price of sugar for modernisation and rehabilitation of the plants has been set aside. In these circumstances, the industry has no option but to carry on with its uneconomic units. There are some units in east Uttar Pradesh which are likely to close down their operations because at the present levels of sugar and sugarcane prices, they find it absolutely unremunerative to operate their factories.

Eastern Economist has recommended on earlier occasions that the obvious solution out of the present impasse is to decontrol sugar which, in the short run, may cause a little strain on the consumer but will ultimately result in allowing the industry to buy all the sugarcane it needs from the farmer at the competitive price and operate the factories to full capacity.

ation and render their policies more practical by giving them a realistic reorientation.

Stating that the need to escape from poverty, a legacy of past neglect, constituted the established point of concentration not only for India but for many countries in Asia and Africa, Prof. Galbraith wondered whether the definition of the problem by our economists and its attempted solution on the present lines would answer the needs of the situation. Of course, he did not dispute the need for increased investment in industrial and agricultural plans to ensure a minimum annual increase in total output, but he maintained that investment and economic growth alone were not the ultimate purpose of economic advance. Rather, he said, it was the ends that these things were meant to serve, namely,

improvement in well-being and popular enjoyment of life by the average person. And a poor country must achieve these ends with promptness. In this context, the Harvard Economist made the notable point (which is often missed by our planners) that the basic comparison in human affairs is always the present with the recent past. "The average person does not compare (as do our politicians) his economic position with that of the remote rich. He does compare his position this year with his position of last year. If his income is improving, he naturally takes the credit to himself, but he also takes a benign view of the Government that makes it possible. The result is political contentment and stability. If his income and living standard is deteriorating, he unhesitatingly blames it on the State. He will be in a difficult and angry and possibly even a revolutionary mood. The result will be damaging to orderly progress and perhaps the democratic process."

This sums up many an average Indian's reaction to the prevailing conditions. It is axiomatic that one judges every course of action by its results, i.e. whether it promises to improve one's position or tends to damage it and also that, while one welcomes the former, one regards the latter with the gravest concern. Alongside this simple and valid test, the accepted tests of the economist, namely the rate of investment and economic growth, cannot but lose their significance, especially if the dangerous consequences of such emphasis are recognised. It was not casually that Prof. Galbraith stressed that an undue emphasis on rate of growth can, and in important cases has, led to undue emphasis on current saving and on increase of these savings through taxation.

As a result, in the name of increasing output in the long run, there has been reduction in the well-being of the average person in the short run. This, it will be evident, can be dangerous policy. The average person may know of the hopes for the future. But he knows even more acutely that he is now poorer than before. This can rarely be accepted with grace and contentment when living standards are close to the margin." While criticising the rate of investment, the Ambassador was not oblivious of the necessity of savings for economical advance, but he was not also oblivious of the fact (as some of our politicians are) that "if these must be squeezed in toto from the small budget of the average citizen, the process of improvement is very painful."

Prof. Galbraith, who is a keen student of the economic growth of underdeveloped countries and has made no small contribution to the literature on the subject, was further of the view that, if savings could come from abroad in the form of grants or low interest rate loans, then the process of growth would be much less painful. While on this point he contrasted the position of India with that of China. "Whereas," he said, "India has had friends on whom she could fall for help, the Chinese have had to face the grim task of getting the wherewithal for their advance out of their own limited resources." Un-

doubtedly this has proved unpalatable to China and, according to Prof. Galbraith, China's jealousy that India's democratic planning has yielded better results than her own with Marxian rigidity probably explains China's military adventures of last autumn.

When Ambassador Galbraith spoke of too many things competing for the attention of the planners and of one of the best ways of introducing a sense of strategic concentration was to apply the test of individual well-being, one again could not resist the inference that he had the Indian Planners' experience very much in his mind, besides, may be, the experience of several others. How meaningful is this observation of Prof. Galbraith: "...individual well-being in a country such as India is overwhelmingly a matter of food supply, education, clothing, health and simple shelter".... "If these are available in growing amount and at reasonable prices, the well-being of the average person is secured and so is the development process. And so most likely will be the political and social institutions which depend on the consent and well-being of the people at large."

Prof. Galbraith had no doubt whatsoever that anything that impaired Indian economic performance was a source of weakness. Although the Chinese might not have looked at the defence preparations of India to resist her from this angle, he felt convinced of the suggestion of the implied danger in it. For he said: "One could imagine a design for Indian defence which would place an inordinate demand on Indian resources which would be sustained by heavy taxation of the average citizen and forestall (or is it stall?) all economic advance. If this defence would be at the cost of India's ultimate strength, it would be no defence at all".

Eastern Economist 20 Years Ago JULY 9, 1943

The air prospects that future holds for India cannot be exaggerated. A vast sub-continent with important industrial and cultural centres all over can quicken its pace of all-round progress with a network of internal air transport, and situated as India is on the great commercial route between Europe and the Far East, the importance of her geographical position in any system of inter-continental airways is obvious. Hence it is necessary from now on to guard against foreign corporations getting a controlling hold on the enterprise in India. It might be recalled that the Government of India's agreement with the Indian Trans-Continental Airways vested controlling authority in the Imperial Airways. If it is found that Indian enterprise is not able to stand on its own legs at the beginning, it might have to be subsidized. A precedent has already been set for subsidizing airways in the case of the Indian Trans-Continental Airways which has received at more than Rs. 20 lakhs per annum by way of direct and indirect subsidies. Finally in any scheme of inter-continental air transport, involving agreements with foreign countries, India should not be treated as just an appendage to Great Britain, and her territory made use of as a thoroughfare controlled by Britain. Any reciprocal advantages accruing to us out of our allowing passage to foreign services over India should be actually enjoyed by us, and not by Britain or British interests in India on our behalf.

Highlights of the Week

POPULATION AND PRICES

ADDRESSING THE press on July 3, 1963, Mr. Gulzarilal Nanda, Deputy Chairman of the Planning Commission, painted a very gloomy picture of the Third Five-Year Plan, which, according to him, necessitated an immediate review of the priorities. Tentative estimates had indicated that the rates of rise in India's population had taken an upward course, from 2 per cent per annum assumed in the Plan to 2.4 per cent per annum. Even this 0.4 per cent per annum increase in the rate of rise of population meant 1.8 million additional mouths to be fed every year, which ultimately exerted additional pressure on our supplies of food and other consumer goods.

In sharp contrast to the complacent attitude adopted by him in April this year in Parliament, while discussing the price situation, Mr Nanda admitted that the wholesale prices in India had risen by about 8 per cent during the last fifteen months. Significantly alarming was the 7 per cent rise in respect of basic necessities such as food articles (rice, pulses, sugar, gur, etc.). Whereas the preliminary estimates had shown that the impact of the new taxes imposed in the last budget on the price situation would not be more than one per cent, Mr Nanda agreed that, in the ultimate analysis, the pressure of the taxes would be much heavier than had been earlier anticipated. It was obvious that the effective demand in consumer goods had outstripped supplies and, hence, an imbalance had been created which could not be corrected by controls and consumers' co-operatives only. Mr Nanda, however, trotted his pet horse of consumer co-operatives stating that the price situation could not be kept under control unless about one-fourth of the total off-take of consumer goods was organised through the co-operatives. Citing statistical data in support of his thesis, he said that nearly 51,000 fair price shops and 959 consumers' co-operatives were set up in the country and that many more similar units were needed to keep a check on prices. He even went to the length of stating that a part of the rise had been caused by the profiteering undertaken by the trading class despite the assurances held by them to the contrary at the time of the declaration of the emergency and was of the opinion that the Defence of India Rules should be put into effect in order to curb profiteering.

The sudden spurt in population which the Planning Commission's recent study seems to have indicated cannot be corrected by any short-term measures. The population problem, in fact, is a long-term one and its solution can be had over a number of years. Striking an alarming note on an issue which is by no means a discovery at all is nothing short of a clever device to attempt to cover the failure of the price policy. Consumers' co-operatives and fair price shops can at best suffice to tinker with the problem. The stagnation on the food front and the comparative neglect of the production of consumer goods have brought about a situation where the increasing purchasing power in the hands of the people due to enhanced defence-cum-development expenditure of the Government have gone to add to the impact of demand. Controls, consumers' co-operatives, fair price shops and all similar measures are feeble instruments to tackle the price situation.

The Deputy Chairman of the Planning Commission, however, struck a note of optimism when he said that he was sure that the total output of foodgrains in the Third Plan will hit the target of 95 million tons, if not 100 million tons. Even if the scaled-down target of food output were

achieved, the pressure on prices would certainly be mitigated, but not completely eliminated, because the impact of other factors would continue to operate.

CANE-PRICE RATIONALISATION

THE SEMINAR which was held at Kanpur from July 3 on the problems arising out of the acceptance of the formula of fixing cane prices on the basis of quality helped to clarify a number of doubts existing in the minds of the State Governments as well as cane-growers and the sugar mill managers and in demonstrating in a convincing manner how the application of this new formula would be in the interest of the cane growers, sugar producers as well as of the consumers. It was an indefensible anomaly which was tolerated for long years whereby the price of cane was paid according to weight. Political embarrassments prevented removal of this anomaly earlier. But it was quite clear that so long as India did not fall in line with other cane-producing countries and did not relate the price of cane to its quality, one of the basic causes of the high cost structure of the sugar industry would not be rectified. In November last year, the Government introduced this rational scheme of paying the price for cane according to its sucrose content. Considerable experiments at the Government level went behind the introduction of this scheme. Initially the tentative basis has been accepted to pay the price for cane in accordance with the recoveries recorded by the factories in the previous crushing season.

But the real and decisive scientific step is being taken now to pay the price according to the sucrose content directly at the time of purchase. The difficulties which are usually raised as impediments to the practical application of this formula were, by and large, plausible excuses put up on behalf of cane-growers without adequate knowledge and information. Determination of the sucrose content and quality of the cane is neither a very complicated matter nor are the means necessary for it beyond access for the sugar mill areas. At Kanpur the important announcement was made that payment of price on the basis of quality would be implemented in 6 sugar factories in the Southern States on the individual grower basis and in 30 factories in other parts of the country on a zonal basis during the crushing season 1963-64. This limited start would serve to educate the parties concerned on the practical problems of the application of the new price formula, so that its subsequent extension to the entire sugar-producing regions would be facilitated. It appears from the discussions at the Seminar that the areas to be selected for the prior application of the formula would be those where the competition from gur production is not quite powerful or effective. But eventually its application everywhere is an accepted policy. The progressive enforcement of the scheme of payment of price according to quality cannot but produce the healthy effect of creating quality-consciousness. To accelerate this process, incentives for the production of quality cane would be necessary and the Government intends to provide them. To the extent that this new trend will improve the quality and competitiveness of Indian sugar, it will be an additional gain to stabilise our hold on the export markets.

AGRICULTURAL REFINANCE

THE AGRICULTURAL Refinance Corporation inaugurated on Monday this week by the Finance Minister, Mr Morarji Desai, is being equipped with strong resources to perform its task of refinance. The existing agencies for the provision

of agricultural credit have proved to be quite inadequate and in some cases inefficient. But for the vigorous part which the Reserve Bank of India is playing in the sphere of agricultural credit, the entire credit machinery would have continued to move slowly. Agriculture has a strategic place in our economy not only for sustaining the ever-increasing demand of a growing population for food but for providing raw materials to a wide range of industries. There has always existed, therefore, the urgent need for an agency supplying term credit for agriculture. The Corporation is intended to fill this gap.

The Agricultural Refinance Corporation will refinance the eligible institutions in respect of loans or advances made by them. It will function like a central banking institution interested more in financing and strengthening all primary institutions for lending than being itself a major primary lender. Working through the existing apex co-operative and land mortgage banks and also the scheduled banks, the Corporation will provide finance for sound and organised schemes up to a limit of Rs. 50 lakhs for a single transaction. In view of the long gestation period of such schemes, the Corporation will supervise and control their implementation in order to ensure that the expenditure on these schemes is economical, productive and useful. The schemes that are eligible for assistance include (a) reclamation and preparation of land, (b) development of special crops like arecanut, coconut, cashewnut, cardamom, orchards, vineyards, tea and coffee plantations, (c) development of mechanised farming, use of electricity through tube-wells, pumping sets, and (d) development of animal husbandry, dairy farming, pisciculture, and poultry farming.

The financial resources of the Corporation are adequate for the initial phase. In addition to the present issued capital of Rs 5 crores—the authorised capital is Rs. 25 crores—it will get on deposit without interest Rs. 5 crores from the Government of India. To augment its resources further, it is entitled to accept fixed deposits for a period of 12 months or more from the public sector and can also raise money by the issue of bonds or debentures, and through a special provision, funds in foreign exchange from abroad, the total borrowing limit being twenty times its paid-up capital and reserves. The provision for the grant of dividend out of the profits of the Corporation has also been made; but the Reserve Bank, under the Agricultural Refinance Corporation Act, will deposit all the dividends accruing to it during the period of the first 15 years with the Corporation free of interest. This will help in strengthening its resources position to operate its business in the initial stages. Being free from the responsibility of having to maintain a large network of branch offices, and also because of the fact that it will be working in close co-operation of the Reserve Bank, it will have at its disposal all the knowledge and information which the Bank has. The choice of the members of the Board of Directors gives assurance of its sound and efficient management.

ECAFE: EXPORT HURDLES

THE ECONOMIC Commission for Asia and the Far East in its survey for 1962 has focussed attention on the foreign trade problems of the countries of the region, pin-pointing the major obstacles which they have faced hitherto in increasing their export earnings. An analysis of the export trends in recent years has revealed the fact that the growth of exports of the region has lagged behind even the aggregate output. Most of the countries have tried hard to raise their exports, but have come across certain hurdles which they have not been able to overcome even after putting into practice the time honoured advice they have been given

regarding quality control, reduced costs, etc.

It is a well-known fact that a large volume of exports of this region consists of primary products, mainly raw materials, whose demand in the industrially advanced countries has not been rising in an encouraging manner. The Common Market countries particularly have recorded a decline in the imports of raw materials from the ECAFE region. In the face of this hard reality, the countries of the region have been advised to turn their attention to the manufacturing industries so as to diversify their export lists. Here again, there are certain basic difficulties which the ECAFE countries have failed to overcome because of the unhelpful attitude of the developed countries. In the case of cotton textiles—in which India is particularly interested and in whose case exports have steadily declined for the last few years—the non-imaginative attitude of the industrial countries has again thwarted the plans of the countries of the region to earn more by exports. It is at this point that the analysis prepared by the Secretariat of the ECAFE has done a little plain speaking. It has recommended that the industrial countries “may consider the desirability of attaching a time schedule for gradually shifting labour and other resources away from this industry as a concrete measure of implementing the general principle of helping the trade expansion of the less developed countries.” It has further stated that the financial burden of these readjustments is not likely to be so heavy as the rich industrial countries may not be able to bear. In fact, this measure would be in line with the general spirit of the new Trade Expansion Act of the United States.

Stress on Trade, Not Aid

While the change-over recommended above will take some time to materialise the EEC and EFTA countries should bring about substantial changes in their tariff systems if they really desire a rapid development of the countries of the region. High tariff walls have so far forbidden the exports of many commodities and manufactured products; unless these countries take a positive step in lowering the tariff rates, the developing nations may not be able to earn additional foreign exchange. It is to be conceded that the developing countries have in recent years received substantial foreign aid, but the feeling is getting strong in the region that they must endeavour to enlarge their trade rather than have enhanced aid and also to repay the credits obtained through the aid.

During the recent negotiations between the United Kingdom and the EEC countries, it was stated that tea in particular—one of the largest foreign exchange earners for India—would be allowed duty-free entry into the Common Market. While the negotiations between Britain and the Common Market countries have not ended happily, yet at the same time, the Indian Union and the other ECAFE countries have not succeeded in selling more to the Common Market. The quantitative import restrictions also have restricted the entry of some of the light engineering goods such as sewing machines and electrical fans, which have recently appeared on the export lists of the Asian countries. If these goods also encounter the same difficulty as cotton textiles, then the belief that the ECAFE region countries could raise their export earnings by diversification will be belied and may cause further frustration in the region. Partly, the initiative for expanding the trade of this region, lies with the rich industrial countries and unless they move in the matter, the development plans of many of the countries of the region are not likely to attain the modest targets set for them by the United Nations in its Development Decade Programme.

A POLICY FOR RAILWAY—V

Are Our Railway Finances Sound?

By T. M. RAO

THE INDIAN Railways have been functioning as a profitable business for a number of years and have been able to show a clear margin of net earnings. But this does not mean that their financial position is satisfactory. On the other hand, there are many disturbing features.

One is the fact that heavy deficits are incurred in passenger operations. Between 1957 and 1960 the deficits (on a fully allocated basis) amounted to Rs. 183 million. This has not always been so. Prior to 1957, passenger operations were indeed profitable and yielded net income as the figures in Table I will show.

TABLE I.
PASSENGER TRAFFIC

(Rupees in millions)

Year	Gross Earnings	Expenses including interest	Percentage of expenses to earnings
1955-56	1282.1	1262.9	98.5
1956-57	1370.5	1324.8	96.6
1957-58	1429.8	1478.1	103.3
1958-59	1400.3	1505.7	107.5
1959-60	1508.3	1537.5	101.9

Source: Committee on Transport Policy and Co-ordination, Preliminary Report, New Delhi, February 1961.

These deficits have occurred in spite of the fact that the volume of passenger traffic increased 25 per cent during the period 1956-1961. This is unlike the situation in the United States where passenger deficits have mainly stemmed out of a rapid shrinkage in passenger traffic. There may be many reasons for the faster rise in expenses than revenues. Yet it is unthinkable that such deficits could have occurred under private ownership. In spite of these severe losses, the railway management has continued to extend travel concessions to various groups. One good example is a half-fare ticket sold to professional artists for their rail journey to and from their place of performance. Also, in the name of passenger amenities, heavy expenditures have been incurred without regard to their proper utility. For instance, Mangalagiri, a small station on the Southern Railway was completely rebuilt a few years ago with a high level platform and a huge passenger shelter with electric fans and lights although the passenger traffic at the station except during festival times is

1. Committee on Transport Policy and Co-ordination, Preliminary Report, Government of India, Planning Commission, New Delhi, February 1961, p. 59.

IN THIS searching study of the finances of the Indian Railways, Mr. Rao criticizes sharply the Railway Administration's failure to control operating expenses. He gives instances of uneconomic and un-businesslike expenditures and urges that the series of passenger deficits which have characterized railway earnings in recent years should be brought to an end without further delay.

relatively small. Is there any wonder then that passenger expenses have mounted steeply so as to obliterate the net revenues completely?

The story on the freight side is somewhat better than the passenger side as shown in Table II with the percentage of expenses (including interest) to earnings going down from 90.6 per cent in 1955-56 to 87.5 per cent in 1959-60. However, this is nothing to be satisfied about. An analysis of the financial statements will reveal the following facts:

1. The operating ratio has steadily gone up from 77 per cent in 1951-52 to 78.8 per cent in 1960-61 reaching a high of 82.4 per cent in 1958-59. (Table IV).
2. The increase in the volume of traffic is not adequately reflected in the increase of gross revenues. This would indicate that gain in volume has been mainly in the low-rated commodities. “It will be observed that between the years 1955-56 and 1958-59, the total originating tonnage in respect of the low-rated commodities has increased by about 22 per cent, i.e., from 57.4 million tons to 69.8 million tons. During the same period the tonnage in respect of other commodities which are comparatively high rated has declined by about 4.9 per cent.”¹

TABLE II.

FREIGHT TRAFFIC

(Rupees in Millions)

Year	Gross Earnings	Expenses including interest	Percentage of expenses to earnings
1955-56	1992.0	1806.1	90.6
1956-57	2259.0	2007.8	88.8
1957-58	2558.3	2248.5	88.7
1958-59	2677.8	2398.0	89.5
1959-60	2909.1	2544.2	87.5

Source: Committee on Transport Policy, and Co-ordination, Preliminary Report Government of India, Planning Commission, New Delhi, Feb. 1961.

3. Operating expenses have gone up steeply for which a rising wage bill and increased fuel costs offer only a partial explanation.
4. The rate of return on capital outlay is extremely low. It may be noticed from Table III that the net return has been well below two per cent in eight of the last 10 years.

Operating Ratios

Tables IV and V show figures of operating ratios (the ratio of railway operating expenses to operating revenues) for the last several years for the Indian Railways and corresponding figures for the Class I railroads in the United States respectively.

A comparison of the operating ratios for the two countries shows that the figures are slightly better for the United States Railroads (see graph). One would have normally expected the opposite because the volume of traffic is rapidly rising in India whereas it is declining on the United States railroads.

TABLE III
INDIAN RAILWAYS—RETURN ON CAPITAL-AT-CHARGE
(Rupees in millions)

Year	Capital at-charge	Net Earnings	Net Earnings as percentage of capital-at-charge	*Net Return on capital-at-charge (after deducting interest charges on capital)
1951-52	8,501.1	617.5	7.3	3.6
1952-53	8,373.8	471.8	5.5	1.8
1953-54	8,693.0	369.1	4.3	0.6
1954-55	9,015.8	440.6	4.9	1.2
1955-56	9,689.8	503.4	5.2	1.5
1956-57	10,717.1	583.8	5.5	1.8
1957-58	12,224.4	577.8	4.7	1.0
1958-59	13,565.9	593.2	4.4	0.7
1959-60	14,328.8	745.5	5.2	1.4
1960-61	15,208.7	878.7	5.8	2.1

*The figures under this head may vary slightly from the official figures published by the Railway Board because of certain approximations made by the author in the calculations.

Source: Author.

TABLE IV
INDIAN RAILWAYS
(Rupees in millions)

Year	Gross Earnings	*Working Expenses	Operating Ratio
1951-52	2908.2	2290	77.0
1952-53	2705.6	2234	80.6
1953-54	2742.9	2374	83.4
1954-55	2867.8	2427	82.3
1955-56	3162.9	2660	81.6
1956-57	3475.7	2892	80.3
1957-58	3797.8	3220	81.5
1958-59	3902.0	3309	82.4
1959-60	4223.3	3477	79.2
1960-61	4568.0	3689	78.8

*Includes net miscellaneous expenditures.

Source: Committee on Transport Policy and Co-ordination, op. cit.

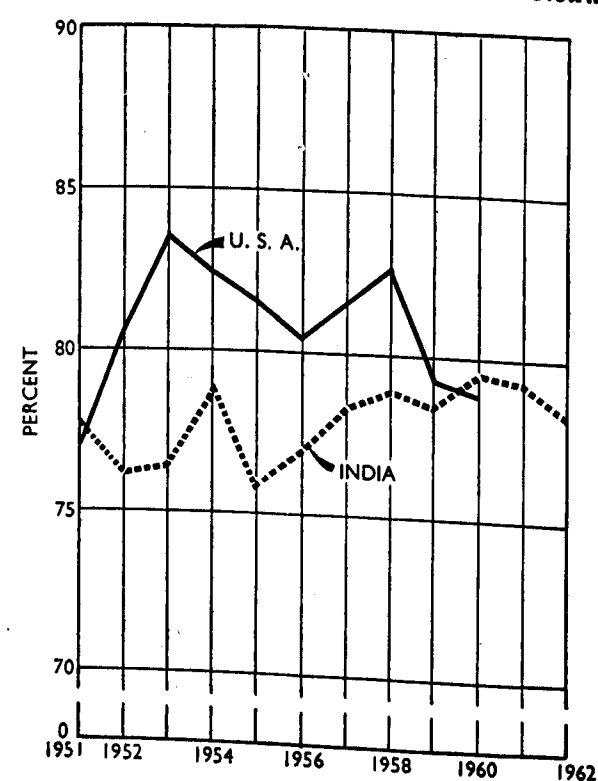
TABLE V
UNITED STATES CLASS I RAILWAYS
(Dollars in millions)

Year	Railway Operating Revenue	Railway Operating Expenses	Operating Ratio
1951	\$ 10,391	8,041	77.39
1952	10,582	8,053	76.11
1953	10,664	8,135	76.29
1954	9,371	7,384	78.80
1955	10,107	7,645	75.66
1956	10,545	8,102	76.85
1957	10,506	8,238	78.42
1958	9,564	7,544	78.88
1959	9,826	7,705	78.43
1960	9,514	7,560	79.50

Source: 'Investments', Douglas H. Bellemore, Simmons-Boardman Publishing Company, New York, 1962, p. 724.

While revenues may decline, expenses do not come down in the same proportion which tends to increase the operating ratio. The railroads in the United States have also been plagued by high labour costs and so-called feather-bedding, which according to the railroad management represents annual costs of \$500 million. All these have an adverse effect on the operating ratio. It may be argued, however, that operating ratio is sometimes a misleading statistic because a railroad may show a low operating ratio by skimping on its maintenance expenditures. This is true and has been the case for many railroads in the United States. While it is conceded that the operating ratio by itself is not a proper index to judge the efficiency of a railroad, it is still a matter for concern that the operating ratio on the railroads in India is so high, particularly in the face of steadily rising revenues. This is one of the aspects of operation which the railway management in India may well bear in mind.

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WINDOW ON THE WORLD

Next Stage in the Common Market

From Our Special Correspondent

PARIS:

THE REDUCTION of tariffs inside the Common Market on July 1, and the simultaneous adjustment of external tariffs nearer the future common tariff, are a timely reminder that despite paralysing disagreement on major subjects, the Six continue their march toward economic unity. The ECM Commission said lately, after referring to some of the most serious causes of dispute among the Six, "it is clearer than ever that the movement toward integration in Europe is not only irreversible but irresistible". Since the Commission's own programme for further integration is temporarily on ice, this might seem optimistic. But the Commission did not put up that programme as a suggestion for closer co-operation that the Six might or might not adopt depending on how well disposed they felt toward each other; if that were all it were, the programme could indeed accumulate dust as long as political friction persists. On the contrary, its programme is a sketch of the sort of collaboration that the Six will be forced into willy-nilly if they maintain their schedule of tariff disarmament.

That schedule, as we see this month, is being maintained and in fact hastened. Tariffs fell 50 per cent in the first four and a half years (another 10 per cent on July 1), and the remaining 50 per cent reduction will no doubt be achieved in the same period. That is to say, duties within the Community will be zero on December 31, 1966, three years earlier than was foreseen in the Rome Treaty. At that date, goods will be traded tariff-free between the Six, they will have a common external tariff and the last exceptional import-quotas will be abolished. Though various members will try sundry shifts and compromises to prolong protection for individual sectors, no one has suggested that the formation of a Customs union can be delayed. The disappearance of tariff barriers is so obviously in each nation's interest, on balance, that the implementation of this part of the Treaty is assured.

Harmonisation of Policy

Now, the Commission argues, it is an illusion to think that nations can form a Customs union and still refuse the sort of harmonisation of economic policies that is suggested in its programme. At the present moment, to be sure, the Six are behaving as though tariff disarmament could continue while they sulkily decline to discuss forms of political collaboration, but events must cure them of this idea. Simply to restore the free movement of goods, men and capital on the Continent would just take Europe back to the situation known in the 19th century, but modern nations could not rest in that position for long. The reason is that, since the 19th century, the State has become the largest enterprise in each country (controlling between 30 and 50 per cent of investments) and is regarded by its citizens as responsible for the whole economy—yet when the national States surrender the right to control the movement of goods, men and capital across their frontiers, they have lost the prime instruments of their intervention. They then have no alternative but to co-operate between themselves on questions of economic policy, as the first cyclical downturn in European business will demonstrate. In putting forward its programme, the Commission is not urging something extra in the way of integration, that the Six may take or leave as they wish, but is outlining the forms

of co-operation to which the member-nations will be obliged sooner or later.

On one point, I think that the Commission is somewhat too optimistic, and it refers to that "sooner or later". As they encounter trade difficulties or find that the pace of expansion is slowing down, the Commission imagines that the Six must necessarily turn at once to closer economic integration. In the long run, this is true: it is only by consenting to a more radical specialisation of tasks that the Six can maintain their expansion. But in the meantime, they will be tempted to try an alternative procedure, which we see illustrated in the current economic policies of most of the major Western nations: this is the idea that reform at home can be avoided or made painless, and collaboration between government made unnecessary, simply by extending the geographical area of free trade. This is the idea behind the Kennedy plan which is expected to revivify American industry merely by opening up new markets for its goods in West Europe, without the USA having to accept any of the international responsibilities that are sketched in the Common Market's proposals for harmonisation of policies. It was the motive for the British effort to enter the Common Market, as far as that was conceived as a commercial operation that Britain could effect without having to make any concessions to the supranational aspects of that association. And it is the reason why many Continental firms, notably but not only in West Germany, hanker after an extension of the Common Market, first to Britain, then to other West European nations, and tomorrow to heaven knows who.

European Plan

In other words, there is what a psychiatrist might call a "flight into free-trade" which is just a symptom of the desire to postpone the inevitable adjustments of economic policies between nations. Are France, West Germany and Italy making too many motor cars? Then let's not seek to co-ordinate their automobile investments because that is planning, and as every hypocritical neo-liberal knows "planning" is a dirty word. Instead, let's extend the area of tariff-free trade in motor cars to include Britain. Still too many cars, too many conflicting investments, too much waste and too little specialisation? Then let's extend the area of free trade in cars to all West Europe. Still too many? Then let's bring the USA into the party. And so on. Like all defence mechanisms that involve running headlong away from problems, this one must break down somewhere, so it is better to face the difficulties earlier rather than later. That is what the ECM Commission's programme suggests, and that is why it includes a proposal for a sort of European plan.

When those difficulties are faced up to, says the Commission, the first sort of integration that will be recognised as needful to make a Customs union viable is harmonisation of indirect taxation. It will be seen, when tariffs are abolished and in fact well before, that conflicting tax systems still oppose formidable barriers to trade. Instead of dodging this problem by seeking to exchange mere tariff concessions with yet other nations, it will be necessary to make indirect taxation uniform as between the present members of the Customs union. Hence the first item in the Commission's programme is introduction of a single tax along the lines of the French "tax on added



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"value" in all the Six nations. Gradually the amount of this tax would be equalised until the Customs union exists in fact and not only on paper.

At that stage, it will become urgent to co-ordinate short-term economic policies, in other words to move toward a single Budget for the whole Community. Simultaneously, the need of a joint monetary policy will become evident, for one cannot have a single market where various monetary authorities follow incoherent ideas as to the creation and movement of money. No more is a full Customs union conceivable without fixed rates of exchange between the national monies; if one currency were to be suddenly devalued or up-valued in an area where goods and capital move freely, all the other members' affairs would be thrown into confusion. And once rates of exchange are fixed and guaranteed as between members the association in reality has a common cur-

rency, of which the national monies are just different-sized coins. In that event, it becomes easy, and desirable, that the Six should have a common monetary reserve.

No one will dispute that in a unified market social welfare and labour policies must tend toward uniformity. The need for a Customs union to find a joint agricultural policy, a common line of transports and energy, and a joint approach to questions of external trade and aid will be mentioned here only for completeness sake, because this is admitted, and discussions on these laborious matters are in progress. It is the final element in the Commission's programme that arouses most controversy: the desirability of a long-range European plan, along the lines of the national plans now practised in all member-countries except West Germany. Opposition to this idea is as lively as it is irrational, so this is the one point where the Commission's suggestions are probably premature.

Can the U.K. Do It?

By JOSSLEYN HENNESSY

LONDON:

THE BRITISH National Economic Development Council's growth target for the UK is 4 per cent a year between 1961 and 1966. This implies a similar increase in imports. To pay for these, to allow for increased aid to developing countries, and to prevent checks to expansion from unfavourable balances of payments, UK exports as a whole will have to rise by 5 per cent a year and of manufactured goods by 5.5 per cent. Can the UK do it?

Some light on this question is thrown in a newly published survey "Export Trends" (H.M. Stationery Office. London. 2sh. 6d.), compiled by NEDC.

The UK's postwar record seems, at any rate at first glance, discouraging. Her total share of world exports of manufactures fell from 21 per cent in 1953 to 15.2 per cent in 1962, and while the world's average rate of increase in manufactured exports was 7.6 per cent, the UK's average rate was only 3.2 per cent. On the other hand, this means that the UK has only to increase her share by 2.3 per cent to achieve the 5.5 per cent increase that she needs, and NEDC's analysis of the content and pattern of geographical distribution of the UK's exports suggests that the task — although admittedly difficult — is not impossible. Both content and pattern are now more favourable than they were in the early 1950s. The proportion of UK exports consisting of goods in which world trade has risen relatively slowly—e.g. textiles—fell between 1954 and 1962, whereas the UK's proportion of the faster growing groups — e.g. machinery — rose. It used constantly to be emphasised that the UK sold over 60 per cent of her exports in the sterling area and that this was a handicap because the sterling area was a more slowly expanding market than Europe. In 1961, the UK was still sending as much as 43.4 per cent of her exports to the sterling area — a higher percentage than any other country — but NEDC says that these sterling area markets, and those of other primary producers, may grow at a faster rate in future. The terms of trade of the primary producing countries worsened in the 1950s, but NEDC's assumption of 5 per cent as the UK's minimum overall export requirement was based on the further assumption that the terms of trade would improve for the primary producers. Certainly since the publication of NEDC's original report, developments in sugar, wool, rubber, sisal, silver, tin, lead, coffee, cocoa, and other commodities, have confirmed its forecast.

UK exports should also benefit from tariff cuts in the European Free Trade Area (EFTA) and from the "Dillon

Round" in the USA and the EEC. On the other hand, the UK will suffer as the EEC countries reduce their internal tariffs on each other's goods, but NEDC thinks that, on balance, these various changes should help the UK's exports.

An important factor in NEDC's calculations is that a survey of plans and forecasts made by governments and international organisations suggests that, if the various targets were all hit, world manufacturing production would rise by 6 per cent a year between 1961 and 1966. This would be a faster growth rate than the 4.5 to 5 per cent achieved in recent years. NEDC's researches suggest that world exports of manufactured goods will grow at the rate of about 5 per cent a year. As already mentioned, the UK needs to attain 5.5 per cent a year if she is to achieve her domestic growth target, that is she has to do half a per cent better than the expected world average. On this point NEDC comments sedately "... the required expansion in our exports may not be forthcoming unless prices of manufactured goods on the home market fall relatively to foreign export prices of manufactures. At the least, the past relative increase in home prices of over 1 per cent a year must be eliminated." NEDC does not point out that this implies that the UK must be able to enforce a really effective Wages Policy—an achievement which, so far as I know, no country in the world has brought off so far.

Tricky Position

On prices and costs, the UK's situation is tricky. On the one hand, the index of export prices (1958=100) showed the USA going up from 105 in 1960 to 108 in 1962, and Western Germany soaring from 100 to 107, while the UK rose somewhat less — from 102 to 106. Unfortunately, up to 1961, the UK's wages costs per unit of output in manufacturing rose faster than those of any other country. This more rapid increase was due more to a slower rise in productivity than to a faster rise in hourly earnings. In this connexion, however, the "Economist" recently pointed out that a considerable amount of re-equipment and expansion of capacity took place in the UK between 1959-61. This did not raise productivity significantly in 1962, but much of it matured at a time when the government was restraining demand. There could therefore be considerable reserves of growth in productivity in the expanded capacity that is at present under utilised — providing always that the trade unions see to it that restrictive practices and demarcation disputes do not cancel out any rise in productivity.

Can the UK do it? The pros and cons seem neatly balanced.

Way Behind in Welfare

By GUY SIMS FITCH

WASHINGTON :

THE SOVIET Union is no newcomer to the field of economic development. It has been 45 years since the Communist take-over. Moreover, by the standards of today's developing lands, the Russia that the Communists seized hardly qualified as a less-developed area, ranking at the time among the top half-dozen or so industrial powers of the world.

Yet, progress in advancing the living conditions of the Soviet peoples has lagged well behind the acknowledged Soviet progress in further building up Russian industry. Consumer goods and services have received the lowest priority among Soviet planners, and in a land supposedly dedicated to the broader sharing of the fruits of production, State control has merely tended to accentuate the economic gap between the rich and the poor.

History has rendered academic the question of whether or not the Soviet peoples would have fared better under a system more akin to that developed in the United States and other free nations. But there is no denying the fact that it is in the United States, which itself has undergone a dramatic socio-economic transformation in the past 30 years, that history has seen and sees today the widest and most prolific sharing of the national wealth.

Living Standard up

The personal income of all Americans and their aggregate consumption expenditures have been increasing steadily to new highs year by year. What this has meant in the way of real living standards may be seen in this statistic: on a per capita basis and after adjustment for price rises, disposable income—that is, income after taxes and available for spending, saving or investing at the discretion of the individual—has grown from \$913 in 1933 to \$2,051 in 1962.

Today, more than 60 per cent of all American households own their own homes. About 80 per cent of American farms are operated by individual owners. Individual savings in banks and other financial institutions exceeds \$165,000 million. More than 46 million Americans own income-bearing federal, State and municipal bonds, and about 17 million Americans own shares in private industry. More than 85 per cent of all American families own some kind of life insurance, totalling about \$600,000 million in value. More than 75 per cent of American families own automobiles, and of these a growing number own more than one car.

These scattered examples of the kind of personal well-being that is characteristic of the American scene are further reflected in a dramatic democratization of US economic society. In the homes they live in, the furnishings they buy, the clothing they wear, the food they eat, the schools and churches they attend, the substance and variety of all the goods and services they enjoy, Americans of all backgrounds and income levels are hardly distinguishable one from another.

Yet Americans differ one from another in that each is free to express his own individuality and taste in the enjoyment of those goods and services. They are free to do what they will with their lives, and they have the resources with which to make that choice meaningful. This is a natural outgrowth of a society in which individual rights are protected by law, and in which production and marketing are geared to satisfying the needs and wants of the consumer—presented by the will of a growing population that has already passed the 186 million mark.

The differences in US and Soviet living conditions are best delineated, perhaps, in the two essential realms of food

IN THE issue of March 22, in an article "The Economic Race: A Soviet View", Yuri Pokatayev of the USSR State Planning Commission, maintained that his country would overtake the United States in per capita production by the year 1970. Guy Sims Fitch has evidently been provoked to reply.

and shelter. While the Soviets have been expending their resources in building up heavy industry and military hardware and sending rockets to the moon, the housing situation in Soviet cities remains desperate. Including rural construction, only about 1,100 million square feet of residential floor space were built in the Soviet Union last year, or about 25 per cent less than in the United States, a country with a smaller population and no housing shortage.

Even the most modern of Soviet apartments has only about 400 square feet of space, compared with 900 square feet in the average American dwelling. In the Soviet Union's jam-packed cities, where privacy is at a premium and too often unknown, housing provides about 100 square feet of space per person, only a third of the US average!

Just as the Soviets have drawn upon the industrial technology and methods of the United States and other free countries, they have relied on private constructions to keep housing conditions from being even worse. But now, driven by faulty centralized management and faltering building resources, as well as by ideological considerations, the regime has chosen to curtail this private activity. Ironically, the new edict does not ban construction of private estates outside city limits—usually the preserve of high Communist functionaries in that "peoples' paradise."

Communist agricultural failures are too well known by this time to require much documentation. A recent report notes that the Soviet Union and other East European countries experienced another disappointing agricultural year in 1962, aggravating food shortages in the area. Among the hardest hit are East Germany and Czechoslovakia, two relatively prosperous areas in pre-Communist days.

An all-too-familiar excuse is the reportedly bad weather which hampered production in Eastern Europe—an excuse which also is being applied now to the industrial sector. But this same weather also hit many parts of Western Europe, without any startlingly ill effects on industrial or agricultural output.

Agricultural Output

The US agricultural performance supplies a sharp contrast to the Communist failures. US farmers now are in the midst of a spring planting season, following an abnormally hard winter, that promises to bring a record 1963 harvest, two per cent over the record output of 1962.

As a result of this farm productivity, food in the United States is plentiful and inexpensive. The average American family spends only 19 per cent of its income on food, compared with about 30 per cent in many West European countries, and no less than 60 per cent in the Soviet Union. Its agricultural abundance also enables the United States to help feed hungry people all over the world.

So rapid and extensive has been the rise in farm productivity, that the US Government has instituted measures to control agricultural output by encouraging the diversion of farmlands to conservation and other productive uses. But

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one important point should be noted in this regard. American farmers are free to make their own choices, even to the extent of determining the course of government farm policies through the direct exercise of the ballot. Next month, for instance, farmers will vote in a nation-wide referendum on the government's new and tightened control plan for wheat, and approval by at least two-thirds is required to make the plan effective.

In the Soviet Union, on the other hand, it is not too much to say that the status of the peasants remains what it has been since the introduction of collective farming. In the eyes of free men, they are still serfs, with the State as their landlord, telling them what to do and how to do it, and how much they will receive for their produce.

Herein lies a basic difference between the US and Soviet systems. In the United States, the socio-economic structure is what the people ultimately determine it to be, not what a bureaucratic oligarchy decides for them. Abraham Lincoln once described the United States as a government of the people and by the people, as well as for the people.

In such a society, change and growth are inherent. The people find much of their well-being, which includes their security as well as their prosperity, in what they do for themselves as well as in what they decide the government can and should do for them.

Personal Security

Over the years, by popular will, the government's role in promoting personal security has been widening steadily. More than 140 million Americans, for instance, are now covered by the government's social security laws, entitling them to old-age, retirement and disability benefits. More than \$26,000 million have already been paid out to Americans under this public programme.

The government also has steadily improved and widened its many other protection programmes, such as unemployment insurance and special assistance to the handicapped. It also engages in a variety of other activities, such as insuring individual savings accounts up to a value of \$10,000 each, and setting minimum-wage levels for industries and companies engaged in inter-State commerce.

In the field of enterprise, the government has put in place a vast rural electrification system, has built dams and other power projects such as the Tennessee Valley Authority, and regulates a wide variety of industries, such as electric power, transport, communications, and securities exchanges, to ensure their operation in the public interest.

Equally impressive is the truly amazing volume of private protection Americans have amassed against the vicissitudes of old age, ill-health and disability. In their impact, these private efforts not only supplement, but in many cases outweigh the public programmes in the benefits they afford the individual and his family.

As of 1960, for instance, 132 million Americans were participants in private voluntary health and hospital insurance plans, designed to pay the bulk of major medical expenses. On their own and through their labour unions, Americans also have expanding private pension plans, in addition to such other growing "fringe" benefits as paid vacations and employer-financed supplemental unemployment insurance funds to complement the government's unemployment insurance.

In 1960, private pension plans worked out by employers

and employees paid about \$1,700 million to some 1.8 million annuitants, many of whom also were receiving retirement payments under the Public Social Insurance System. Employers, incidentally, finance about 75 per cent of the cost of all private pension and welfare plans.

In keeping with their status as free men in a free society, moreover, American workers can form and operate their own labour unions, through which they bargain collectively with management on wages, working conditions and other benefits. This in itself is a prime source of sustained and rising incomes and of personal well-being.

This broad recital still is far from all-inclusive, and can only indicate the nature of the constantly developing American system and the way it works to the advantage of the individual and his family. Nor should this recital imply that all problems are thereby solved.

One of the virtues of a free society is its capacity for self-examination, for seeking out and correcting what needs correction, improving what needs improvement, and advancing further in areas where advancement is desirable or needed. This is a never-ending process, one in which the US Government is engaged today as conscientiously as ever.

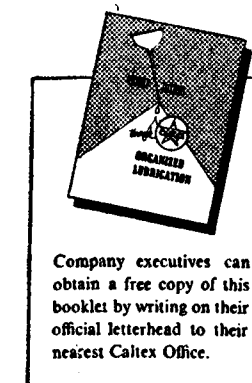
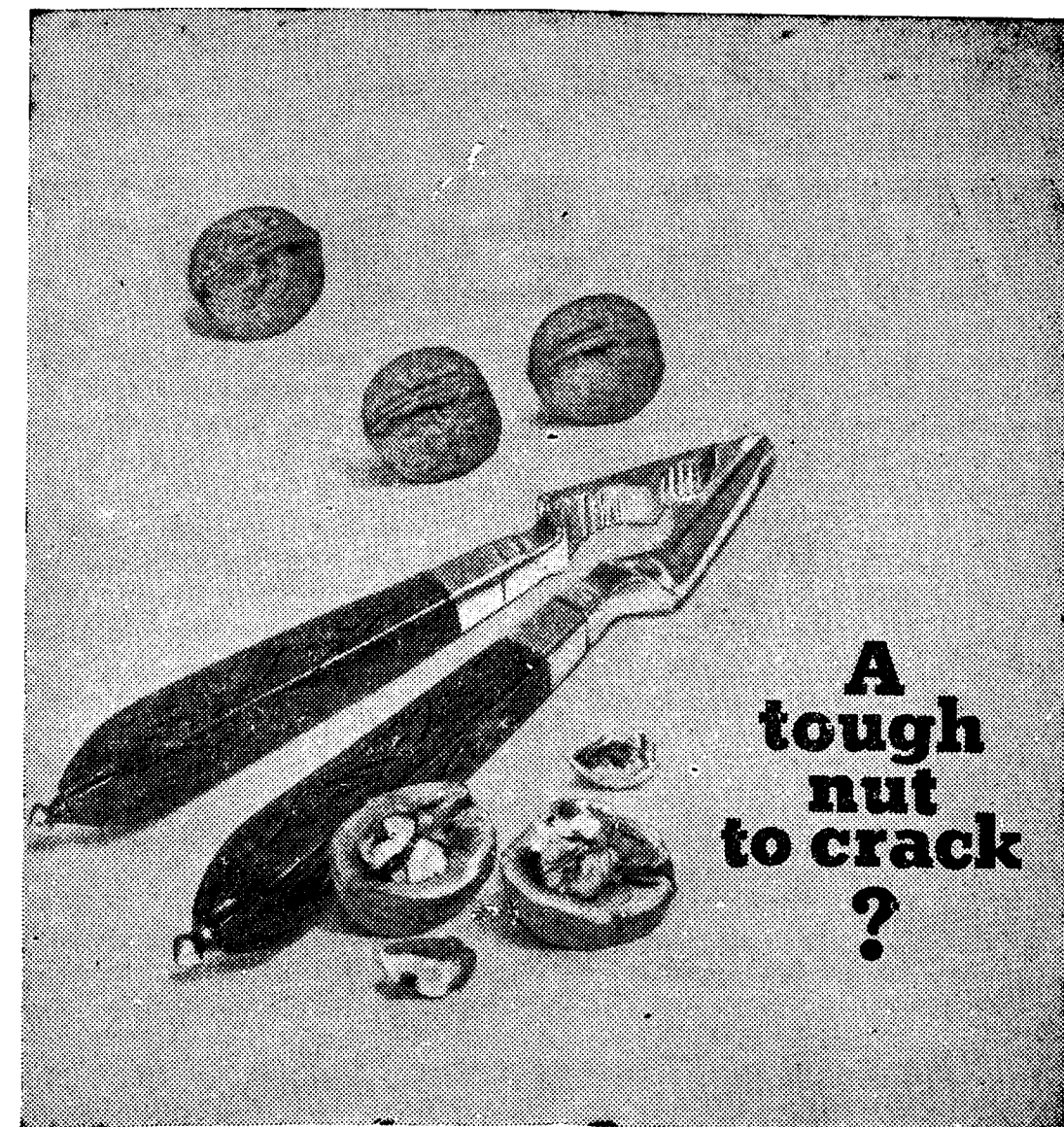
Suffice it to say that in the growing and complex mixture of public and private institutions and activities they have developed, the American people have created a way of life through which they have achieved an economic abundance and an opportunity for personal fulfilment unprecedented in human history — and they have done it within a political framework of individual freedom and democratic government.

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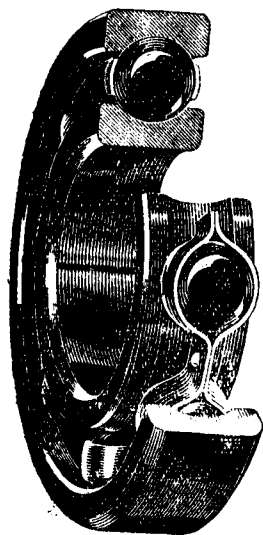
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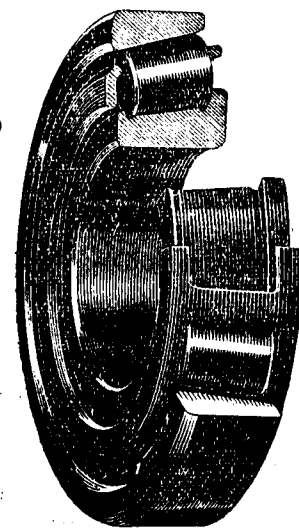
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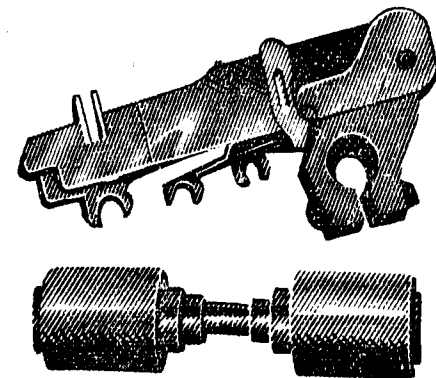
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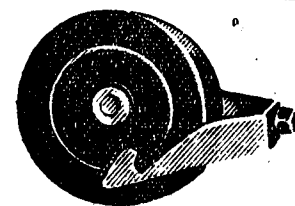
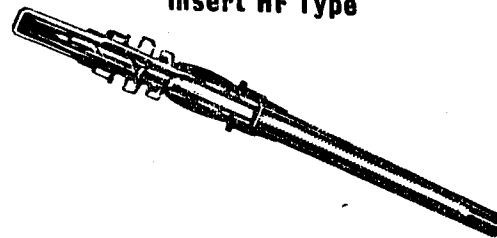
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Review of Cement Capacity Expansion

By Our Correspondent

NEW DELHI :

THE TARGET for the installed capacity of the cement industry under the third Plan is placed at 15.24 million tons corresponding to a production of 13.2 million tons a year. A recent review, however, has indicated that the capacity, likely to be set up by the end of the Plan will be 13.65 million tons. The Government therefore has considered necessary that new schemes, found suitable from the point of view of availability of raw materials, power, fuel, water, rail transport facilities and demand and supply in the area concerned should continue to be approved, formal licences to be issued only after the parties had made satisfactory arrangements for the supply of machinery and equipment.

Enquiries show that as many as eleven applications have been recently approved. Of these five are for one unit each in Andhra, Bihar, Himachal Pradesh, Mysore and Pondicherry and two each in Madhya Pradesh, Orissa and Uttar Pradesh. Of these, three applications are for expansion. They are in Bihar of Kalyanpur Lime and Cement Works to 400,000 tons, in Orissa, of Orissa Cement, Limited, for substantial expansion to 30,000 tons, and of U.P. Government Cement Factory at Churk to 25,000 tons.

Details of the new units are as under :

Location	Annual capacity
Alampur, Andhra	200,000
Rajban, Himachal Pradesh	100,000
Patharia, Madhya Pradesh	200,000
Near Bhilai, Madhya Pradesh	200,000
Wadi, Mysore	400,000
Tuba Padwa, Orissa	200,000
Pondicherry	100,000
Rajpur, Uttar Pradesh	200,000

In Gujarat, a cement factory to be located at Bhavnagar is being asked to increase its capacity from 50,000 tons to 100,000 tons. In Maharashtra proposals to set up a 33,000 tons factory at Ahmednagar and of 100,000 tons factory at Shivpur are under discussion here. In addition, there are plans to set up two units of 150,000 tons and 100,000 tons in Assam, of 200,000 tons and 185,000 tons in Madras and of 462,000 tons and 200,000 tons of slag cement at Durgapur in West Bengal.

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The Federation of Indian Chambers of Commerce and Industry at its regional meeting at Hyderabad last month, had expressed "grave concern over the sharp fall in joint ventures and declining trend in foreign collaborations." Although the emergency had affected foreign investment, the Federation felt that special conditions imposed by the Government and dilatory procedure followed have had a very serious and discouraging effect on foreign investment. The Federation has supported its statement by figures. A member of the Planning Commission has recently written to the Ministry of Finance, suggesting one unified control for industrial licensing. That there should be one contact point is not in dispute. What is under discussion is where this contact point be located. The member of the Planning Commission, referred to earlier, had suggested its location in the Ministry of Finance. The other view is that it should be the Ministry of Commerce and Industry which is vitally concerned with the administration of the Industrial Policy. The ideal solution, it is suggested, is to appoint a Director-General for Industrial

Licensing. He will be the contact point for Indian and foreign entrepreneurs.

In the nature of the administrative set-up and the number of agencies, which deal with this problem, it will neither be possible nor desirable to clothe this person with overall powers to take final decisions. It will, however, be his main function to take such decisions as were within his delegated authority and to have final decisions taken by the appropriate persons as speedily as possible. The Ministry of Commerce and Industry had created a very much similar post last year and it is within the common knowledge that the experiment had worked fairly satisfactorily. The Emergency, following the Chinese aggression disturbed this system, which had again been re-started last month. It may be further added in this connection that a reform of procedure is urgently called for. Under the scheme referred to above, a foreign collaborator could have a single point of contact. The officer concerned would be helpless, if the Under-Secretaries, say, in the Ministry of Finance, were to send for the parties to discuss issues on which they had no power to take any decision. What is needed is a manual of easily understood and speedily executable rules of procedure.

In respect of joint ventures involving financial participation, the most important formality is the Government approval of the terms of collaboration between the Indian entrepreneur and the foreign firm. It is found that this formality has in many cases taken a fairly long time with the result that on the one hand the foreign investors feel somewhat frustrated and on the other the project under consideration is delayed. It is, therefore, suggested that a broad framework of policy should be formulated and the necessary authority for sanction should be delegated to the Ministries concerned. In exceptional cases which are not covered by such delegated authority or where there are special features requiring further consideration, a high-level inter-Ministerial machinery may be created to take speedy decisions in respect of collaboration.

It is suggested that in the light of experience gained in the approval of collaboration agreements of over 1000 cases, Government may formulate broad principles regarding (a) financial participation, (b) rate of royalty in respect of know-how, (c) consideration for know-how fees either in lump sum or in the form of shares, (d) lump sum consideration for research and development, (e) fees for design engineering etc. in respect of important industries.

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The following is the schedule of production for Bokaro steel mill in tons as recommended by the US team.

	First stage	Second stage	Third stage
Hot rolled sheets and strips	300,000	500,000	860,000
Cold rolled sheets and strips	250,000	600,000	1,000,000
Galvanized sheets	130,000	130,000	300,000
Plates	360,000	570,000	750,000
TOTAL	1,040,000	1,800,000	2,910,000
Ingots	1,400,000	2,500,000	4,000,000

★★

Negotiations are on in regard to the utilization of the £30 million credit United Kingdom has offered to India towards financing the third year outlay of the Plan. Of this £3.5

million is being utilized for the import of steel from Britain. A portion of the loan will be earmarked to finance maintenance imports from Britain.

Sir Norman Kipping of the Federation of British Industries who came out to India last winter has made some important observations on the maintenance imports in his report on India. Sir Norman says:

"The managements of Indian factories dependent on sterling maintenance supplies are therefore having to contend with a variety of difficulties and from what we have seen are doing so in good heart and with ingenuity, for they understand the dilemma which has brought about this situation. They are having to accept materials from unfamiliar sources and to varying specifications; they are having to press forward harder than ever to bring local supplies up to the quality standards they require; and they have a constant struggle to get licences for sterling supplies, ending up usually with 'too little and too late'.

Blanket Licences

"We therefore represented to the Government of India that a change of system would be desirable so that companies manufacturing products to which India gave priority and dependent on sterling supplies were given blanket licences of this kind. These representations were accepted in principle, subject to safeguards which, it was said, could be worked out in time for the procedure to be introduced in the April, 1963, Red Book on import licensing policy.

"We have also requested that the cash allocations should be extended to companies having servicing organisations in India for the maintenance of, namely, machine tools, business machines, weighing machines, as this would be more economical than having each end-user carrying his own spares.

"Before coming to India we obtained particulars from a large sample of companies with factories or licence agreements in India, showing that they already found themselves restricted below their needs for efficient operation. In the course of our discussions with the Government of India, they agreed to measure the extent of this shortfall, concentrating on the metal-working and engineering factories in which de-

pendence on sterling imports predominates. (In general, chemical works in India — with the possible exception of pharmaceuticals — can work satisfactorily from base materials of any origin).

"The estimates show that on the basis of the allocations made in 1962-63, the shortfall in the sum needed to finance the import of components, specialised raw materials and spare parts needed from Britain lies between £4 million and £10 million a year. The extent to which newly established capacity is taken into account, the range of industries covered and the degree of austerity assumed would determine the amount within this range. The average of £7 million should cover reasonable requirements.

Sterling Shortage

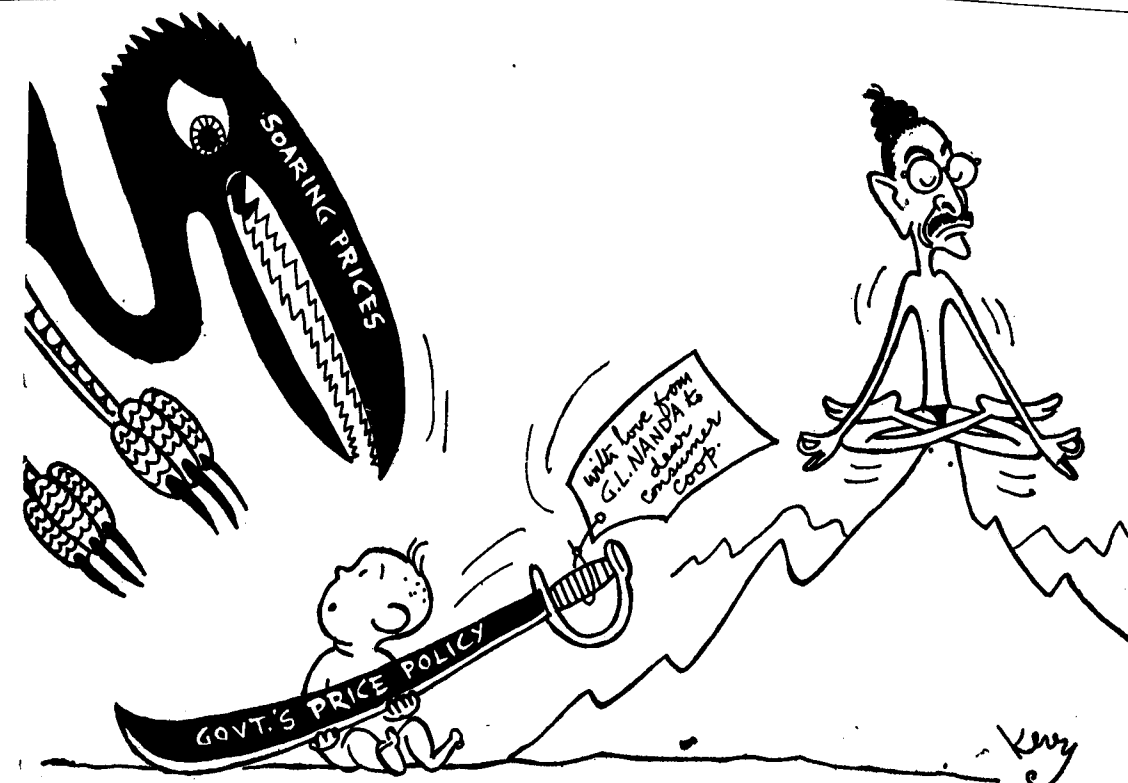
"The possibility cannot be excluded that shortage of sterling may oblige the Indian Government to make still further cuts in the licence for-maintenance imports in the coming licensing period. Any such event would be deplorable, but it would not, in our view, affect the rightness of the change in licensing procedure we have recommended. We are satisfied on the basis of a very large number of cross-checks that within the allotted level, whatever it may be, companies will be better off and will be able to turn a given amount of sterling to better use if given greater personal control of the use of their allotments.

"It was to be expected that dependence on sterling maintenance supplies would occur principally in British-based companies and those making products under British licence agreements. The study showed that in fact 75 per cent of the total need arose from such companies, and the remainder from various other Indian companies."

It is, therefore likely that £1.75 million would be earmarked for the maintenance imports by the British based industrial houses.

A similar provision of 75 million D.M. has been made in the West German loan.

The utilization of Dutch and Belgian credit is still facing difficulties. The Dutch credit of one hundred million guilders for three years includes thirty-five million guilders for exports



RENUNCIATION !

guaranteed credits. So far India has shown interest in a dredger for Murmagoa.

The Belgian credit was for one year. It has been extended till the end of 1963 to enable India to purchase coal mining machinery for which a mission had gone to Brussels.

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Children's education is the major problem for the members of the Diplomatic Corps, whose number may always increase. A diplomat is normally posted for a period of three years, which may be extended. The problem of education of their children in confined to those ranging between five and twelve after which they can be and are sent to the diplomat's own country for higher education.

There are three schools for such children organised and run by the Embassies of the USA, West Germany and France.

Second Phase of Loan Programme

By R. V. MURTHY

BOMBAY :

AN IMPORTANT event in the capital market, conditions in which have rightly been exercising the attention of the authorities, was the announcement of the second phase of its loan programme, by the Government of India, on July 1. The first phase of the loan programme, it will be recalled, consisted of the Government's offer, in May last, of conversion of two maturing Government of India loans, namely the 3½ per cent 1963 with an outstanding amount of Rs. 58.06 crores and the 3 per cent 1963-65 loan with an outstanding amount of Rs. 116.17 crores, as also the Hyderabad loans of the aggregate value of Rs. 8.75 crores. Holders of the maturing loans were given the choice to convert into either or both the 4 per cent short-dated loan (1969) and the 4½ per cent long dated loan (1986). The decision to have only a conversion loan two months ago was obviously made after noting that conditions in the money market prevailing at the time were still not propitious for a wholly cash or even a cash-cum-conversion loan.

Pattern of Borrowing

Although the 1963-64 borrowing programme began with only a conversion offer thus, it may be said to have set the pace and pattern for the current year's borrowing programme all right. It indicated, for instance, the Government's determination to finance both development and defence expenditure on a 4½ per cent basis. Accordingly, when the terms of the new loans were announced last week, there was hardly any element of surprise. Nor was the absence of a long-term loan unexpected this time; and there was complete unanimity of view in market circles that the new loan announcement would positively include a medium-dated loan. In the event, the two new loans announced happen to be broadly in line with market expectations. Thus, the two new loans are (1) a six-year 4 per cent loan—which is a further tranche of the existing 4 per cent 1969 loan—at an issue price of Rs. 99.50 i.e. at a discount of 50 nP., and (2) a ten-year 4½ per cent loan—4½ per cent 1973—at Rs. 100, i.e. at par. On this basis, the yield on the first loan, i.e. the short-dated loan, works out to 4.10 per cent and that on the medium-dated loan to 4.25 per cent. These may be compared with the latest ruling quotation of the 4 per cent 1969 loan of Rs. 99.60 (which gives an yield of 4.07 per cent) and of the 4½ per cent loan 1972 of Rs. 100.30 (which gives an yield of 4.21 per cent) to confirm the view that the terms of the new loan are in line both with market expectations and prevailing money conditions.

Unlike the first phase, the second phase of the borrowing programme provides for both cash subscriptions and conversion. Unlike the May loans, again, the present loans are for both the Centre and the States—a consolidated loan programme, the wisdom and the benefits of which remain to be

A lacuna is being filled up by another school to be started in September next by the UK High Commission. A British School Society, under the Chairmanship of H.E. Sir Paul Gore-Booth was formed last month. The object of the Society is to provide education according to British standards and practice for British children in India and, at the discretion of the Committee of Management, to the children of other Commonwealth nationals, including India, and foreign nationals resident in India. The management has been able to secure the services of Mrs. D. E. L. Shankland, an Oxford M.A., to be the first Head Mistress of the School. She will be assisted by three others, also with foreign qualifications.

In due course, the Society hopes to have its own building. In the initial stages, the school will be housed in a rented building. Mrs. R. M. Bailey, wife of the Economic Adviser to the High Commissioner, is the Secretary of the Society.

seen. At least there is this to be said for the new experiment, namely that it will enable the Centre to re-imburse itself for the heavy advances that it has been obliged to make to quite a few State Governments to tide over their difficulties. As against this must be set down the effect on the prices of State Government loans which bulk large in the Government securities portfolio of institutional investors like the LIC and the removal of the urge on the part of State Governments to exert their utmost to get their respective loans subscribed as they used to do in previous years. There is also the point about the State Governments surrendering away yet one more of their rights.

Credit Contraction

Be that as it may, the total amount to be borrowed now and the conversion programme in May together work out to Rs. 364 crores, as compared with a gross market borrowing target of Rs. 393 crores envisaged by the Union Finance Minister in his Budget for 1963-64. The gap of Rs. 29 crores is of the 4½ per cent National Defence Bonds, 1972. Of course, the extent of the gap indicated here is based on the assumption that both the loans would be fully taken up by the institutional investors and the public. There is no doubt that the rations, the Provident Funds, the LIC, the Finance Corporation banks (who, incidentally, have been reminded that they have to reach the higher liquidity ratio indicated by the Reserve Bank by September, 1964) will account for the bulk, if not the entire loan amount, although there is a school of opinion which insists that, as on previous occasions, the Reserve Bank will have to and will make up any deficiency that there may be. By and large, however, the circumstances are extremely favourable to the success of the new loans. For one thing, the inter-bank call money rate has come down to a bare half a per cent. Again, since the past month or so, there has been considerable credit contraction, coupled with some increase in deposits also although the latter is not to the same extent as during the corresponding period of last year. Thirdly, unlike in the first phase, the facility of a medium-term loan has been made available now. The authorities have managed to meet the possible criticism about the absence of a long-term loan too by promptly resuming the sale of the 4½ per cent 1986 loan which had been suspended. In view of these favourable conditions there is good reason for the authorities to hope for an encouraging response, and the expected cash subscription part alone has been estimated at around Rs. 90 crores.

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The Maharashtra Government has taken a progressive step in the field of secondary education by making it mandatory in non-Government secondary schools to esta-

blish teachers' councils. Permanent teachers of a school will elect one representative to the school committee which is to be responsible to the Government. A non-teacher member of the school committee will be nominated to the teachers' council. It has been laid down that with effect from the current year non-permanent teachers, unless they are serving in a purely temporary capacity, will be entitled to the October and summer vacation salaries provided they have served for three months in the first term and four months in the second. Restrictions have been prescribed for private tuitions by the teaching staff of a school. The retiring age for teachers in non-Government secondary schools has been raised from 55 to 58 years, but in Vidharbha teachers in service on June 1 will be allowed to retire at the age of 60. A reserve fund, which will not be less than four months' normal expenditure, will have to be maintained by every school. The existing quantum of aid to schools—45 per cent of permissible expenditure in the urban areas and 50 per cent in the rural areas—has been retained.

The school managements are required to deposit an amount of not less than Rs. 3,000 with the Government. Such deposit money which is estimated to amount to Rs. 1.5 crores from the existing institutions would be available for paying teachers whose salaries had not been paid by the school managements. The Government of Maharashtra deserves congratulations for boldly coming out in defence of the 'teaching community'. The new code which replaces the 1956 code, was the result of the deliberations of a committee, under the chairmanship of the Director of Education, appointed by the Government to suggest a new unified code for the re-organized State of Maharashtra

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Nearly 5,000 Compulsory Deposit Scheme accounts were opened in various post offices in Bombay City within the first couple of days of the inauguration of the Scheme. About eight lakhs of people in the city are expected to be covered by the Scheme. The postal authorities are reported to have made arrangements to send special staff to industrial and business establishments to collect deposits. More than 60 millowners are reported to have contacted the authorities so far. There are nearly 2½ lakh workers in these mills who are covered by the scheme. Since wages are paid to industrial labour by the tenth of every month, the rush for opening the accounts is expected to increase by mid-July. There will be more than 300 offices in the city, including the 140 branches of commercial banks (seven), permitted to accept compulsory deposits. Additional counters are to be opened in the 138 post offices in Greater Bombay to facilitate collection. 200 clerks are recruited for the purpose. In these days of rising prices, the defective construction of cost of living indices has been adding its due share to the suffering of middle and working classes. A few days ago, the Reserve Bank employees received reduced dearness allowance following a fall in the quarterly average cost of living index figure. While the prices of every commodity have been spiralling, the Bombay cost of living index registered a fall. curiously the cost of living index of Bombay City is outmoded. The present cost of living index is computed on the basis of the and unrealistic. The index is computed on the basis of the family budget inquiry conducted in 1932-33 taking the prices in 1933-34 as 100. The index is shortly to be revised and it will have 1960 as the base. The reconstructed series are

Reviving the Capital Market

From Our Correspondent

CALCUTTA :

THE RECOVERY in sentiment following the resumption of forward trading on Lyons Range has been well maintained though as yet it is confined largely to the more speculative issues. In particular attention is concentrated on Indian Irons and this appears to be due to two reasons. In the first

expected to be issued in a few months. The consumption pattern has undergone material alteration in the last three decades and it is to be hoped that the index would be changed to reflect true changes in retail prices so as to avoid undue hardships to labour and middle classes through administrative shortcomings.

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A broad outline of an integrated plan to rehabilitate the unemployed goldsmiths was announced by the Gold Board in Bombay. The estimated expenditure of rehabilitation is placed at Rs. 10 crores spread over two or three years. The plan will cover 75,000 goldsmiths affected by the Gold Control Order. The three main highlights of the plan are: Provision of training facilities to unemployed goldsmiths in any craft or industry suitable to them and giving them stipends; making available facilities for the education of their children; and granting them loans to start small industries, business or trade. The dimensions of the rehabilitation question thus proved to be more limited than what had been announced from time to time. Steps were being taken to introduce early the system of hall-marking primary gold. Under the system, refiners would have to register themselves and get their code approved by the Board. The Gold Control Order, it was revealed, mainly hit only 3 per cent of the 92 million households in the country, because they accounted for about two-thirds of the demand for gold. The annual demand was about Rs. 60 crores. The Board is expected to meet more frequently hereafter than before.

During his visit to Bombay, the Finance Minister is reported to have suggested that institutions like LIC, IFC, ICICI should evolve a plan to work jointly to revive and sustain activity in the stock exchanges. These institutions work already in close co-operation and it was not clear what was the type of co-operation meant by the Finance Minister. The Finance Minister is understood to have discussed the relaxation of two-tier system of bank credit, the proposed investment trust in the public sector and the chances of success of the Government's borrowing programme. Leading representatives of the financial institutions attended the conference.

The Indian Banks' Association met informally to discuss the slow-down in the rate of growth in deposits. The sizable expansion in currency in the six months ended April 1963 had not percolated to the banking system. Against an expansion of Rs. 189 crores in deposits in the first half of 1962, deposits in the first half of 1963 went up by only Rs. 100 crores. The principal cause of slow-down is the Government's tax policies. To meet the growing requirements of industry in the coming busy season, the bankers require funds. A prompt settlement of amounts due by Government to suppliers in the private sector is expected to release at least Rs. 60 crores. The emerging tightness could also be partly relieved by relaxing the two-tier system of lending introduced by the Reserve Bank. Since banks would be required to maintain a higher liquidity from September 16, 1964, there is no danger of over-lending by banks. The question of diversion of deposits into companies was also discussed. The companies have been borrowing funds directly from the public at attractive rates compared with those offered by banks. One source estimated such deposits around Rs. 25 crores on a very conservative basis. The Reserve Bank is to be requested to look into the question

place, operators are optimistic of the impending announcement of the dividend. Earlier it was believed that the company might be thinking in terms of a bonus issue, but this now seems to have been dismissed as highly improbable in view of the heavy loan commitments. The belief about a higher dividend distribution, however, still persists and such

calculation stems from the fact that the past year had witnessed a sizable rise in the production of the company. In the second place, operators have derived considerable encouragement from the recent indication that Government may decide in favour of lifting controls pertaining to distribution and price of salable steel. In this connection the week-end meeting between the steel producers both in the private sector and the public and concerned Ministry in the Centre, presumably to discuss the proposal regarding the removal of the control on price and distribution of steel has aroused considerable interest. The belief that a Government decision in favour of decontrol will not be long in coming has gained strength lately as the Central Minister of Steel and Heavy Engineering, Mr C. Subramaniam, is said to be favouring the removal of restrictions. It is however unlikely that a quick decision on this issue will be taken because of several practical difficulties in the reversal of a policy that has been long in operation.

Whether decontrol comes or not, there is no gainsaying that there has been, over the past few months, a change for the better in Government's attitude towards the private steel producers, although the latest announcement of a rise in steel retention price has once again failed to take note of the companies' demand for an equitable compensation for the increase in the cost of production. An important gain for the steel companies in the private sector has been the clear official declaration that they will be allowed to expand their capacity to the fullest possible extent.

The Big Deterrent

Current stock market optimism is also sustained by the expectation that something will be done soon to activate the stock market if only to whip up the flagging enthusiasm of investors to lend support to new issues. Although the few new issues that have come on the market in recent weeks have not exactly floundered, the fact remains that not every new issue will be a success. It is generally felt that if investors are to be attracted to take an active interest in industrial equities, there is urgent need for reviving confidence in the stock market. The one big deterrent to an expansion in stock market activity in recent months has been the Super Profits Tax which even after the substantial modification it has undergone has not lost much of its crippling effect. As a direct consequence of it many a corporate enterprise has been obliged to reduce dividend distribution to shareholders and either to postpone expansion programmes or to drastically reduce plough-back into business.

Even though Mr Morarji Desai is adamant in his belief that the SPT is not as bad as it is made out to be, he nevertheless seems to be concerned about the continued depressed condition of the capital market. For it has been reported that at a meeting in Bombay early last week he has emphasized the need for reviving the capital market. Among the various steps reported to have been discussed are the active support to the stock market by the various financial institutions and the LIC and relaxation in rules relating to capital issues.

It would appear that in view of its anxiety to revive the capital market Government may expedite the setting up of the promised Investment Trust. In his speech at Bombay some time ago Mr Morarji Desai revealed that the idea of the Investment Trust was being actively pursued. It is now reported that the proposal has already taken shape in that the Reserve Bank has worked out a scheme for the establishment of an Investment Trust in the public sector. While welcoming the proposal for the establishment of an Invest-

ment Trust in the public sector, the Federation of Indian Chambers of Commerce and Industry has pointed out that similar trusts should be allowed to be set up in the private sector also.

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While the present depression in the gunny market is in part due to the inevitable reaction to the excessive bullish enthusiasm displayed by the market some six weeks ago following the power crisis in Calcutta and industrial region, the continued absence of foreign enquiries of any importance is another important adverse factor in the situation.

In a review of the gunny market last month, the latest issue of the Jute Bulletin assigns, among others, the following reasons for the serious setback in market sentiment: "Singly, the biggest disappointment for operators has been caused by the lack of Government buying. Other export outlets have also been disappointing. For understandable reasons there has been no Russian buying in June. In the preceding five months, Russia had brought 50,000 bales of mostly hessian hags and another 50 million yards of hessian cloth. From what is known of Russian requirement, business of this order cannot be a regular thing. Cuba, which was believed to be buying 100,000 bales, had actually purchased only 30,000 bales. Over 50 per cent of this business had, however, gone to Pakistan. Pakistani mills have also bagged the entire Burmese order for 10,000 bales of B Twills, over and above 90 per cent of the West African tender for 30,000 bales and 50 per cent of the Australian business of about 5,000 bales of cornsacks and woolpacks. Exclusively to India's share has come only one order, that from Indonesia for about 6,000 bales."

Bleak Prospect

All this goes to show that overseas buyers' first preference is for goods from Pakistan. This is particularly true of sacking which forms the bulk of the output of Pakistani mills. The main reason why foreign consumers go in for Pakistani goods is of course their comparative cheapness. The question of price advantage that Pakistani goods now enjoy does not appear to be capable of easy solution. Despite the grave concern by the industry and trade, (and it is inconceivable that Government can be less concerned in view of the vital part played by jute goods in export earnings) there appears to be no early prospect of the removal of the present difficulties in the overseas sacking markets for our industry.

Evidently, the Government is reluctant to embark on any plan that gives a direct subsidy to the industry as such a measure is not in conformity with accepted trade practices. It would appear that Government is in favour of the problem being tackled by the industry itself while on its part it will be exploring ways and means for arriving at an amicable settlement with Pakistan. But any attempt to underestimate the magnitude of the threat from Pakistan will be fraught with grave consequences for the Indian jute goods industry. As it is, the position is that overseas orders for our sacking goods are most likely to materialise only when Pakistan has no disposable surplus. In the meantime, the fact should not be lost sight of that Pakistan is fast expanding its productive capacity. The threat to our sacking exports will soon afflict our hessian exports and even our exports of carpet backing hessian, for in these two departments also Pakistani mills are increasing their capacity.

There is every indication that during the current jute season that has just commenced raw jute will be in plentiful supply. There is a large carryover from the previous season.

—the surplus has been augmented by smuggled jute from Pakistan to the tune of about 10 lakh bales—and the current crop will be even bigger than the 71 lakh bales harvested last season in view of the uniformly favourable weather and

the slightly larger sowings. It is some consolation that unlike last year this season's crop will contain a larger proportion of quality jute, but the tasks of ensuring an equitable price for the grower may not prove to be easy for Government.

Urgency of Thermal Power Units

From Our Correspondent

MADRAS

THE HEAVY rains in the catchment areas of the various hydel reservoirs in Madras State in the past week have helped the State Electricity Board to lift the restrictions on the use of power from July 4. Till July 2, the State's Minister for Industries and Power was unable to arrive at any definite decision. In fact, it was feared that the cut would have to be continued for some more time as there was no use taking a fresh risk and compel the high-tension consumers to resort to fresh lay off of workers and interruption to production. Luckily, heavy rains for two days in succession saved the situation and all industrial units are working without any restriction in regard to use of power from the mid-night of July 4. But the regulations that were in force on account of the Emergency will still have to be observed and there will probably have to be a severe staggering of working hours and working days as several new units have not yet been given full supply of electricity. It is felt that the newly created capacity should be utilised effectively and industrial production raised to the maximum extent by allowing these new units to work on a multiple shift basis wherever the arrangements can be made to achieve this purpose. Till the end of the year there will be no difficulty in meeting genuine needs.

Reducing Imbalance

But with the substantial additions to hydel capacity in the next two years it is recognised that the lesson of this year's crisis cannot be overlooked and active steps should be taken immediately for reducing the imbalance between hydel and thermal power. Some units in the Kundah Project will be completed during the course of the year while the four units in the Mettur Tunnel Scheme will be commissioned early in 1965. The Parambikulam Project also will be able to supply larger blocks of power besides additional energy from the fourth generating unit at Periyar. These are all hydel generating units and the imbalance will be prevented from getting worse only by the completion of two more units at Neyveli having a capacity of 50,000 kW each.

The State Government are no doubt aware of the seriousness of the situation and Mr R. Venkataraman, the Minister for Industries and Power, indicated a few days back that, besides the ambitious expansion of Neyveli, three thermal units having a capacity of 100,000 kW each would have to be located in the coastal towns.

Mr. O. V. Alagesan, Minister of State for Irrigation and Power, who visited recently Madras City, also concurred with the view of the State Government that thermal capacity on a large scale should be installed. But there was no mention of the proposals of the State Government to construct three thermal stations in different coastal towns. Only he pointed out that the two sets of 6,000 kW and 5,000 kW which had gone out of commission on account of old age in the Madras thermal station would be replaced by a much larger unit of 30,000 kW. He, however, emphasized the need for completing the first and second stages of the expansion programme of Neyveli before the second year of the fourth Plan and suggested that it would be more advantageous to raise further the capacity to 1 million kW. If need be,

arrangements should be made sufficiently in advance for raising the additional quantities of lignite that would be needed to run a plant of this size. At the same time, it is gratifying to note that the Kalpakkam Nuclear Station would have a capacity of around 600,000 kW. The two big Central projects would naturally be of great help in bringing about the much needed firming up of the Madras Grid.

But the State Electricity Board is justifiably of the view that it would be necessary to have additional thermal capacity especially as the scheme proposed by a group of industrialists has not been acceptable and it would appear that there is no chance of this project coming through. It is felt that even if coal has got to be brought by sea from West Bengal and Orissa, it would be preferable to have high-cost power rather than no power. The loss in output in the past few years would by itself have financed the construction of many thermal units. Since in any case it would be necessary for the Madras State Electricity Board to utilize a sizable proportion of its outlay in 1966-71 on the creation of thermal capacity, there will have to be a co-ordinated programme of action so that the mistakes of earlier years can be avoided.

In the context of power shortage all over the country and the difficulty in securing generating equipment, the arrangements now being made to manufacture boilers in Tiruchirapalli in Madras State and electrical equipment at Ramagundam in Andhra Pradesh have to be welcomed. There will also be a third new unit at Hardwar which will manufacture mainly hydraulic turbines. It is now expected that the Heavy Boiler Factory at Tiruchirapalli will be completed in 1965 and the first two boilers will be supplied to the Kothagudium Power Project which is being constructed with the help of a loan from the World Bank. There was a happy function last week when the Training School attached to the Heavy Boiler Project financed with Czechoslovakian assistance, was inaugurated. There was a gathering of top leaders, the Chief Ministers of Madras, Andhra Pradesh and Kerala, besides the Union Minister for Heavy Industries and Steel, being present.

The project report for the Boiler Factory was received only in August last year and the sanction from Government in May last. In a short period the training school has been very nearly completed and it is pointed out that it is only the first of the three inaugurations which would take place during the current month, the second and third being held at Ramagundam and Hardwar. The first batch of students trained from the schools at Tiruchirapalli and Ramagundam are expected to be ready by the time the two projects commence production in 1965. The boiler factory will be able to supply initially boilers for running electrical equipment having a capacity of 800,000 kW. But it is the intention to raise this capacity ultimately to meet the needs of generating equipment for 2 million kW. It is expected that the industrial estate and the allied industries would be able to supply factors of boilers. When in full production, the turnover is expected to be Rs 20 crores.

The project report for the Ramagundam unit which will specialise in the manufacture of steam turbines and turbo-

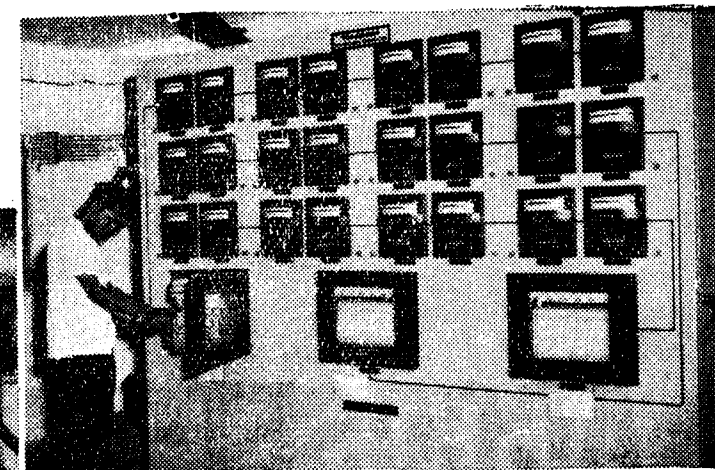
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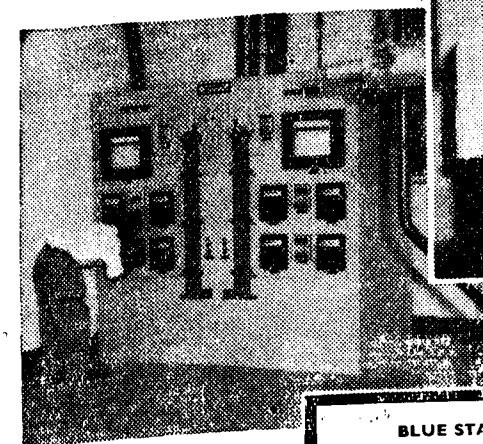
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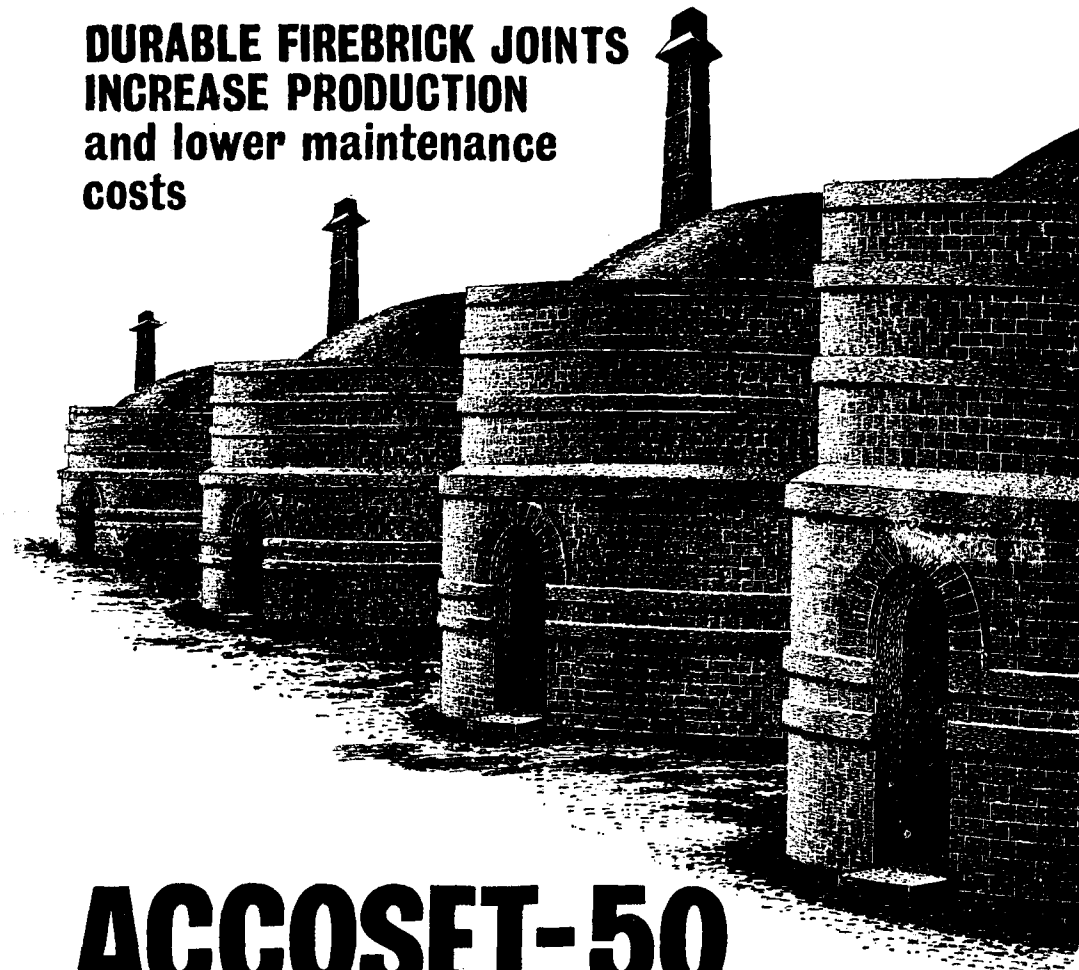
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alternators was received in September last year. The programme is to manufacture units having a capacity of 12, 25, 55 and 100 mW. This project also is expected to be completed within the next two years and the heavy electrical equipment produced from this source will be coming in very handy. While the Hardwar project will be able to produce turbines even upto 30,000 kW in view of the doubling programme in the Fourth Plan for generating electricity, it will probably be necessary to instal additional capacity for manufacturing heavy electrical and allied equipment which would mean that the existing units will have to be expanded considerably before long. It is only to be hoped that the regional economies will benefit to a great extent from the functioning of these big projects.

★★

The by-election of a member from the Tiruvannamalai constituency in North Arcot District to the Madras State Legislature was bitterly fought, there being a straight contest between the Congress and DMK candidates. The Madras Chief Minister, who is well-known for his experience and organising ability in election matters, supervised personally the preparations for this by-election which was caused by the death of a Congress member. There was a heavy poll and till the counting was completed it was not clear which candidate would win. The DMK has been successful by a narrow majority. The ruling party is naturally bitterly disappointed. While it has been widely reported that caste and communal considerations more than political issues have weighed with the

electorate, the feeling has nevertheless gained ground that the recent policies of the Central Government have been to a great extent responsible for this latest defeat of Congress at the polls and that the majority for DMK would have been much more flattering but for the strenuous efforts made by the Madras Chief Minister. While the DMK party has secured fresh success and the strength of its opposition to Congress in the Legislature has increased, it would be incorrect for it to hug the belief that its policies are being endorsed by the electorate and the defeat of the Congress at the next elections is a certainty. The Congress Party has still the advantage of a good administrative set-up and active contact with the people and a better understanding of their problems can still help it to serve the country in a better way.

It is true that even the rural folks are getting more and more tired of the heavy indirect and direct taxes levied in the past few years, while the blunders committed in implementing the Gold Control policy have been most unfortunate. The nation is prepared for heavy sacrifices. But the rise in prices in the past few months and the scarcity of many essential commodities have created a sense of bitterness and the support given to the DMK party by other political organisations has resulted in the Congress defeat. The Madras Government is keenly aware of the change in the wind and is anxious to adopt remedial measures. It is only to be expected that the Centre will extend the necessary co-operation to the various State Governments and undo the grievous harm caused by many recent tax measures.

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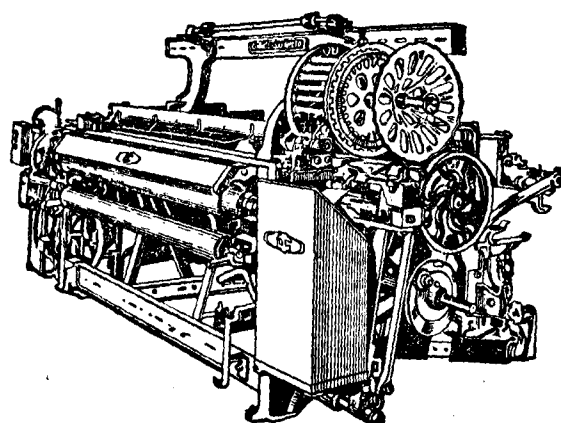
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Trade Winds

India experienced a sharp reduction in its foreign exchange reserves during 1961 and 1962. Since that time, the country's reserves have been rising, due in part to an upward trend in India's exports and to a larger flow of non-project foreign assistance. Indian financial measures have included new taxes that are expected to provide an additional annual revenue yield amounting to over 2 per cent of national income. The assured availability of fund resources under the standby arrangement will help the Indian authorities to meet any temporary difficulties in the country's balance of payments situation.

MARKET DEVELOPMENT FUND

A three-member committee has been appointed by the Government of India to administer the Rs. 3.8 crores Market Development Fund which has been provided for in the current year's budget for export promotion. The Secretary of the Economic Affairs Department of the Finance Ministry will be the chairman of the committee, while the Secretary, Department of Expenditure and the Secretary, Department of International Trade will be the members. The Fund will be utilised specially for market research, commodity research and other research programmes; export publicity and the dissemination of information; participation in trade fairs and exhibitions; trade delegations and study teams; establishment of offices and branches in foreign countries; grants in aid to export promotion councils and other organisations for the development of foreign trade; quality control and pre-shipment inspection, export assistance for exportable commodities, including transport assistance and export risks insurance.

MACHINE TOOL PRODUCTION

Arrangements have been made for the supply of machinery worth Rs. 23 crores on the basis of long-term credit between India and Czechoslovakia for the machine tools industry. The Government of India have now established a Central Research Institute for machine tools technology and design at Bangalore by utilising a gift of Rs. 60 lakhs in the form of financial assistance offered by the Government of Czechoslovakia.

Two thousand Czechoslovakian technicians would be arriving in India in the course of next year. They would be utilised for Heavy Machine Tools Plant in Ranchi, the installation of the Boiler Plant at Tiruchy, in the Heavy Electrical Industry in Bhopal and the Steam Turbine Plant at Ramachandrapuram near Hyderabad. It was disclosed at a press conference by Mr. R. V. Ramiah, Joint Director of Central Machine Tools Research Institute that machine tools and laboratory equipment required for the institute had already been fabricated in Czechoslovakia and shipments of these will be received in India commencing from October, 1963 onwards. The Mysore Government had agreed to make available workshops space in the industrial estate at Rajajinagar for starting the preliminary activities of the institute.

SOVIET AID FOR FARRAKA PLANT

Under an agreement signed recently between the Russian Foreign Trade Organisation and the Punjab State Electricity Board, Russia will supply complete equipment and material for the Punjab State Electricity Board's Bhakra right bank power plant. The plant will comprise four hydro-electric units of 120 mw. capacity each. There is provision for a fifth.

LOAN PROGRAMME FOR 1963-64

THE GOVERNMENT of India have announced the floatation of two new 6 and 10 year loans aggregating Rs. 225 crores. The loans are:

- 1) a further tranche of the existing 4 per cent Loan 1969 to be issued at Rs. 99.50 per Rs. 100 (nominal), repayable on the 8th of May, 1969, and
- 2) 4½ per cent Loan 1973 to be issued at par, repayable on 22nd July, 1973.

In addition to cash subscriptions, the holders of the under-mentioned loans have been given the option to offer their holdings into the new loans;

2½ per cent Hyderabad Loan 1953-63.

4 per cent State Development Loans, 1963 of Hyderabad, Bihar, Bombay, Madhya Bharat, Madhya Pradesh, Mysore, Saurashtra, Travancore-Cochin and Uttar Pradesh.

4 per cent loan 1963 of Madras and West Bengal, and Mysore Government 4 per cent Conversion Loan 1953-63.

Subscriptions will be received from 22nd of July 1963 to 27th of July 1963 but the subscription lists may be closed earlier without notice as soon as the total subscriptions amount to Rs. 225 crores. The Government reserves the right to retain subscriptions up to ten per cent in excess of the notified amount.

With the exception of 2½% Hyderabad Loan 1953-63, all other loans will be accepted for conversion at par. 2½% Hyderabad Loan 1953-63 will, however, be accepted at Rs. 85.00 per Rs. 85.71 (o.s. Rs. 100) of the value of securities tendered.

Interest on the 2½% Hyderabad Loan 1953-63, 4 per cent Hyderabad State Development Loan 1963 and 4 per cent Mysore Government Conversion Loan 1953-63 tendered for conversion will be paid at the respective rates up to 21st July, 1963. On the other loans offered for conversion, interest will be paid at the rate of 4 per cent per annum up to 14th July, 1963, and for the period 15th to 21st July, 1963, at the rate applicable to the new loan as applied for. Interest on the new loans will accrue from 22nd July 1963. Interest on 4 per cent loan 1963 will be paid on 8th November, 1963, for the period 22nd July to 7th November and thereafter at half-yearly intervals. Interest on 4½ per cent loan 1973 will be paid half-yearly on 22nd January and 22nd July. Interest will be subject to tax under the Income-Tax Act, 1961.

\$100M CREDIT FROM IMF

The International Monetary Fund has entered into a new standby arrangement with the Government of India that authorises drawings from the Fund up to the equivalent of \$100 million over the next twelve months. This succeeds a similar arrangement between the Fund and the Government of India which was announced in July 1962. Under that arrangement, which also authorised drawings up to \$100 million, the equivalent of \$25 million was drawn and subsequently repaid to the Fund. Net drawings from the Fund on the part of the Indian Government currently amount to \$250 million. India's quota in the Fund is \$600 million, of which \$77.5 million has been paid in gold.

July 12, 1963

unit of the same capacity to be installed in future. The contract is valued at Rs. 5.60 crores, payment to be effected out of the credit granted by Russia under an agreement with the Government of India in February, 1961. The detailed project report was prepared by the Soviet Designs Organisations and approved by the Punjab State Electricity Board. The Russians have agreed to depute specialists to render technical assistance for erection, adjustment and commission of the equipment and to train Indian engineers in the operation of the equipment.

OCCUPATIONAL WAGE SURVEY

An Occupational Wage Survey, the first of its kind, conducted on the country-wide basis, has been completed by the Labour Bureau of the Union Ministry of Labour and Employment. This Survey covers 44 major manufacturing, mining and plantation industries in the country. It has yielded data on occupational wage rates and the characteristics of wage structure and composition of labour force in various industries. The survey reveals composition of the working force, systems of payment, wage rates and dearness allowance, pay roll earnings, levels of average daily earnings, wage rates and earnings of workers in various occupations, overtime working and earnings and incentive bonus scheme.

Seventy-six per cent of the labour force has been covered in the manufacturing, almost 100 per cent in the plantations and about 85 per cent in the mining industries. Among the important industries covered are cotton, jute, iron and steel, coal and iron ore mines, tea, coffee and rubber plantations.

MANUFACTURE OF COAL MINING MACHINERY

For the manufacture of coal mining machinery, an agreement was recently signed at Ranchi between the Heavy Engineering Corporation Ltd., and Messrs. Mavor and Coulson, Glasgow, U.K. The machinery, including items like samsons crawler and mounted coal cutter which is required by the National Coal Development Corporation Ltd., will be produced at the Bharkhakana workshop of NCDC. The new manufacturing programme is in addition to the coal mining machinery plant at Durgapur, which has been undertaken with Soviet collaboration for the manufacture of diverse items of equipment for the coal industry in India. The manufacture of prototypes of items like pumps, conveyors and booster fans has already begun at the Durgapur plant.

COMPULSORY DEPOSITS

The Government of India have authorised the Central Bank of India, the Punjab National Bank, the United Commercial Bank, the Bank of Baroda, the Bank of India, Devkaran Nanjee Banking Co. and the United Bank of India to receive and maintain the accounts of Compulsory Deposits with effect from August 1, 1963.

With the inclusion of these banks, there would be nearly 14,000 offices including head post offices, departmental sub-post offices, offices and branches of the Reserve Bank of India, the State Bank of India and its subsidiary banks authorised to receive the compulsory deposits.

PRODUCTION OF HIGH GRADE STEEL

It is calculated that high grade steels form from 5 to 15% of the total crude steel production in the industrial countries. The U.S.A. has high grade steel percentage of 7 to 9%; Japan, 9 to 11%; West Germany, 6 to 8%. On this basis, the Indian high grade steel production should amount to 0.5 to 1.5 million

tons at the end of the Third Five-Year Plan, in accordance with the planned production target of 10 million tons of steel. The Planning Commission has fixed a production capacity of 215,000 tons up to the end of the third five-year Plan and 390,000 tons by the end of the fourth five-year Plan. All responsible quarters acknowledge the fact there is an acute shortage of high grade steels in India at the moment. The present requirement is estimated to be 70 to 90 thousand tons per month. The extent to which the requirement will further increase depends on the realisation of the envisaged mechanical engineering programme. If all plans can be realised, specialists estimate an annual requirement of 200,000 - 300,000 tons over the next few years.

SLAG GRANULATION PLANT

The slag granulation plant of the Bhilai Steel Works is expected to be commissioned by the end of 1963. The plant, which is part of Bhilai's expansion programme, has a capacity to produce 9,50,000 tons of granulated slag per year but in the initial stages, the availability will be about 700,000 tons per year. A separate section has also been organised in the construction department of the Bhilai Works for studying slag utilisation. The engineer in charge of the section has been deputed to the Hindustan Housing Factory in Delhi to study the utilisation of slag as also preparation of precast reinforced concrete elements for housing construction.

Steps are already under way to develop the uses of granulated slag so that when produced it can be fully utilised. Certain commitments have already been entered into for the supply of granulated slag for the manufacture of slag cement. The rest of the output is proposed to be utilised for making slag blocks, slag bricks and other building materials.

K.C.P.'s SUGAR PLANT

The K.C.P. Limited, Madras, have signed another agreement recently with The Kallakurichi Co-operative Sugar Mills Ltd. Kallakurichi, for the manufacture and supply of a 1000 to 1200 tonnes per day capacity sugar plant. This is the seventh complete sugar plant to be supplied by The K.C.P. Limited. Recently, they have signed an agreement with the National Co-operative Sugar Mills Ltd. Madurai, for the supply of a similar plant.

Sugar and Cement Plants are manufactured in K.C.P.'s Workshops at Madras in collaboration with Messrs. Fives Lille — Cail, Paris, France.

NEW CEMENT FACTORY

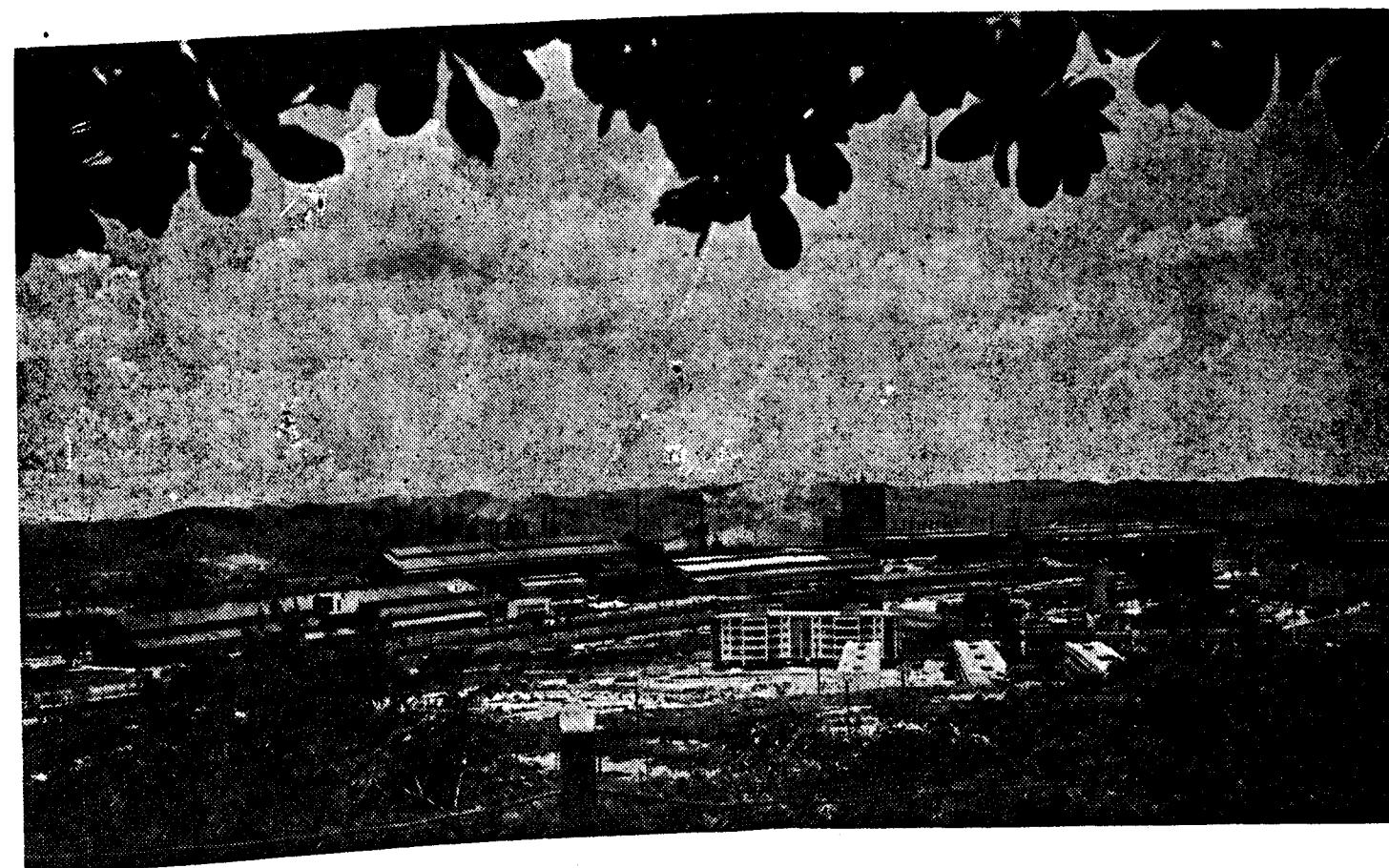
A licence for the setting up cement factory at Karur in Trichy district has been granted by the Government of India. The factory will produce four lakh tons of cement per annum. The factory is likely to use furnace oil since its location will be far away from the collieries.

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Company Affairs

ENFIELD INDIA

ENFIELD INDIA Limited, which has been successfully producing light and heavy motor cycles in the past few years and has achieved a fairly high indigenous content, launched on its scooter project last year after incurring a capital expenditure of Rs. 25 lakhs. But just when the pilot plant operations had been concluded and marketing arrangements also had been finalised the Emergency was declared and it was necessary to suspend production of scooters as well as light-weight motor cycles. This led to a dislocation of the production programme and also affected sales to a certain extent during last year. But the working results for 1962 have still made better showing and a dividend of 4 per cent has been maintained on an increased capital.

It has been emphasised by the Chairman of the company that sales during the current year will be very much higher as the output of heavy motor cycles will be much larger, thanks to the special facilities provided by the Government for the reason that the entire output of heavy motor cycles is being taken up for the Defence Services. The company expects to resume manufacture of scooters in a small way while a new model of light-weight motor cycle is proposed to be introduced later this year. The company will also have the advantage of marketing industrial engines in the closing months of the year. Some part of the increase in sales will be due to the commencement of operations by several units in the Industrial Estate attached to the factory. Besides the manufacture of scooters and motor cycles, it is expected that the scheme for producing industrial engines will be a remunerative source of investment. There will, however, be no need for incurring large capital expenditure on this project by the company itself as the bulk of the components and parts required for the assembly of industrial engines will be supplied by the small-scale producers in the Industrial Estate. It is expected that sales of industrial engines alone will aggregate to Rs. 100 lakhs annually when all the units in the Estate are working. With the various projects likely to yield better results during the current year and the next it is expected that the shareholders will get a better deal.

HINDUSTHAN WIRES

During the year ended March, 1963, Hindustan Wires Limited has recorded encouraging results with a higher level of production of Rs. 87.16 lakhs as against Rs. 44.45 lakhs. The net profit after depreciation amounts to Rs. 11.25 lakhs as against Rs. 3.04 lakhs a year before. The directors have recommended the payment of dividend of 60 nP. per share free of tax as against 40 nP. last year. The company, it is indicated, has undertaken important defence orders. Plant and machinery valued at Rs. 13.41 lakhs has been received and is being installed after which some of the high carbon tensile wires output is likely to increase. The company's application for furthering expansion of its present wire manufacturing capacity has been granted by the Government and a licence has been issued for the manufacture of 5,000 tonnes of prestressed concrete and other high tensile wires. This is in addition to the licence for 4,200 tonnes of wires. The company has entered into technical collaboration with Kobe Steel Works Limited and its subsidiary company, Shinko Wire Company Limited, Japan. Additional plant and machinery valued at Rs. 35 lakhs is to be imported. The Government of India has agreed to the importation of the same under yen credit. Agreement for supply of equipment has already been signed subject to the approval of the Government of India and the Government

of Japan and shipments are expected to be completed in six to nine months. The total cost of the project on block including the expansion programme and manufacture of tyre bead wire will be Rs. 1.27 crores. For this purpose, the company has negotiated with the Industrial Finance Corporation for a loan of Rs. 54 lakhs.

ASIAN CABLES

Mr. Girdharlal P. Kotak, Chairman, Asian Cables Corporation Ltd., indicated at the annual general meeting held recently, that the company has started regular production since January 1962 and output has been steadily rising from Rs. 25,000 in January, 1962, to about Rs. 7.50 lakhs at present which is the full-rated capacity. Output has now stabilised around a figure of 12,50,000 core metres of cables per month on a single shift basis. Now that it has reached its installed capacity, the company is likely to record profit in the next year's balance-sheet. The chairman also informed the shareholders that on Project II for which the foundation stone was laid in February, 1963, the construction is progressing well. Orders for machinery and equipment have been placed which will be shipped before the end of this year so that the project will start producing before the end of 1964. He added that sufficient arrangements have been made to train technicians who will handle the project and five of them are now under training in England in the Power Cables Factory of Messrs. Enfield Standard Power Cables Ltd. He indicated that collaborators of the company have agreed to contribute their full part of the investment in equity capital which amounts to U.S. \$1.13 million.

MADRAS FORGINGS

Madras Forgings and Allied Industries (CBE) Limited has offered for public subscription Rs. 11 lakhs in 11,000 equity shares of Rs. 100 each. The company has an authorised capital of Rs. 25 lakhs in equity shares of Rs. 100 each. The present issue is for Rs. 15 lakhs out of which the promoters, directors and their friends have been allotted 4,000 equity shares valued at Rs. 4 lakhs. The company was registered early in 1963 with the main objective of manufacturing heavy, medium and light steel forgings and heavy cast iron castings. The company has planned to set up forging and foundry units with a capacity of 6,000 tons per annum. The factory will also manufacture all types of steel forgings required by Railways for rolling stock as well as parts for wagon building industry. The Government has agreed to grant licences for importing machinery from rupee currency areas. About 75 per cent of the machinery, it is stated, will be available indigenously. The estimated capital outlay of the project is Rs. 15 lakhs which will be met by the issue of shares. The company, it is added, can raise loans from financial institutions whenever there is any further necessity.

TATA OIL MILLS

There was a marked improvement in the turnover of the Tata Oil Mills Co. Limited during the year to March 31, 1963 from Rs. 11.19 crores to Rs. 12.89 crores. Profit during the year stood around Rs. 50.73 lakhs, as against Rs. 38.79 lakhs a year before. The provision for taxation had to be higher at Rs. 23.03 lakhs against Rs. 15.77 lakhs and a sum of Rs. 2.40 lakhs has been provided towards the general reserve. The Directors have proposed to provide a sum of Rs. 2.75 lakhs towards plant modernisation and development reserve and Rs. 19.50 lakhs towards dividend reserve. They have recommended a dividend of 22 per cent on ordinary shares as against 23

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per cent paid during the last three successive years. It may be added that new shares issued during the year at a substantial premium are also entitled to a proportionate dividend.

ZENITH STEEL PIPES

The Directors of Zenith Steel Pipes Ltd. have decided to recommend a maiden dividend of 60 nP. per share. The company has made impressive progress. Zenith is one of the few among the newly started projects in recent years to show such good results and to declare a dividend after the very first year's working.

The company has made a net profit of Rs. 11,68,733 after providing for: Depreciation Rs. 4,86,298, Statutory Development Reserve Rs. 12,58,031, Development Rebate Rs. 4,19,343 and writing off preliminary expenses and brokerage Rs. 1,18,689.

Together with Rs. 30,649 carried over from the previous year, the total net profit aggregates Rs. 11,99,382, out of which the Directors have decided to provide Rs. 7,50,000 for General Reserve Fund, Rs. 4,20,000 for Dividend (at 60 nP. on 7,00,000 equity shares) and to carry forward Rs. 29,382.

The company is entitled to a tax holiday under Sections 84 and 101 of Indian Income Tax Act on an estimated income of Rs. 5,13,000. Total sales in 1962-63 aggregated a little over Rs. 1.48 crores. Zenith tubes have a ready market and the company's order books are full up to January next. The company issued its capital only in September, 1960, while the final call was made exactly a year later. Import licence for machinery was obtained in January, 1961, and the company was able to complete the establishment of the factory by April, 1962. Commercial production commenced only from May 1962. Since then Zenith has been making steady progress, having attained the full rated capacity at the end of that year.

Had enough steel been made available to the company, it would have attained its rated capacity even earlier, that is during the first year of working itself. Fortunately the raw material position is now better, except for zinc. There are proposals to get over this difficulty by reclaiming zinc from dross and the necessary plant will be imported provided the authorities grant the relevant import licence.

CAPITAL ISSUES

Three companies, two of which are public sector enterprises, have been authorized to issue fresh capital aggregating Rs. 4.5 crores. The consent is valid for 12 months in all cases.

Indian Drugs and Pharmaceuticals, Limited, Delhi, a Central Government undertaking is to issue further capital of Rs. 400 lakhs, divided into 40,000 equity shares of Rs. 1,000 each for cash at par.

Andhra Pradesh Small-Scale Industrial Development Corporation, Hyderabad, a State Government undertaking, is to issue capital of Rs. 30 lakhs in equity shares of Rs. 100 each, to be subscribed by the Government of Andhra Pradesh. The proceeds will be utilized for the development of small-scale industries.

Seshasayee Industries Limited, is raising additional capital of Rs. 20 lakhs in equity share of Rs. 10 each, to be issued for cash at par. The money will be used for the company's expansion programme.

LICENCES ISSUED

The Union Ministry of Commerce and Industry has granted licences to the following firms under the Industries (Deve-

lopment and Regulation) Act, 1951 during the week ending 29th June, 1963. The list contains the names and places of the licensees, articles of manufacture and annual installed capacity.

IRON & STEEL

The Vijay Engineering Co. Ltd., Das Chambers Dalal Street, Bombay-1 (location Howrah, West Bengal)—Shots and grits 12000 tons. Abdul Aziz Abdul Kadar, President, Fort Taluka Congress Committee, (Mandal No. 1, Tulloch Rd., Appollo Bunder, Bombay-1, Proposed name: M/s. Maharashtra Ferrous Industries, Bombay (Thana, Bombay, Maharashtra) — Heavy structurals 5,000 tons.

COAL

National Coal Development Corporation Ltd., Darbhanga House, Ranchi, Proposed name: Singrauli Colliery (P.O. Waidan, Dist. Sidhi, Madhya Pradesh) — Coal 3.05 million tonnes. National Coal Development Corporation Ltd., Darbhanga House, Ranchi, Proposed name: Bijuri Colliery (Tehsil, Sohagpur, District Sahdol, Madhya Pradesh) — Coal 0.36 million tonnes. Shri Gajadhar Lodha, Central Tentulia Coal Co., P.O. and T.O. Katrasgarh, Dist. Dhanbad (Katrasgarh Dist. Bihar) — Coal 30,000 tonnes. P. Chanchani and Co. Private Ltd., P.O. Siduli Dist. Dhanbad (at East Sinidih Colliery P.O. Tundu, Dist. Dhanbad) (Dhanbad, Bihar) — Coal 16,000 tonnes. National Coal Development Corporation Ltd., Darbhanga House, Ranchi, Proposed name: Sonawani Colliery (Tehsil, Manendragarh, Dist. Surguja, Madhya Pradesh) — Coal 0.56 million tonnes.

ELECTRICAL EQUIPMENT

Automatic Electric Private Ltd., Rectifier House, 570, Naigaum Cross Road (East) P.O. Box 7103, Bombay-31 (Bombay, Maharashtra) — Silicon diodes and allied devices C-cores-toroidal, the capacity would be assessed when the plant goes into production. S.F. Products India Ltd., 2A, St. Georges Terrace, Hastings, Calcutta-22 (Maheshtola, 24-Parganas, West Bengal) — Industrial Propeller fans and Blowers for low, medium and high pressure and Accessories 1,500 pieces. Maharaja Kumar Prodeep Chandra Bhanj Deo, Mayurbhanj House, No. 3, Rainey Park, Calcutta-19, Proposed name: Molecular

Electronics Private Ltd. (Durgapur, West Bengal) — Ferrite materials hard ferrites and soft ferrites 180 tons. Delton Cable Co., 3455/3457, Delhi Gate Post Box No. 1179, Delhi-6 (Delhi) — 4 way PVC Insulated/sheathed coiled coil cord, 2 way PVC Insulated/sheathed straight cord 2.2 million core yards.

TEXTILE MACHINERY

Marsden Spg. & Mfg. Co. Ltd., Rakhial Road, Ahmedabad-1 (Ahmedabad, Gujarat) — Fiber Meter (fiber blending machinery, blow room machinery 20 Nos.

JUTE MACHINERY

Reed & Comb Mfg. Co. Private Ltd., 138, Canning Street, Calcutta-1 (Calcutta, West Bengal) — Broad looms (168" and 210" R.S. for jute industry) 120 Nos. Duncan Bros. & Co. Ltd., 31, Netaji Subhas Road, Calcutta-1, Proposed name: Giddings & Lewis - Fraser India Ltd., 24-Parganas (West Bengal) — Short fibre feeder 36 Nos., Silver dispersal units 120 No., Softener feeder 24 Nos. Softener 24 Nos. per annum. Cards 48 Nos.

MINING MACHINERY

Volitas Ltd., 19, Graham Road, Bombay-1 (Maharashtra) — Diamond Core Drills 22 HD 60 Nos. per annum, Diamond Core Drills Model 45—20 Nos. per annum Mines fans size

36" — 250 Nos. per annum, Spares of above items Rs. 10 lakhs worth.

CONVEYING EQUIPMENT

Kamani Bros. Private Ltd., Kamani Chambers, Nicol Road, Ballard Estate, Bombay-1, Proposed name: Eastern Engineering Corporation Ltd. (Bihar) — Ropeway Structures, buckets, cranes, conveyors, medium heavy structures 12,000 tons. Gujarat Industrial Trucks Private Ltd., India House, Fort, Bombay-1, (Udhana-Chauryasi, Dist. Surat, Gujarat) — Industrial Trucks (Land operated only) and Industrial Trolleys 650 Nos.

SIZE SEPARATION UNITS

Deepak Industries Ltd., 62, Hazra Road, Calcutta-19 (Calcutta, West Bengal) — Mechanical lever or spring and electro magnetic operated clutches, Centrifugal clutches Rs. 15 lakhs. Adarsha Engg. (P) Ltd., Shrirampur, P.B. No. 44, Dist. Ahmednagar, Proposed name: Adarsha Engineers Private Ltd., (Chinchwad, Tehsil Naveli Dist. Poona, Maharashtra) — Flexible coupling spindle, pin and cloud type, Shaft couplings, rigid, sleeves and compress type — 1,08,000 Nos.

POWER DRIVEN PUMPS

Johnston Pumps India Ltd., 2, Fairlie Place Calcutta-1 (Calcutta, West Bengal) — Johnston submersible pumps, Johnston vertical propeller pumps, Johnston vertical mixed flow pumps, Johnston vertical pumps 720 Nos.

MACHINE TOOLS

Voltas Ltd., 19, Graham Road, Ballard Estate, P.B. No. 1198, Bombay-1 (Maharashtra) — Hydraulic equipment Rs. 50 lakhs. New Bemco Engineering Products Private Ltd., Udyambaug Industrial Estate, Khanapur Rd., P.O. Udyambaug, Belgaum (Mysore) — Hydraulic equipment Rs. 30 lakhs worth. Precimaxmachine Tool Corporation, 5, Stadium House, 81/83, Veer Nariman Road, Bombay-1 (Village Monji, Dattapara Road, Borvli, Bombay, Maharashtra) — Universal machine tools 150 Nos. per annum, Bench lathes 150 Nos., Variable speed drive units 250 Nos. Cooper Engineering Ltd., Chinchwad, Dist. Poona (Maharashtra) — Shaping machines 200 Nos. Wellman Incandescent India Ltd., 8, Harington Street, Calcutta-16 (Calcutta, West Bengal) — Industrial furnaces — worth Rs. 1 crore. Pratap Steel Rolling Mills, Pratap Estates, Chheharta (Punjab) — Furnaces, Oil Burners, Capacity will be determined after the unit commences production. Blue Star Engineering Co. (Bombay) Private Ltd., P.B. 10042, Sukhsagar, Sandhurst Bridge, Bombay-7 (Maharashtra) — Hardness tester 250 Nos. per annum, Impact tester, 100 Nos. per annum, Universal testing machines 25 Nos.

PLASTIC MOULDED GOODS

Svadeshi Mills Co. Ltd., Bombay House, Bruce St., Fort, Bombay (Kurla, Greater Bombay, Maharashtra) — Laminated Plastics (Special water and acid proof packaging material for textile and other goods, with paper, cloth and metallic foils as base materials) 24,000,000 metres. Swastik Rubber Products Ltd., Swastik House, Behind Kirkee Rly. Station, Poona-3 (Kirkee, Poona, Maharashtra) — Plastic Tubings and Extrusions; Injection moulding (one machine) — 6 to 8 ozs., Extrusions (two machines) — 150 mm. aggregated capacity.

HAND TOOLS

Lekhraj Manoharlal Agarwal, 151, Asoka House, Narayan Dhuru Street, Bombay-3 (Bombay, Maharashtra) — Industrial machine knives (excluding wood working band saws) 400 tons, Miscellaneous tools 10,000 Nos. Hakimrai Jaichand, United Bank of India Building, 6th Floor, Sir P.M. Road, Fort, Bom-

bay-1 (Bombay, Maharashtra) — Engineers' steel files including Rasps and precision files 60,000 dozens.

AIR CONDITIONERS

Voltas Ltd., 19, Graham Road, Ballard Estate, Post Box 1198, Bombay-1 (Bombay, Maharashtra) — Basic Equipment: A—Window-type room Air conditioners, 1 H.P., 1½ H.P. and 2 H.P. units 8350 to 15100, B—Self contained packaged units, 3 H.P., 5 H.P. and 7.5 H.P., 350 to 500, C—Hermetic compressors, High speed model for use with unitary equipment and commercial refrigeration 1 H.P. to 7½ H.P.—12,000 to 21,000, D—Central Plants, (1) Carrier high-line compressors 7½ to 60 H.P. — 210 to 420, 60 H.P. to 125 H.P. — 40 to 80, (2) Accessories to, Match the above compressors (water chiller plants, low side fan coil equipment, water and air-cooled condensers, etc. (To match the compressors manufactured as above) (S.E. for the manufacture of N.A.)

ORGANIC HEAVY CHEMICALS

Camphor & Allied Products Ltd., Jehangir Building, 133, Mahatma Gandhi Road, Bombay-1 (Bareilly, Uttar Pradesh) — Formic Acid — capacity to be fixed later.

MISCELLANEOUS CHEMICALS

The Fertilisers and Chemicals (Travancore) Ltd., Eloor, P.O. Udyogamandal, Kerala (Udyogamandal, Kerala) — Dry Ice 1,800 tons.

COTTON TEXTILES

Lucknow Textiles, C/o M/s. Automobile Financing Corporation, Halwasiya Court, Hazrat Ganj, Lucknow (Lucknow, Uttar Pradesh) — 1200 spindles for the manufacture of cotton waste yarn. V.M. Salgaocar Eirmao Ltd., Vascodagama, Goa, Proposed name: Salgaocar Industries Textiles Ltd. (Mormugao, Goa) — 25,000 spindles for the manufacture of cotton yarn.

VEGETABLE OILS

Shri P. V. Devassy, Pokkath House, South Bazar Road, Irinjalakuda (Irinjalakuda, Kerala) — Vegetable oil from oil cakes by solvent extraction process 7,500 tons in terms of oilcakes. Delhi Cloth and General Mills Co. Ltd., Bara Hindu Rao, Delhi (Najafgarh Road, Delhi) — Vanaspati 180 tons per day, (S.E.) by shifting and existing plant from M/s. Kathiawar Industries Ltd., Junagarh (Gujarat) to Delhi.

INSULATORS

Gujarat Insulators and Ceramics Ltd., Hill View, Ridge Road, Malabar Hills, Bombay-6 (Ahmedabad, Gujarat) — High tension Insulators 1950 tonnes per annum, Low Tension Insulators 490 tonnes.

CHANGES IN NAMES

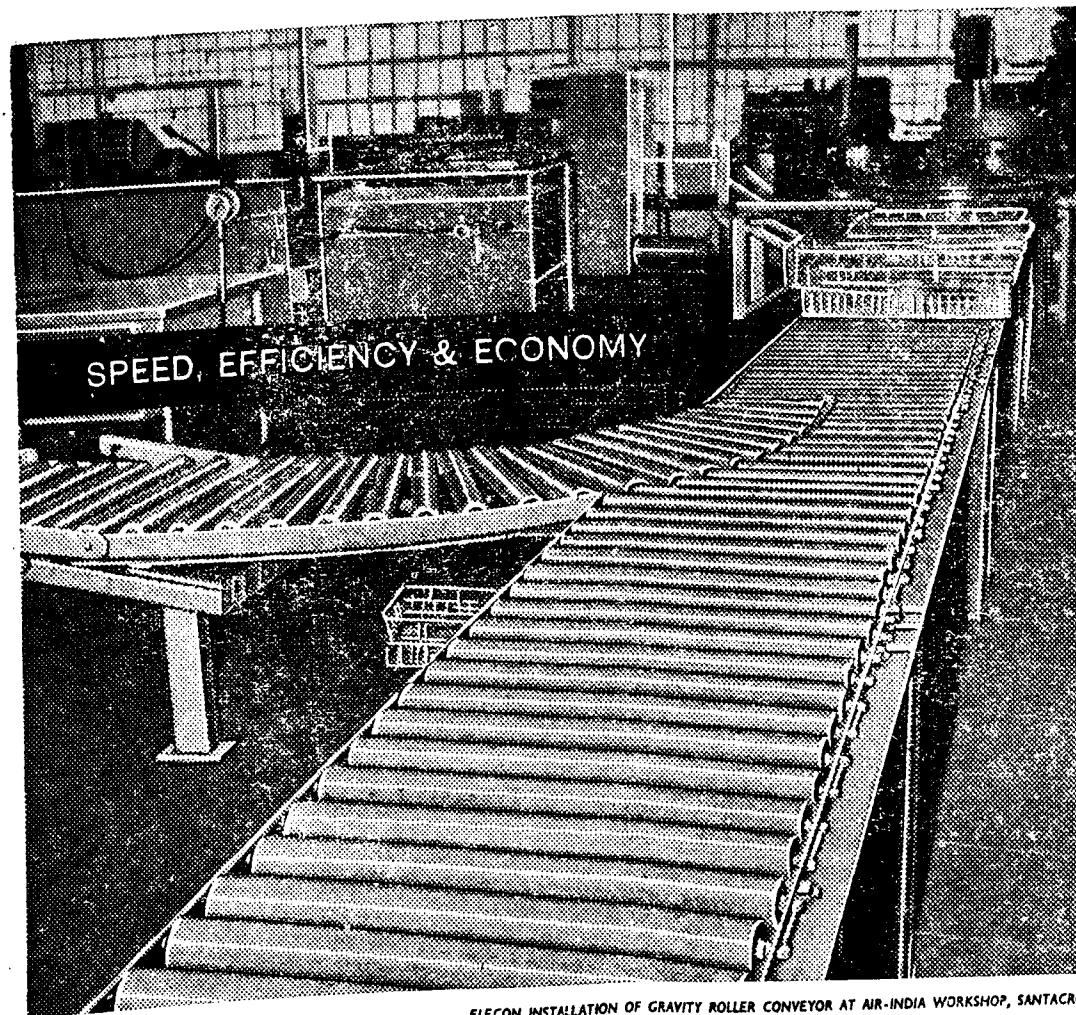
(During the week ending 29th June, 1963)

From M/s. Hindustan Gas and Industries Ltd., New Delhi to M/s. Industrial Plants Ltd. From M/s. Paramount Industrial Stores, Bombay to M/s. Nitin Engineering and Manufacturing Co. Private Ltd., Bombay. From Shri L. G. Bala-krishnan, Hindupur to M/s. Madanapalle Spinning Mills Ltd., Madanapalle. From M/s. Jay Shree Textiles Ltd., Rishra to M/s. Jaya Shree Textiles and Industries Ltd., Rishra.

LICENCES REVOKED

(During the week ending 29th June, 1963)

M/s. Britannia Engineering Co. Ltd., Calcutta — Grinding machines. M/s. Gopal Rice Oil and Fertilizer Company Sakkottai Kumbakonam Tanjore Dist. — Rice bran oil. M/s. Modi Sugar Mills Ltd., Modinagar (U.P.) — cycle tyres and tubes.



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RECORDS AND STATISTICS

Quality Control for Export Goods

THE GOVERNMENT of India has decided to introduce compulsory quality control and pre-shipment inspection for exports of jute and cotton textiles before the end of the current calendar year. The Regulation will be applied to the export of processed foods with effect from September 1, 1963, and to engineering products from the beginning of 1965.

Agricultural Products

With regard to the agricultural products, it has been decided to introduce compulsory quality control and pre-shipment inspection within this calendar year. The phasing of the programme, the standards that are to be implemented and agencies to be entrusted with this work are indicated in the table below:

Name of product	Date from which quality control and inspection schemes are to be made compulsory	Standards	Agency
(1)	(2)	(3)	(4)
Pulses	between 1-7-63 and 30-9-63	Agmark already framed	Agricultural Marketing adviser
Onion	-do-	-do-	-do-
Ginger	-do-	-do-	-do-
Turmeric	-do-	-do-	-do-
Walnuts	-do-	-do-	-do-
Groundnut oil	-do-	ISI stds. already available	-do-
Groundnut oil refined	-do-	-do-	-do-
Linseed oil	-do-	-do-	-do-
Linseed oil double boiled and refined	-do-	-do-	-do-
Castor oil	-do-	-do-	-do-
Castor oil for pharmaceutical purposes	-do-	-do-	-do-
Vetiver oil	-do-	-do-	-do-
Potato	-do-	Agmark stds. under preparation	-do-
Senna leaves	between 1-10-63 and 31-12-63	Agmark stds. under preparation	-do-
Sennapods	-do-	-do-	-do-
Tendu (biri) leaves	-do-	-do-	-do-
Edible mushrooms	-do-	-do-	-do-
Bannana powder	-do-	-do-	-do-
Bannana dried	-do-	-do-	-do-

MEAT AND SEA FOODS

Animal castings	between 1-10-63 and 31-12-63	ISI stds. available	Agricultural Marketing adviser
Pork and meat of sheep and goat canned in brine.	-do-	ISI stds. under preparation	-do-
Pork (chilled, frozen ham and other types)	-do-	ISI stds. already available	-do-
Frozen meat	-do-	ISI stds. under preparation	-do-
Frozen shrimps	1-8-63	ISI stds. available	Fisheries Development Adviser in collaboration with marine products E.P.C.
Prawns or shrimps canned in brine	1-8-63	-do-	-do-
Prawns dried or prawns pulp	-do-	-do-	-do-

Processed Foods

Compulsory quality control is already being exercised for fruits and vegetable products under the Fruit Products Control Order, 1955, for vegetable oil products through the Vegetable Products Control Order, 1955, under the Essential Commodities Act, 1955 and food articles through the Prevention of Food Adulteration Act, 1955.

In addition to these, it is proposed to introduce compulsory ISI certification marking scheme for the following processed foods: corn flour, baking powder, dextrose, macaroni, vermicelli and spaghetti, breakfast foods, (such as corn flakes, wheat flakes, pearl barley, barley powder etc.), biscuits, confectionery and malted milk foods.

Indian standard specifications for these products are available and the major portion of the organised sector of the indigenous industry for some of the products has already introduced ISI certification marking scheme on a voluntary basis. By the extension of the ISI scheme on a compulsory basis for exports from September 1, 1963 the quality of goods for export will be ensured.

Tea

It has been decided to include tea as one of the commodities for introduction of compulsory quality control and pre-shipment inspection in this year's programme. Certain measures of quality control of tea are being exercised under the Tea (Distribution and Export) Control Order, 1957, by virtue of which the adulteration of tea, as defined in the order, is prevented. The order also prohibits the export of tea by persons other than a licensee. The licensees have to fulfil certain requirements in regard to packing and marking of containers. There are also some other regulatory provisions.

However, the Control Order does not stipulate pre-shipment inspection. There is, however, a voluntary pre-shipment inspection scheme of tea. This is to be operated only on prior request being made by the importers and is only for tea exported from the ports of Calcutta and Cochin. This scheme ensures that supplies are in conformity with the contracted samples. With regard to compulsory pre-shipment inspection, it is felt that till the formation of specification by Indian Standards Institution in respect of minimum requirements of main kinds of tea, the present voluntary pre-shipment scheme of the commodity is to be made compulsory.

Jute Products

The Government has already initiated action as a prelude to the introduction of quality control and pre-shipment inspection to exports of jute and jute goods. A study group under the chairmanship of the Jute Commissioner has prepared a draft specification for hessian and sacking and these specifications are to be finalised by the middle of July, 1963. The Jute Commissioner has also advised all jute mills to set up quality control units in each of their manufacturing units and it is envisaged that quality control and pre-shipment inspection on a compulsory basis for exports of jute products would be introduced this year.

Textiles

The Government proposes to start control and pre-shipment inspection for all textile exports before the end of the current year.

The plan could be divided into the following three groups: (1) Items for which measures are already being exercised and require to be strengthened immediately, namely, — (a) cotton textiles and yarn covered by ITEX, FACTUAL and ad hoc survey inspections (b) Handloom textiles covered by quality marking schemes. For all other handloom products, compulsory inspection has to be introduced immediately on the same lines as for Bleeding Madras etc. (c) Art silk and synthetic fabrics are already being inspected on a compulsory basis.

(2) Items for which preliminary thinking has already been done and for which arrangements on a compulsory basis would be completed by September 30, 1963, namely—(a) items like pure silk fabrics, and one of two items of handloom textiles such as furnishings, shirtings etc.

(3) Rest of the items for which compulsory quality control would be completed by December 31, 1963 namely — woollen fabrics, hosiery goods and other handloom products.

It is proposed to set up or adequately strengthen regional offices for inspection purposes at the following 11 centres, which will cater for the needs of inspection most expeditiously within the areas concerned: Amritsar, Delhi, Kanpur, Banaras, Calcutta, Nagpur, Ahmedabad, Bombay, Sholapur, Madras and Salem.

Coir

A scheme for voluntary pre-shipment inspection for the following products is expected to be put into effect from August 1, 1963 under the control of chairman, Coir Board: (1) Creel Mats (2) Rod Mats (3) Bit Mats (4) Fibre Mats. Indian standard specification for these types have been utilised in this scheme. This voluntary scheme is a fore-runner to the compulsory scheme that may be introduced in due course

after making such modifications as may be necessary in the light of experience gained.

Handicrafts

A Study Group set up by All-India Handicrafts Board has done some preliminary thinking for introduction of quality control and pre-shipment inspection for the following items of handicrafts: (1) Carpets (2) Namdahs (3) Druggets (4) Art metalware (5) Wood carving (6) Ivory (7) Zari (8) Brocades and silk goods (artistic) (9) Printed textiles (cotton and silk) hand blocked (10) Silver jewellery and silverwares. The Handicrafts Board has also introduced a voluntary labelling scheme for carpets.

Mineral Ores

The State Trading Corporation has been requested to follow the Indian Standards in sampling and testing of the following ores: (1) Iron ore (2) Bauxite (3) Kyanite (4) Sillimanite (5) Magnesite. For Mica, the Mica Export Promotion Council is administering a voluntary quality control scheme. The scope of all these schemes are likely to be enlarged further.

Engineering Products

The question of extending quality control and pre-shipment inspection to the engineering products was examined by the study group set up under the chairmanship of the senior industrial adviser (ENGG) and the articles have been divided into six broad groups.

Arrangements for exercising the necessary quality control and pre-shipment inspection will be completed by December 31, 1964, so that the scheme may be introduced from January 1, 1965.

The itemisation and grouping of various engineering products and their treatment for purposes of quality control and pre-shipment inspection is given below:

Group 'A'

For items falling in this group, a small group of technicians will be charged with the specific task of inspecting shop and quality control methods of exporting factories.

This group will then assess the export worthiness of the products of the exporting factories concerned and will recommend to the Government of India for necessary certification of export worthiness of these products.

The following items can be covered under this group: (1) motor vehicles, scooters, motorcycles and mopeds (2) diesel engines (3) air compressors (4) power-driven pumps (5) electric motors, transformers and switch gears (6) electric wires and cables (7) dry batteries (8) storage batteries (9) electric fans (10) GLS electric lamps and fluorescent tubes (11) radio receivers and equipment (12) refrigeration and air conditioning equipment (13) fabricated steel structures, including pressed steel tanks and bridge and roof (14) transmission line towers (15) bicycles (16) sewing machines (17) typewriters and duplicators (18) small tools (19) coated and bonded abrasives (20) crown cork (21) metal closures, capsules and cap seals (22) bolts, nuts, rivets, screws, wire nails, panel pins, and split and cotter pins (23) steel, aluminium and tinplate packages in made-up or component form (24) printed metal hardware, toys and advertisement novelties (25) steel furniture, including tubular furniture for home, office, and security purposes (26) steel pipes and tubes (27) cast iron pressures and non-pressure pipes (28) steel castings (29) precision iron

castings (lathe beds cylinder blocks, crank cases and machine castings) (30) dies, jigs and fixtures and (31) non-ferrous alloys, semis, extrusions and forgings.

Group 'B'

The following type of engineering products could be grouped here and the inspection for export purposes undertaken by the inspection wing of the Director-General of Supplies and Disposals: (1) machine tools (2) railway track fasteners and accessories (3) railway signalling equipment and train lighting equipment and (4) railway wagons.

Group 'C'

For the types of products falling under this group, no export inspection may be considered necessary because of the known quality control technique already being exercised. This group will cover the following three types of engineering products: (1) locomotives (2) industrial shunters, and (3) integral coaches.

Group 'D'

In this group, as will be seen from the following list, machinery used for specific industries has been categorised and here too the treatment as for group 'A' will have to be given to the goods meant for export: (1) textile machinery, (2) jute mill machinery, (3) sugar mill machinery, (4) paper and pulp mill machinery, (5) tea processing machinery, (6) industrial machinery not otherwise specified, (7) automobile

ancillaries and (8) high tension power transmission line equipment (where package export contracts are concerned).

Group 'E'

These are more or less such items which can be called consumer goods and for which the certification marking scheme of the ISI should be able to determine the export-worthiness of these products. These products are: (1) utensils of aluminium, copper, brass and stainless steel, (2) EIPNS ware, (3) buckets and bath tubs, (4) ghamellas, (5) enamel-ware, (6) cutlery, (7) locks and padlocks, (8) builders' hardware, (9) steel trunks, (10) umbrellas and umbrella fittings, (11) barbed wire, gauze mesh, and netting and weld mesh, (12) expanded metal, (13) pressure lamps and stoves, (14) thermos flasks, (15) zip and snap fasteners, (16) manhole covers, pulleys and counterweights, (17) flash light cases, (18) box cameras and (19) water and steam pipe fittings.

For aluminium utensils meant for export ISI certification mark has already been made compulsory.

Group 'F'

In this group will fall rolled steel sections produced both by the main steel producing plants (such as of TISCO, IISCO and HSL) as well as by smaller units namely re-rollers. In the case of sections produced by the main plants, no inspection other than already carried out by the plants will be considered necessary. In the case of re-rollers, however, ex-works assessment of quality will have to be made by some independent agencies like the Metallurgical Inspectorate of the Directorate General of Supplies and Disposals.

Rise in Foreign Share of Equity Capital

FOREIGN participation is the equity capital of Indian companies has shown a remarkable rise in 1962-63. Foreign collaborators subscribed about 23.2 per cent of the capital issued in 1962-63 as compared to 7.9 per cent in the previous year, according to an interesting analysis made by Mr. S. M. Dugar of the Company Law Administration. The study is based on the capital issues of 55 companies which issued shares worth Rs. 21.73 crores in 1962-63. They included the following ten companies with capital above Rs. 50 lakhs each:

GIANT AND BIG ISSUES DURING 1962-63

(Rs. in lakhs)

Name of Company	Amount Issued
1. Associated Bearings Company	390.00
2. Asiatic Oxygen	160.00
3. Kirloskar Cummins	150.00
4. Oriental Power Cables	105.00
5. SLM - Maneklal Industries	80.00
6. Assam Sillimanite	70.00
7. English Electric Company of India	60.00
8. Gammon India	60.00
9. Prabhat Udyog	60.00
10. Pyroteam India	55.00
TOTAL	1190.00

Regional Break-Up

An analysis of the pattern of share subscription shows a significant rise in the subscription of the foreign collaborators as compared with 1961-62. As against 7.9 per cent during the previous year, about 23 per cent has been taken up by them during the current year. The finance from foreign collaborators accounted for nearly 31 per cent of the capital raised by companies in the Western Region. In the other Regions also there was an increase though not as high as in Western Region in the absorption of shares by them. It was about 19 per cent in the case of Eastern and Northern Regions as compared to 14 per cent and 10 per cent respectively during the previous year. The Southern Region recorded an increase from 7.6 per cent to 8.4 per cent.

REGIONAL PATTERN OF SHARE SUBSCRIPTION

(As % of capital issued)

Region	1962-63	1961-62
Western Region	30.9	4.4
Northern Region	19.1	10.1
Eastern Region	18.0	14.0
Southern Region	8.4	7.6
All - India	23.2	7.9

Pattern of Foreign Participation

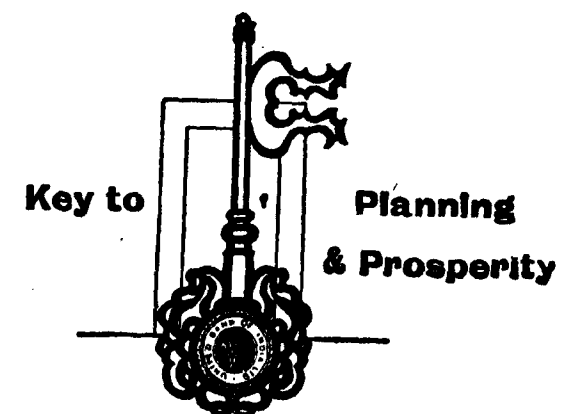
A further study of the pattern of participation in the capital of companies discloses that 15 of the 55 companies which issued prospectuses sought collaboration from other countries. The companies have issued shares to the foreign collaborators in consideration for the technical know-how and other technical assistance. Generally, the agreement with the collaborators consists of planning the layout of factories, supply of machinery and equipments, permission to use the "trade marks" of foreign collaborators in relation to Indian products, training of Indian personnel etc. The amount contributed by them aggregated to Rs. 503.44 lakhs which forms 23.2 per cent of the total capital issued. The subscription of foreign collaborators in the case of 6 out of the 15 joint-ventures came to 50 per cent or more. Of these 6 there was majority of foreign participation (i.e. more than 50 per cent) in only 2 companies and in the remaining 4 the foreign interest was 50 per cent. In the case of 9 other companies their share varied between 8.5 per cent and 43.8 per cent. The names of Indian Companies and the extent of foreign capital participation therein are listed in the table below:

Name of Company/Country of foreign collaboration	Amount of capital invested by foreign collaborators (Rs. lakhs)	% to capital issued
1. Asiatic Oxygen (U.S.A.)	25.00	15.5
2. Assam Sillimanite (W. Germany)	6.00	8.5
3. Associated Bearing Co. (U.K. & Sweden)	240.00	60.0
4. English Electric Company of India (U.K.)	35.00	58.5
5. Facit Asia (Sweden)	15.00	50.
6. Hind Rectifiers (U.K.)	3.00	15.0
7. Hindustan Dowidat Tools (W. Germany)	6.50	27.7
8. Kirloskar Cummins (U.S.A.)	75.00	50.0
9. Kirloskar - Asea (Sweden)	7.50	30.0
10. National Standard Duncan (U.S.A.)	25.00	50.0
11. Neiveli Ceramics & Refractories (W. Germany)	3.77	8.4
12. Prestolite of India (U.S.A.)	17.50	43.8
13. Pyroteam India (U.K.)	27.50	50.0
14. Simco Meters (U.K.*)	6.67	19.0
15. SLM - Maneklal Industries (Switzerland)	10.00	12.5

*Subscribed by Commonwealth Development Finance Corporation Ltd.

The study shows that Sweden and UK have jointly contributed the largest amount to the capital (Rs. 240.00 lakhs) to Associated Bearing Co. If this joint venture is excluded, the country which has contributed the largest amount is USA with Rs. 142.50 lakhs. UK and Sweden are ranked 2nd and 3rd with contributions of Rs. 72.17 lakhs and Rs. 22.50 lakhs respectively. The subscription of the participating countries and its proportion to total foreign capital subscribed are given in the following table:

Country	Capital Invested (Rs. lakhs)	Percentage to total
USA	142.50	28.3
UK	72.17	14.3
Sweden	22.50	4.5
W. Germany	16.27	3.2
Switzerland	10.00	2.0
Jointly by UK & Sweden	240.00	47.7
TOTAL	503.44	100.0



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Progress of Education

(As on March 31, 1962)

AREA AND POPULATION :

Area (in square miles)	11,76,251
	Males Females Total
Estimated population (1962) — in Thousands	2,31,606 2,18,148 4,49,754

	Boys Girls Total
Estimated popula- (6-11 years	29,726 27,919 57,645
tion (in Thousands) (11-14 years	14,519 13,863 28,382
for the age groups (14-17 years	13,308 12,654 25,962

NUMBER OF RECOGNISED EDUCATIONAL INSTITUTIONS

Type of Institutions	Total number of Institutions
1. Universities	45
2. Board of Secondary and/or Intermediate Education	12
3. Research Institutions (In Arts and Science only)	46
4. Arts and Science Colleges	1,118
5. Colleges for Commerce	55
6. Colleges for Physical Education	18
7. Teacher Training Colleges:	
(i) Basic	259
(ii) Non-Basic	280
8. Schools for General Education:	
(a) Higher Secondary Schools	4,320
(b) Multipurpose Schools	1,389
(c) High Schools	13,526
(d) Post-Basic Schools	49
(e) Middle/Senior Basic Schools	55,250
(f) Primary/Junior Basic Schools	3,49,789
(g) Pre-Primary Schools	2,202
9. Schools for Commerce	1,095
10. Schools for Physical Education	44
11. Teacher Training Schools:	
(i) Basic	853
(ii) Non-Basic	258
12. Pre-Primary Teacher Training Schools	32
13. Schools for Handicapped	153
14. Schools for Social Workers (Janta Colleges)	46
15. Schools/Centres for Adults	2,31,677

NUMBER OF STUDENTS BY STAGE OF EDUCATION

Stage of Education	Boys	Girls	Total
(1) University Stage:			
a. Ph.D/D.Sc./D.Phil./etc. (In Arts and Science only)	4,233	681	4,924
b. M.A.	27,059	7,701	34,760
c. M.Sc.	10,392	1,670	12,062
d. M.Com.	5,333	48	5,381
e. M.Ed.	972	424	1,396

f. B.A. (Pass & Hons.)	1,39,034	52,841	1,91,875
g. B.Sc. (Pass & Hons.)	1,11,638	19,027	1,30,665
h. B.Com. (Pass & Hons.)	51,181	697	51,878
i. Teacher Training (B.T./B.Ed. and equivalent Diplomas):			
(i) Basic	3,238	1,550	4,788
(ii) Non-Basic	10,442	4,954	15,396
j. B.F.E. (Bachelor of Physical Education) and equivalent Diplomas)	613	120	733
k. Teacher Training (Undergraduate level):			
(i) Basic	14,603	4,696	19,299
(ii) Non-Basic	6,430	5,687	12,117
l. I.A.	1,77,603	33,942	2,11,545
m. I.Sc.	23,818	3,071	26,889
n. Pre-University:			
(i) Arts	1,05,504	36,023	1,41,527
(ii) Science	82,671	8,965	91,636
(iii) Commerce	23,034	561	23,595

(2) School Stage:

a. Classes IX and above	24,69,165	5,81,773	30,50,938
b. Classes VI — VIII	56,80,711	18,78,681	75,59,392
c. Classes I — V	2,57,48,556	1,26,83,341	3,84,31,897
d. Pre-Primary	1,33,359	89,432	2,31,791
e. Teacher Training (Primary):			
(i) Basic	85,477	29,124	1,14,601
(ii) Non-Basic	10,830	5,101	15,931
f. Teacher Training (Pre-Primary)	178	1,661	1,839
g. Commerce	78,271	14,897	93,168
h. Physical Education	2,885	438	3,323
i. In Schools for the Handicapped	6,723	1,885	8,608
j. In Schools for Social Workers (Janta Colleges)	3,243	507	3,750
k. In Schools/Centres for Adults	14,97,389	8,01,156	22,98,545

NUMBER OF TEACHERS

Type of Institution	Men	Women	Total Trained	Untrained
1. High/Higher Secondary/Multi-purpose/Post Basic Schools	1,61,216	92,769	54,438	18,289
2. Middle/Senior Basic Schools	1,81,668	90,295	70,777	22,634
3. Primary/Junior Basic Schools	4,20,310	2,37,270	1,26,221	38,021
4. Pre Primary Schools	290	435	2,246	1,513
				1,948

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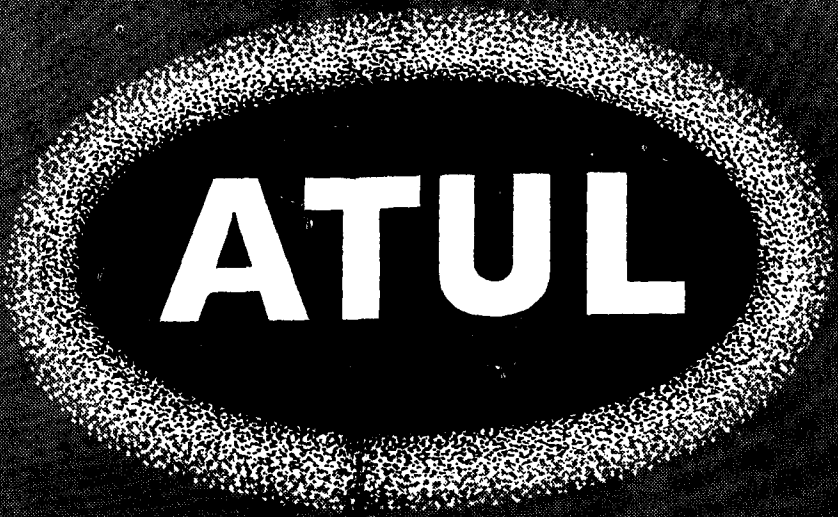
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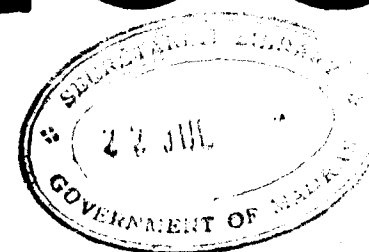
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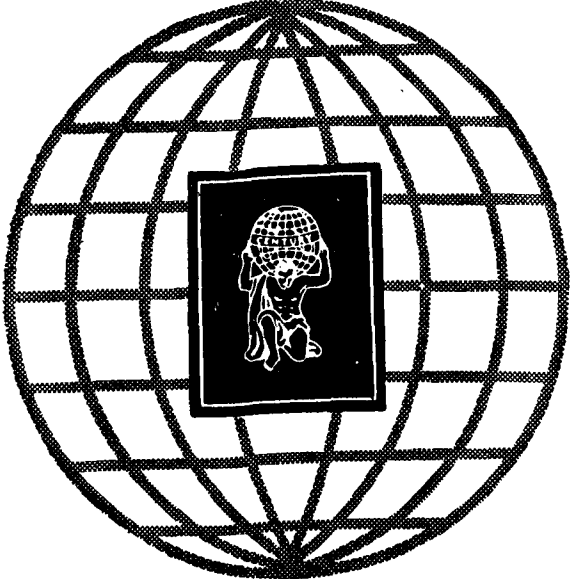
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Desai's Golden Hopes

THE FINANCE Minister's broadcast of July 9, reviewing six months of gold control, was timely, necessary, logical and persuasive. Mr. Morarji Desai concentrated his attention on three major aspects of the working of the restrictions placed on the possession of and trade in the yellow metal. He pointed out that one of the prime aims of gold control had been substantially achieved. This is the more effective prevention of smuggling of gold into the country. Evidence in this matter must necessarily be indirect in character, but the Finance Minister and other official sources have certainly given sufficient material to support the impression that gold control has succeeded in making it considerably more difficult for traffickers in smuggled gold to carry on their business.

This ought not to be surprising. Before the introduction of the gold control measures the Government had to depend mostly on the vigilance of the Customs to keep out or track down smuggled gold. The weakness here was that once the yellow metal had been successfully smuggled into the country avoiding the Customs guard, the authorities were largely helpless in identifying and pursuing the contraband through the various tortuous channels of its disposal within the country. This limitation had to be overcome by devising some machinery of physical obstruction of domestic traffic in smuggled gold. This is what the gold control measures have aimed at and, as might have been expected, have substantially succeeded in achieving. Mr. Desai mentioned several indications of the fact that smuggling has sharply declined. He referred to the easing of gold prices in the principal world markets, the decline in turn-over of Indian refineries, the fall in the demand of refining aids such as nitric acid (is this relevant in this context?), the relative strength of the rupee in many of the leading financial centres and the evidence that we have of our foreign exchange receipts.

The Government certainly is in a good position to judge what the facts are in this context and we have no reason not to accept the Finance Minister's verdict that he is satisfied that the situation with regard to smuggled gold has improved. It is no doubt true that other factors such as increased Customs vigilance and the various steps which the Government has been taking lately to prevent the outflow of Indian currency and the leakages in the accrual of foreign exchange reserves have also played an important part in obstructing the smuggling of gold. But the internal measures of control are surely to be assigned the lion's share of the credit.

It is, however, necessary to point out that, although the Finance Minister has substantially succeeded in checking smuggling, which is the prime purpose of his gold policy, he has not been proved right in his original expectation that gold control would bring down the domestic price of the yellow metal and that this would be a further factor in the decline of smuggling. Actually the price of gold has not only not gone down in comparison with its pre-control level, but has, in illegal and clandestine transactions, even firmed up further. This is not all. It is the common experience of the public that 14-ct gold jewellery, trading in which is permitted, is dearer in relation to the prices at which jewellery of purer gold used to sell before gold control. The explanation is simple. Precisely because smuggling has been checked and the normal trading in non-ornament gold of higher purity has been banned, the market is squeezed for supplies which have to be provided mainly through sales of existing ornaments of gold of higher purity which their possessors are naturally not too willing to part with since they cannot be replaced by gold of the same purity. It is possible that, as the Government's policing measures

become more effective in checking the illegal manufacture of gold ornaments of higher purity and as the rush to buy 14-ct. ornaments, which may be a relatively temporary phenomenon, subsides, the price of gold may soften. But we are sure that the Finance Minister is no longer as hopeful as he was before of bringing down the Indian price of gold to the world level within a reasonable period of time. That kind of development would be possible only if there is a revolution in the social customs and the mental attitudes of the people in relation to the possession and the use of gold. This was the second important aspect on which Mr. Desai dwelt in his broadcast.

There was never at any time the least doubt that Mr. Morarji Desai was wholly and truly concerned about the social welfare aspect of the deglamorising of gold in the public view. But there has also been some suspicion that the difficulties of forcing the pace of public thinking in this matter were not being properly appreciated. That the hoarding or the holding of gold beyond a certain limit is a barren economic activity is plain enough and in a poor country the indulgence in the hoarding habit is clearly a folly for individuals and a waste of resources for the nation. But how are the people to be weaned away from their age-old addiction to gold? Quite obviously there has to be mass popular education spread over a period of years. It is sad and surprising that neither the Government nor the Congress, which is the ruling party, has in the past six months thought of undertaking this educative propaganda on the scale on which it is needed.

As is only to be expected this lapse has been exploited by Opposition parties who have been carrying on highly artificial campaigns, whipping up discontent and agitation among the public generally and goldsmiths in particular. It is being suggested even by Mr. Desai's colleagues in the Congress Party that the reverses suffered by the Party in recent by-elections were to some extent due to popular dissatisfaction with gold control. We do not know to what extent this assumption is true. But even if it is it does not by itself constitute any sound criticism of gold control. On the contrary, it is a reflection on the failure of the Government's publicity apparatus as well as the Congress organisation to take adequate steps for explaining and justifying to the people what must in its very nature be a controversial programme. We are constrained to say that the Finance Minister has been ill-served by his fellow-leaders in the Government and the Congress party in this respect. It is clear that an economic and social measure of such a far-reaching character could not have been introduced if it had been only the personal whim of Mr. Desai. It is therefore fair to presume that gold control represents the considered decision of the Government and the ruling party. In such circumstances both political good sense and public morality demand that the Government and the Congress party should

throw themselves more wholeheartedly into what is necessarily a gigantic task of converting public opinion to the support of the gold control measures. Unless this is done, the enforcement of the control is bound to remain defective and inadequate and the social purpose of the gold policy will not be easy to realise.

At the same time, the Finance Minister also owes it to the country to think a little more seriously and realistically than he appears to have done on the investment implications of gold. He is quite right in saying that gold is a wasteful form of investment, but he is completely wrong in contending that there are many other sufficiently attractive outlets for saving and investment. The various small savings schemes could appeal only to a very limited extent. If no sufficiently attractive alternative opportunity for investment is available to the public then it will not be easy to dissuade them from looking upon gold as a store of value. Even if people could be discouraged from hoarding gold, their savings might only be diverted into some other equally sterile or even more socially injurious channels as that of speculating in urban housing sites. There is already evidence in the trend of land values in some of our cities and larger towns that this kind of harmful diversion of savings is taking place.

It follows, therefore, that the Finance Minister should consider whether it is not a logical corollary of his gold policy to encourage people to invest their savings in the industrialisation of the country. The formation of unit trusts, which is stated to be under consideration, will no doubt help to direct people's savings into the financing of industries, old or new. But much more than this surely needs to be done and if Mr. Desai really means what he says about the necessity of the people's savings being invested productively in the economic improvement of the country, he should not hesitate to take the several fiscal, credit and other measures which are needed to improve the investment climate and stimulate vigorously the launching of new industrial enterprises, big or small, with or without foreign collaboration. The need for a positive and forward-looking policy of engineering a higher level of industrial activity in the country must be seen as a logical consequence of the Government's anxiety to ensure that such of us as have some surplus to put by do not lock up their savings in gold but make them available for augmenting the industrial capital of the country.

Finally, Mr. Desai in his broadcast spoke gently and soothingly of the discomforts caused to goldsmiths by the gold control measures and the ameliorative steps taken or contemplated by the Government. While social and economic distress caused to any section of the community by Government policies must certainly invite public sympathy and interest, there is no denying the fact that much of the agitation that this country

has seen in this case has been organised by politicians or political groups for their own purposes. The economy of this country is changing fairly fast, although not fast enough, and it is idle to pretend that in the last fifteen years or even more, no vocation or trade had been adversely affected by pressures of altering economic situations. The business of goldsmiths has not been the first, nor will it be the last to suffer, as the old order keeps constantly giving place to the new in the economic life of the country; and we have not seen it suggested anywhere that bus or rail transport should not be increased or extended because that might cut into the livelihood of the people who are engaged in bullockcart transport. Nevertheless, since the dislocation caused to the community of goldsmiths has been rather sudden and is the direct consequence of an act of the Government, there is undoubtedly a case for a certain extent of interim relief and assistance during a period of transition to the affected trade or profession.

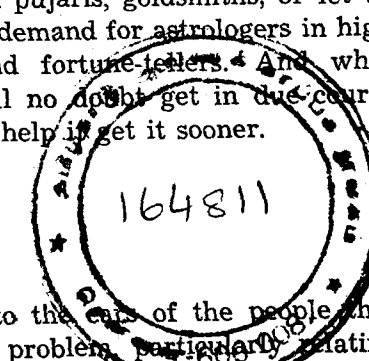
Accelerating Exports

GREAT SATISFACTION was exhibited in recent weeks over India's export performance in April and May this year, when a rise of nearly Rs. 22 crores was recorded as compared to the corresponding two months in the preceding year. The rise in exports in April (over April 1962) was of the order of Rs. 10 crores, while in May it was of the order of Rs. 12 crores (over May, 1962) and, for May the figure of Rs. 66.15 crores represented one of the highest levels attained in any single month in recent years. Is it an indication that the Indian Union is at last turning the corner in her export trade?

A commodity-wise analysis of export data indicates that the spurt witnessed in April and May this year was due to the improvement registered in the case of jute manufactures and sugar. Both these commodities were responsible for a total increase of about Rs. 13 crores out of the total rise of Rs. 22 crores. Small gains were also registered in the case of vegetable oils (non-essentials), oil cakes, raw cotton, tea, coffee, leather, gums and resins. The rise of about Rs. 6 crores in the exports of sugar was due to a previous commitment and does not promise to be a recurring feature in view of the difficulties that the country is currently facing in regard to the production of sugar. It means that the gain — nearly one-third of it — is due to a commodity which has not attained a permanent status in India's export list. The results of the April-May increase in exports do not seem to offer any long-abiding hopes of improvement in exports.

In a recent meeting of the Board of Trade at New Delhi, the pendulum swayed towards traditional goods after the continuous hammering, for more than a decade, in favour of the diversification of the export trade. Times out of number the Ministry of Commerce and

The Centre's own policy in this respect has been clear. It has readily offered to provide funds for schemes of relief and rehabilitation which State Governments may be able to implement in order to help goldsmiths. Some States, as is always the case, have been more alert or efficient in undertaking and administering relief procedures than others and we now have the welcome assurance of the Finance Minister that the Central Government would try to ensure that no State Government neglects its responsibilities in this matter. The essential fact is that the country needs welders, electricians and persons of other such skills which are relevant to the industrial development of the country more than it needs, say, priests and pujaris, goldsmiths, or let us add—despite the alleged demand for astrologers in high places—, soothsayers and fortune-tellers. And what the country needs it will no doubt get in due course but it is only sensible to help it get it sooner.



Industry had dinned into the ears of the people that India's balance of trade problem, particularly relating to exports, could only be solved if the country diversified its exports, and ceased to depend for its exports earnings on a limited number of commodities. The wisdom has now dawned that the traditional items such as tea, jute manufactures, cotton textiles, oils, leather and leather products, hides and skins, etc. must receive added attention and should not be ignored. The type of diversification which has been attempted in the recent years has been spread over thousands of commodities and processed goods which have been of dubious avail in earning additional foreign exchange. Any small down-turn in the earnings of one single commodity such as tea or jute manufactures has usually wiped out the gains registered in the case of hundreds of lesser known commodities. Rightly has the emphasis been shifted to the traditional items which are likely to be the mainstay of India's export earnings for a long time to come.

It has also been felt that India's publicity abroad had been so poor that our products, whether new or old, failed to create a favourable image in the markets abroad. With this objective in view, the Ministry of International Trade decided earlier this year, with the consent of Parliament, to set up a new fund called the Marketing Development Fund consisting of Rs. 3.8 crores for 1963-64 for the development of markets abroad. A lot of paper work, according to Press reports, has been done so far in order to further the aims of the new scheme which has no less than ten broad objectives. The papers distributed at the Board of Trade meeting indicated that the objectives of the fund embraced market research, export publicity, participation in trade fairs, trade delegations and study teams, establishment of offices and branches abroad, grants in aid to export promotion

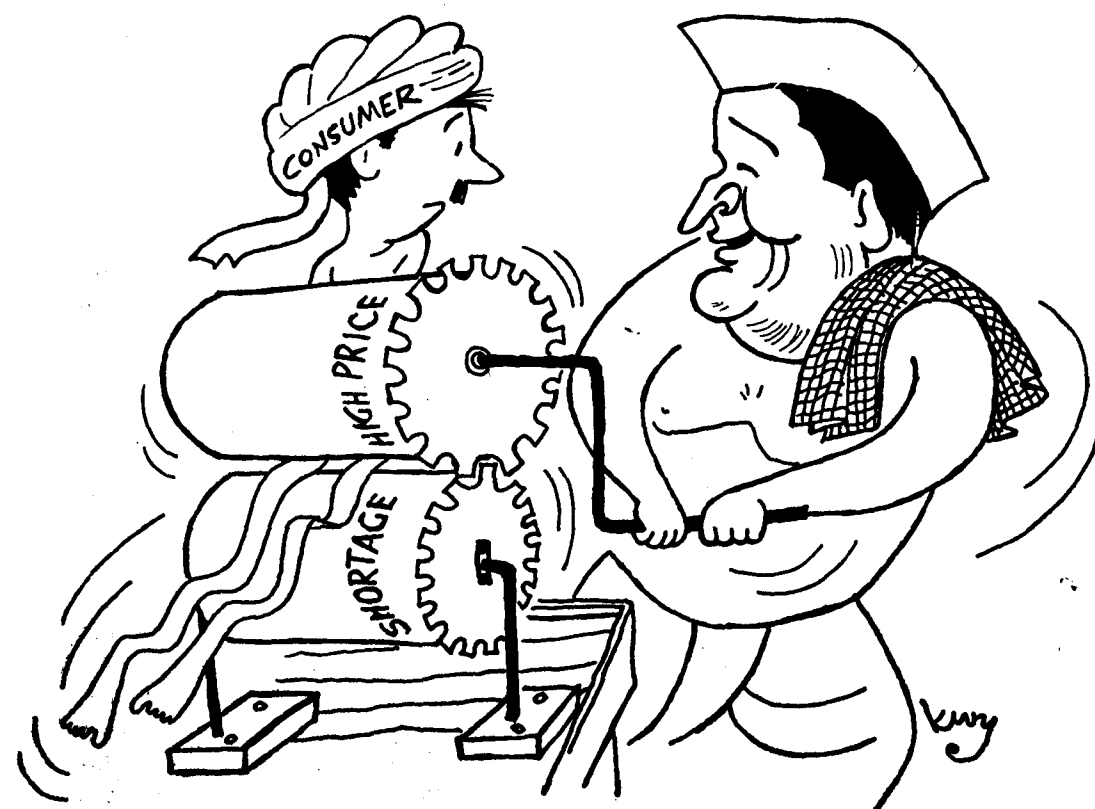
July 19, 1963

councils, quality control, export assistance for exportable commodities, export risks insurance and, in short, any such scheme which may promote the development of the markets for our products. It would have been wiser to concentrate on a small number of objectives so as to produce the right effect in the shortest possible time. The spreading of funds over so many schemes is likely to prove wasteful in the short period. A wave of frustration passes throughout the land whenever targets set down in the beginning of the year are required to be scaled down near the end for one reason or the other. It is now time that the Three-Man-Committee appointed for the purpose of screening schemes for the utilisation of the fund should take up a few major activities and concentrate attention on them so that some concrete results might flow out of the dissemination of the funds earmarked for this purpose.

A study of the direction of India's exports in 1962-63 as compared to 1956-57 (the first year of the second Plan) shows that India's exports have encountered stiff resistance in Western Europe, excluding the United Kingdom. The rise in India's exports to the whole of Western Europe between 1956-57 and 1962-63 was of the order of Rs. 10 crores out of which Italy alone was responsible for about Rs. 2.6 crores. The exports to France were almost static between Rs. 8 and 9 crores. Similar was the case with West Germany. The balance of trade was acutely unfavourable to India in so far as

West Germany was concerned. The imports from West Germany in 1956-57 exceeded exports by as much as Rs. 74.97 crores. In 1962-63 again, India's exports fell short of imports by Rs. 80.08 crores. The glaring imbalance with West Germany and France has been of considerable concern to this country and at the recent meeting of the Board of Trade, it was disclosed that an Indian team would visit Bonn in November to undertake the possibilities of increased exports to West Germany. The French Government has also agreed to send in October this year a high-powered delegation to India to explore the possibilities of a long-term trade and economic relations agreement between the two countries. While all this may no doubt be useful, how much and how permanently our export trade would gain in consequence remains to be seen. Similar delegations visited the West European countries a number of times in the past and a certain degree of reciprocity in sending delegations to India was observed by the European countries. They have failed to bring about any result which might be described as favourable to India. Selling some of the Indian products, particularly engineering goods in Europe has been a difficult proposition and unless some sort of linking up of our exports with imports from the West European countries is initiated, the unfavourable gap in trade is not likely to be bridged in the short period.

In sharp contrast to the slow and hesitant rise of



A longer crushing season?

July 19, 1963

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exports to Western Europe, this country has raised her exports to Eastern Europe by about four times. In the first year of the second Plan, India's exports to East European countries were Rs. 22.2 crores; in 1962-63 they had jumped to Rs. 81.9 crores. The rise in exports in 1962-63 over 1961-62 was of the order of Rs. 30 crores. These figures clearly show that India's exports are poised for liberal expansion in so far as the East European countries are concerned.

There has been some rise in exports to the United States but it is of a marginal nature as compared to the spectacular growth in the case of Indo-East European trade. Japan has also not increased its imports from India much in recent years; but for iron ore, its imports from India may not add up to a worthwhile total. This also applies to Africa and Australia. India's traditional partners in trade have, in fact, bought less in recent years. Whereas in 1956-57 Indian exports to the United Kingdom were valued at Rs. 181.9 crores, the level of its purchases stood reduced to Rs. 163.7 crores in 1962-63. Even though the United Kingdom and the United States continue to be our largest partners in trade, East European countries seem to be catching up at a very fast rate.

India's trade with the Asian countries has remained static for the last seven years because of our failure to compete in cotton textiles exports with Japan and China. India's exports of cotton textiles to industrially advanced countries have also suffered heavily. The Board of Trade has come to the conclusion that the "ready-made-garments-movement" all over the world was responsible for this decline and that Indian factories should specialise in mixed fabrics if they want to capture a part of the world market. The emergence of synthetic fibres is also in part responsible for the fall in India's exports of cotton textiles. The belief that in the prevailing world market conditions any increase in exports was not possible seems to be a gloomy and unrealistic assessment of the situation. The cotton textile industry must be given all the assistance possible to raise exports. Incentives need to be provided in the shape of imports of necessities and import quotas for improved performance in exports. In the case of the advanced countries, a positive response is needed. The ECAFE Secretariat has recommended that the advanced nations must initiate a programme of curtailment in their capacity for cotton textiles so as to accommodate India and other Asian countries.

There is a close and positive relationship between exports of various commodities and the level of their domestic production; wherever an increase in export earnings has been recorded, it has come from increased production. This may look like a very prosaic and straightforward statement but the intrinsic worth of this truth does not seem to have percolated the thinking of the authorities concerned. Production of sugar,

which offered possibilities of earning foreign exchange every year, was bungled last year because the accent on output was lacking. In the midst of the present shortage in sugar, the Government's decision to step up production to 3.5 million or even four million tons by the end of the third Plan and provide for an export quota of over one million tons looks like a tall order. Unless all the vitally needed steps are taken to encourage domestic production, the hope to earn more through exports is likely to prove a pious wish. This also applies to oilseeds, tea, jute manufactures, cotton textiles, etc. A few of the commodities may fail sometimes to earn more through exports because of certain peculiar conditions in the international markets, but the fact that increased exports must flow out of increased production holds true in the case of all commodities on India's export list.

Lastly, attention needs to be drawn to the findings of a Study Group which was appointed by the Government of India in May last year to study export finance. It has recommended the setting up of an "export credit and guarantee body" with which should be merged the Export Risks Insurance Corporation, which is currently underwriting insurance against possible losses to exporters. The Working Group has rightly stressed that the recommendation in regard to the setting up of a new Corporation is of a supplementary nature and that the other demands of export trade such as quality control, increased production, reduced prices, market research, etc. are vital components of the whole scheme of India's exports.

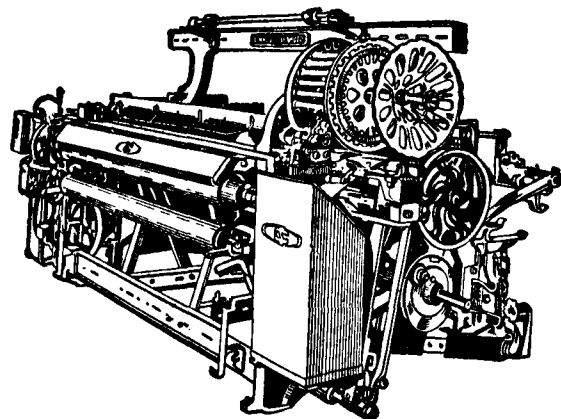
Eastern Economist 20 Years Ago

JULY 16, 1943

Further official figures regarding India's war finances are now available. The total Defence expenditure from April, 1938, to March, 1944 (taking into account the budget estimates for the current year) comes to nearly Rs. 7,118 millions — as against revenue of Rs. 8,196 millions during this period. The total expenditure — Defence and other — during this period was Rs. 10,402 millions. This gives an idea of the enormous increase in Defence expenditure in comparison with the total revenue. As revenue has increased from Rs. 845 millions in 1938-39 to Rs. 2,194 millions in 1943-44 (Budget estimates) one gets also an idea of the increase in taxation, direct and indirect, during these war years. In fact the general view in Assembly circles has been for some time that the limits of taxation have been reached. In its Report on Currency and Finance for 1942-43 the Reserve Bank observes: "The comparatively low proportion of defence to total expenditure before the war in the Dominions and the United States is in striking contrast to the substantial percentage in the United Kingdom and India and partly explains the relatively large increase in their budgets since the war. That the limits of economic mobilization for war are being reached is also apparent from the slowing down in the rate of increase of the defence expenditures."

July 19, 1963

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Highlights of the Week

SUGAR-COATING THE PILL

THERE IS no justification at all for any controversy over the proposal of the Union Food and Agriculture Ministry that the sugar industry should aim at a longer crushing season in 1963-64 by starting to crush earlier than usual as well as stopping later than usual. As things are, the output next season is unlikely to exceed 2.8 million tons under the most favourable circumstances. Mr. S. K. Patil, however, insists on talking of a production goal of 3.3 million tons. While that figure, to put it mildly, seems to be based more on the Minister's characteristic optimism rather than on a rational calculation of probabilities, there can be no denying the fact that it is in the country's interest to produce as much sugar as may be possible in the coming year. One condition of the increased output surely is a longer crushing season and provided reasonable conditions are assured the industry should certainly be willing to co-operate with the Government in this respect.

The crux of the matter, therefore, is not whether the crushing season would be longer, but what the Government proposes to do to make it economic for factories to crush cane during periods of lower recovery. It has been suggested in some quarters that one necessary condition for a longer crushing season is that there should be an adequate output of cane. This misses the point that there is no overall shortage of cane in the country. The problem is to ensure that a sufficiently large portion of the cane that is grown finds its way to the vacuum pan factories. We have always held the view that the only reasonable solution of the nation's sugar difficulties is complete decontrol. We have never been impressed with the argument that de-control would in some sinister manner expose the consumer to the tender mercies of the industry or the trade. Actually it is the existing jumble of controls over the industry which is preventing a rational evolution of the sugar industry in harmony with the growth in domestic consumption and the emergency of export possibilities.

It is, however, pointless to press the case for decontrol so long as the Government, for reasons best known to it, is not prepared to contemplate action in that direction. In the circumstances all that might profitably be pleaded is that the fiscal burden on industry should at least be eased to the extent necessary to ensure a longer crushing season and an additional production of sugar. The Food and Agriculture Ministry is reported to be working on a suitable formula but since the idea is not new and the Government has in fact given such fiscal incentives to the sugar industry in the past, it is rather difficult to understand all this feverish cerebration at this stage. It will be more to the point if the Ministries concerned (which means also the Finance Ministry) take an early decision and announce it promptly. It is possible that a step of this kind may have a salutary influence on the current high price of sugar, even in advance of the start of the new crushing season.

Meanwhile it is amusing to find Mr. S. K. Patil pleading that the entire rise in sugar price should no be attributed to the muddle in sugar policy resulting in a decrease in production. He argues that part of the blame should also rest on the Compulsory Deposit Scheme and other fiscal measures in this year's Central Budget. This should cause no considerable embarrassment to the Finance Ministry the spokes-

men of which have been working overtime to deny that the Central Budget had in any appreciable manner contributed to the upward trend in prices. It is time that somebody or other, who can and will speak on behalf of the Government as a whole, comes forward to tell the bemused public why precisely prices are rising, what factors are responsible and to what extent in each case and whether anything could be done about it at all and if so whether the Government might be expected to do it. Until the public is put wise thus, Mr. Patil's attempt to blame the sugar industry or the sugar trade (in addition to the Finance Ministry) cannot be taken seriously. Especially since Mr. Patil claims to hold 700,000 tons of sugar for release between now and the time when fresh production would start flowing, which would be ten weeks hence, it is pertinent to ask whether this policy of sitting tight on a substantial portion of the low production of sugar in the current season has not in itself been a factor contributing to the current high level of sugar prices.

The truth is that, given the low level of sugar output this time, the Food and Agriculture Ministry has had a difficult choice to make. It could either have released more sugar in the past months to keep prices relatively lower in the current period, but this would have run the risk of the consumer being confronted with a scarcity of supply and famine prices during the festival season at the fag-end of the sugar year or the Ministry could have spaced out releases frugally so that some stocks could be kept for the closing weeks of the current sugar year when the festival demand would be at its peak. The Food and Agriculture Ministry has quite rightly chosen to follow the latter course. But one inevitable consequence of this is that the consumer has had to reconcile himself to a high plateau of sugar prices for the greater part of the current season. This may be a bitter pill to swallow for the Food and Agriculture Ministry which has been justly (but in our view not sufficiently) castigated by public opinion for a muddled policy which has unnecessarily depressed sugar production in the current year and which, if not suitably revised, threatens to jeopardize the long-term growth of the sugar industry, but Mr. Patil's attempt to sugar-coat it may perhaps arouse sympathy but is unlikely to evoke admiration.

REPORT ON EXPORT FINANCE

THE STUDY Group on Export Finance, appointed under the chairmanship of Mr. K. P. Mathrani, by the Ministry of Commerce and Industry, in its report tendered last week-end, strikes a note of urgency in calling for steps to fill this lacuna in the export promotion machinery. It emphasises that it is high time India has aligned itself with other countries, industrialised as well as developing, which are making special provisions to supply credit and guarantee facilities to their export agencies. Keener competition in the world market is being progressively reflected in the longer terms of credit offered by the exporting countries to the importers abroad. Accommodation provided to the overseas customers in the matter of payment of the price of the imported goods is certainly one of the strong points which helps to promote the volume of exports from any country. India cannot afford to lag behind its competitors in this crucial matter. The Study Group strongly recommends that, at least in the beginning, the Corporation which it wants to be established for this purpose should be started under the auspices of the Government. The initial authorised capital should be Rs. 10

crores and the issued and paid-up capital should not be less than half this amount.

A compact single finance-providing institution is recommended as being likely to be more effective than the existing small ones for the obvious reason that the former can operate on a large scale. To avoid multiplicity, the Study Group urges that the Export Risks Insurance Corporation should be merged with the proposed Corporation for the provision of export credit and guarantee. The suggestions of the Study Group revolve around three important aspects of export finance, whether it is intended by way of credit or guarantee or a cover against risks. In the first place, it is urged that the function of providing insurance against export risks should devolve upon the projected Corporation. The type of guarantees which will be required by the export trade in the different export markets cannot all of them be envisaged at once. With expansion of exports and as experience is gathered in the process, more forms of guarantees may be found necessary to safeguard the financial interests of the export trade. The Study Group recommends that the conventional schemes of guarantees should be undertaken by the Corporation from the very start and additional responsibilities in this behalf should be placed on it as necessity for them would arise. It also places emphasis on the provision of supplementary credit facilities for intensifying the export drive. The pattern of the Corporation, including in particular its functions, has been drawn up by the Study Group after a careful scrutiny of the existing institutions of this kind in the export-advanced countries.

Provision of Credit

Among the recommendations which the Study Group has made, initial attention needs to be drawn to certain urgent types of provision of credit. As regards pre-shipment credit, which is currently provided by the Export Risks Insurance Corporation to the extent of giving the guarantee to commercial banks up to a limit of 50 per cent of the value of exports, the Study Group stresses the need for immediate upward revision of the limit to 66-2/3 per cent. This would remove many of the financial handicaps of exporters at the pre-shipment stage. Then comes the question of improving guarantees with particular reference to the packing credit facilities made available by the banks. It is urged that this should be liberalised so that exporters would be entitled to discounting facilities which are now inadequately available to them. Liberalisation of packing credit facilities, together with the insurance cover from the Export Risks Insurance Corporation, would give exporters ample protection against defaults or insolvency on the part of the importer or political risks such as restrictions on exchange remittances and imports as well as political revolutions in rare cases. At the present time the need of the export trade is for provision of short-term credit for its finance. But the stage when medium-term and long-term credit would also come in greater demand will not be far off. The Study Group analyses this problem from that angle. Allied with this problem of credit is the question of its cost. The Study Group makes the suggestion that the Reserve Bank should examine the problem of interest rates on credit for the export trade and devise ways and means to reduce their incidence on the prices of export commodities.

STC AND IRON ORE EXPORTS

A STOUT defence of the policy pursued by the State Trading Corporation in respect of export of iron ore was put up by its Chairman, Mr. Govind Narain. He stated that the Corporation had sought to obtain the best possible terms for its exports of iron ore, keeping in view the market conditions

which were currently not highly favourable. The world demand for iron ore had slackened because the tempo of iron and steel industry all over the world had slowed down. Japan in particular had reduced its demand for iron ore as its earlier programme of expansion of the steel industry was being scaled down. At the same time new sources of supply of the ore have emerged. Faced with these unfavourable market conditions, the Corporation took a realistic and flexible attitude and agreed to enter into a two-year agreement with Japan according to which it agreed to export 2.2 million tons of ore in 1963-64 and 2.25 million tons in 1964-65 at the reduced price of 74 sh. per ton. Earlier, the Corporation had obtained up to 81 sh. per ton for its ore. The Chairman supported the decision to accept the lower price by the argument that some other sellers were willing to offer basic grade iron ore to Japan even at 60 sh. per ton. In view of the fact cited by the Chairman, it is to be conceded that the decision of the STC to lower its prices is business-like and in the best interests of the mining industry. But the fact remains that not enough attention has been paid to the export of low grade ore. At the present time when the market is weak, it would be extremely difficult to push up the export of low grade ore. The mining industry, therefore, has a legitimate grievance that exports of low grade ore were neglected when the demand was brisk and the Corporation was in a position to push up its sale.

Purchase Programme

The Chairman threw light on the Corporation's programme to purchase Japanese steel. He emphasised that there was no link between the Corporation's purchase of steel from Japan and its exports of iron ore. Whereas the total value of iron ore exports to Japan was Rs. 13 crores per annum, the Steel Agreement stipulated purchase of steel worth Rs. 2 crores in 1963-64, and Rs. 2.2 crores in 1964-65. They were, according to him, two different and independent agreements.

The expansion in our exports of iron ore is dependent considerably on the facilities offered in India's major ports. The STC had taken active interest in the expansion of the facilities available at both the large and the small ports. The Corporation, according to the Chairman, had taken special pains to induce buyers to take delivery of the ore at some of the smaller ports. Unfortunately the loading capacity of the Indian ports is limited and the loading technique in many cases is slow and outmoded. No port in India, except Madras, has the capacity to take more than 10,000 tons ore-carriers. Madras alone can handle 15,000 tons-carriers. The Corporation is taking active interest in the development and expansion of such ports as Cochin, Mangalore and Hunavar.

Mr. Narain disclosed that the Corporation had decided to open an office in Goa so as to assist the local mine owners to increase their iron ore exports. The STC will help the small mine owners while the bigger ones will continue to operate independently. Preliminary studies are being conducted by the Corporation to ascertain the manner in which assistance can be provided to the smaller mine owners in Goa.

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A POLICY FOR RAILWAYS—VI

Return on Capital

By T. M. RAO

ANY COMMERCIAL undertaking worth its name must show a clear return on investment, after all expenses, interest on debt capital and taxes are deducted. It must be comparable to the returns earned on similar investments. Moreover, the return on investment must be clearly greater than the prevailing interest rate, if it is to be called a successful venture. For instance, business corporations in the United States including public utilities aim at a minimum of 20% gross return on their capital investments.

It is legitimate to ask: "What is the rate of return on the capital invested in the Indian Railways?" It may be difficult to answer this question because they are State-owned and do not pay income and property taxes as ordinary businesses do. And yet, it may be possible to make some comparisons and evaluate the performance of a nationalized undertaking.

In the existing capital structure of the railroads in India, the total capital outlay of Rs. 15.63 billion is considered as capital borrowed from the Central Government, for which annual interest at the rate of four per cent (raised to 4.25 per cent recently) is paid by the railways in the shape of dividend to general revenues. In order to make comparisons meaningful, let us assume that the total capitalization of Indian railroads consisted of 50 per cent funded debt and the remaining 50 per cent equity capital. The corresponding figures for the United States railroads for 1957 are 57 per cent debt and 43 per cent capital stock. Let us further assume that the Indian railroads, as a private corporation, paid 10 per cent of its revenues (this is the figure in a recent year for the United States railroads) as income, property and other taxes. Then

the financial results of the Indian railway organization would look somewhat as shown in Table I.

Table II shows the rates of return on stockholders' equity and net investment for Class I railroads in the United States. While the rate of return on stockholders' equity on United States railroads ranged between 2.6% and 5.7% over the last decade, the rate of return on the basis of the assumptions made for the Indian railways has been negative for five of the last ten years. Some of the assumptions may seem rigid as, for instance, the amount of taxes being 10 per cent of gross revenues. It is true that income taxes tend to be lower in years when net operating revenue is low. But it must be noted that the railroads in the United States are obliged to

TABLE I

HYPOTHETICAL RETURN ON EQUITY FOR INDIAN RAILWAYS

(Rupees in millions)

Year	Total Capitalization		Gross Revenue	*Working Expenses	Net Operating Revenue	Taxes (assumed as 10% of gross rev)	Net Railway Operating Income	Fixed Charges	Net Income or Deficit	Net Income as per cent return on equity
	Funded Debt	Capital Stock								
1951-52	4251	4251	2908	2290	618	291	327	170	157	3.7
1952-53	4187	4187	2706	2234	472	271	201	167	34	0.8
1953-54	4347	4347	2743	2374	369	274	95	174	(—79)	(—1.8)
1954-55	4508	4508	2868	2427	441	287	154	180	(—26)	(—0.5)
1955-56	4845	4845	3163	2660	503	316	187	194	(—7)	(—0.1)
1956-57	5359	5359	3476	2892	584	348	236	214	22	0.4
1957-58	6112	6112	3798	3220	578	380	198	244	(—46)	(—0.7)
1958-59	6783	6783	3902	3309	593	390	203	270	(—68)	(—1.0)
1959-60	7164	7164	4223	3477	746	422	324	287	37	0.5
1960-61	7604	7604	4568	3689	879	457	422	304	118	1.6

*Includes net miscellaneous expenditure.

pay property and right-of-way taxes regardless of the fact whether the railroad concerned is earning a profit or incurring a loss. But the quantity of taxes is really not the point at issue. If the tax rate seems high at 10 per cent it may be assumed as five per cent. The figure chosen does not matter.

The point at issue is that looking at railway finances as at any other private corporation, the conclusion seems irresistible that it is a losing concern from beginning to end. As a commercial venture, it could not stay in business for a day. Which stockholder would risk his money in a company yielding less than one per cent return on his investment? These are therefore serious issues which the railway administrators in India must face.

Professor Louis Lefebvre arrives at similar conclusions when he recommended a sharp increase in the level of freight rates prevailing on the Indian Railways. An example which he gave to indicate the heavy deficits that the railroads incurred under the existing rate structure is contained in Table III.

Depreciation may be defined simply as decline in economic usefulness. It reflects such factors as physical deterioration, inadequacy and obsolescence. In the modern era of transportation obsolescence has become the most important of the factors mentioned above. For example, in the field of international aviation, the super-constellation, while still in excellent shape and condition, has become completely obsolete with the advent of the commercial jet-airliners. The steam locomotive became outmoded in the United States with the emergence of the diesel-electric locomotive. It did not matter that a new steam locomotive built in 1945 had a thirty year life. Even so, it was written off in the next five years due to obsolescence. Allowance for depreciation must therefore take into account all these factors if attrition of capital is to be avoided. Here is a fundamental point of difference between the accountant and the economist. For the accountant, cost is always associated with some outlay of money or expenditure. But the economist will recognize true costs even where a single dollar has not been expended. Depreciation

TABLE II

UNITED STATES CLASS I RAILROADS — FINANCIAL RESULTS

(Millions of Dollars) (Percent)

Year	Stock holders Equity (a)	Long-term Debt	Railway Operating Revenues	Railway Operating Expense	Taxes	Total Wage Bill	*Wage Bill as percent of operating revenues	Net Railway operating income	Fixed and Contingent Charges	Net Income	Rate of Return Stockholders Investment
1946	12,716	8,495	7,628	6,357	498	4,170	52.1	620	620	287	2.3
1947	13,094	8,299	8,685	6,797	936	4,350	47.7	781	486	479	3.6
1948	13,725	8,552	9,672	7,472	1,029	4,769	46.9	1,002	474	698	5.4
1949	12,923	8,691	8,580	6,890	833	4,419	48.9	687	463	438	3.2
1950	14,440	8,638	9,473	7,059	1,195	4,621	46.2	1,040	474	784	5.6
1951	14,868	8,490	10,391	8,041	1,203	5,336	48.2	943	465	693	4.8
1952	15,376	8,447	10,581	8,053	1,262	5,338	47.9	1,078	490	825	5.5
1953	16,237	8,390	10,664	8,135	1,185	5,326	47.5	1,109	453	903	5.7
1954	16,359	8,321	9,371	7,385	861	4,855	49.4	874	417	682	4.1
1955	16,658	8,375	10,106	7,646	1,080	4,994	47.0	1,128	415	927	5.7
1956	16,861	8,710	10,551	8,108	1,121	5,325	47.9	1,068	415	876	5.3
1957	16,850	8,705	10,491	8,228	1,068	5,538	48.5	922	419	737	4.4
1958	15,842	8,699	9,565	7,544	947	4,930	49.3	762	432	602	3.8
1959	17,000	8,480	9,825	7,705	1,048	4,986	48.4	748	427	578	3.4
1960	17,120	n.a.	9,514	7,565	999	4,894	49.0	584	423	445	2.6

*Refers to wages charged to operating expense

(a) Capital stock, stock liability for conversion, premiums and assessments and discount on capital stock plus total corporate surplus at close of year.

Source: "Economic Conditions in the Railroad Industry", published by the Association of American Railroads, Oct. 1962. Bellemore, "op. cit."

James C. Nelson, "Transportation and Public Policy", Brookings Institution, 1959.

falls in this category where economic costs are being incurred even though there is no expenditure of money.

TABLE III.

COSTS AND EARNINGS OF RAILWAYS ON THE BASIS OF CURRENT COSTS AND CURRENT AND RECOMMENDED RATES

(Rupees in millions)

	1960-61 (Estimated)	
	At current rates	At recommended rates
I. Capital Assets	19,000	19,000
II. Costs :		
1. Working expenses	3,300	3,300
2. Depreciation (4% on Capital)	760	760
3. Yield (10% on Capital)	1,900	1,900
TOTAL COSTS	5,960	5,960
III. Gross Earnings :		
1. Goods Earnings	3,040	3,960
2. Other Earnings	1,600	2,000
TOTAL EARNINGS	4,640	5,960
IV. Deficit (—)/Surplus (+)	—1,320	—
V. Deficit or Surplus as percentage of gross earnings	— 28%	—

Source: Louis Lefebvre & M. Dutta Chaudhuri, Transportation Policy in India, Preliminary Draft, Planning Commission, June 1961.

It is not enough if allowance for depreciation takes into account the decline in economic life of railroad plant and equipment, it must also recognize the effects of inflation. We are living in an era of secular inflation when the value of the dollar as well as the value of the rupee is being constantly eroded. The rupee today is less than a quarter of its value in 1939 as may be seen from the following index of wholesale prices.

INDEX OF WHOLESALE PRICES — INDIA

Year	Coal	Iron & Steel	Cement	Timber	Overall (All commodities)
1938-39 ..	100	100	100	100	100
1955-56 ..	350	319	279	350	355
1959-60 ..	469	374	367	417	456

Source: Committee on Transport Policy and Co-ordination, 'op. cit.'

Nominal rupee accounting, which forms the basis of railway accounting system in India, does not reveal the real costs of operation nor results obtained thereof. It mixes together 1938 rupees with 1962 rupees which are in fact less than quarter in value of the former. How can any accounting system succeed in presenting a true financial picture, when it mixes up elements of such diverse value as 1938 and 1962 rupees? But this is only a part of the argument. In making allowance for depreciation, it is necessary not only to take into consideration the decline in economic value but also the steady decline in the value of the rupees. If a "WG" locomotive costing Rs. 5 lakhs needs replacement in 20 years time, the allowance for depreciation must take into account that a new "WG" twenty years hence may cost much more than the original price.

Discussing the possible objectives of a depreciation policy, Professors Hill and Gordon observe that "the first possibility is that the policy might be aimed at recapturing from period revenue a sufficient number of dollars either to provide for replacement of the asset on retirement or, alternatively, to recover the original investment (i.e., acquisition cost). A second feasible objective of depreciation is that of reflecting in the amortization charge for any given period the share of the total asset service potential that has expired during that period. This concept, which has become the accepted basis of modern practice, does not necessarily conflict with the recapture thesis, but purports to be descriptive of economic events rather than simply opportunistic."

Depreciation Allowance

The traditional view regarding depreciation allowance has been that it is a programme of cost amortization. That is to say it has been, until recently, looked upon as a method by which the cost of the asset is recaptured over the estimated life of the asset. Now it has dawned on businessmen that with inflationary pressures mounting steadily, the cost charged to depreciation is inadequate for meeting the cost of new asset at the time of replacement. This, according to them, is an erosion of capital and is an inadequate recognition of the true nature of depreciation during an inflationary period. Based on this reasoning, depreciation then should not be based on original cost but on replacement cost and that earnings should be charged with the economic value of the capital consumed each year and not just its dollar value. In practice this will mean a reduction in the book value of net earnings during a period of inflation and a greater tax-free amount for re-investment in the business.

The replacement cost theory may be viewed as an attempt to insulate a certain sector of business from the effects of inflation. This is perhaps the first time that depreciation is considered as a provision for replacement and not as a provision for amortization of the asset cost.

Now with these considerations in mind, let us examine the depreciation policies pursued by the Indian railways.

The first thing that invites comment is the terminology used. The financial statements speak of what is called "contribution to the depreciation reserve fund." This sounds misleading on two counts. In describing allowance for depreciation as a "contribution to the depreciation reserve fund," the impression is given that it is not a cost incurred by the railways, but an additional contribution that they make to a fund. Secondly, the concept of a Depreciation Reserve Fund is somewhat outmoded. In modern accounting practice, the term is wholly replaced by "allowance for depreciation" in recognition of its true nature.

Furthermore, most large corporations do not keep liquid funds separately under an account head called Depreciation

Reserve Fund for two reasons. The allowance for depreciation which is a legitimate cost for which no current expense has been incurred comes in as a big stream of cash flow and helps in supplying the necessary working capital and other demands for cash. Secondly businesses have now recognized that internal financing provides the major sources of capital for new investment and that there is no better source than the funds generated through the depreciation allowances. This has the additional merit that the funds could be used for current investment in one's own business where they may earn a higher return, than if they were deposited in a bank for nominal interest.

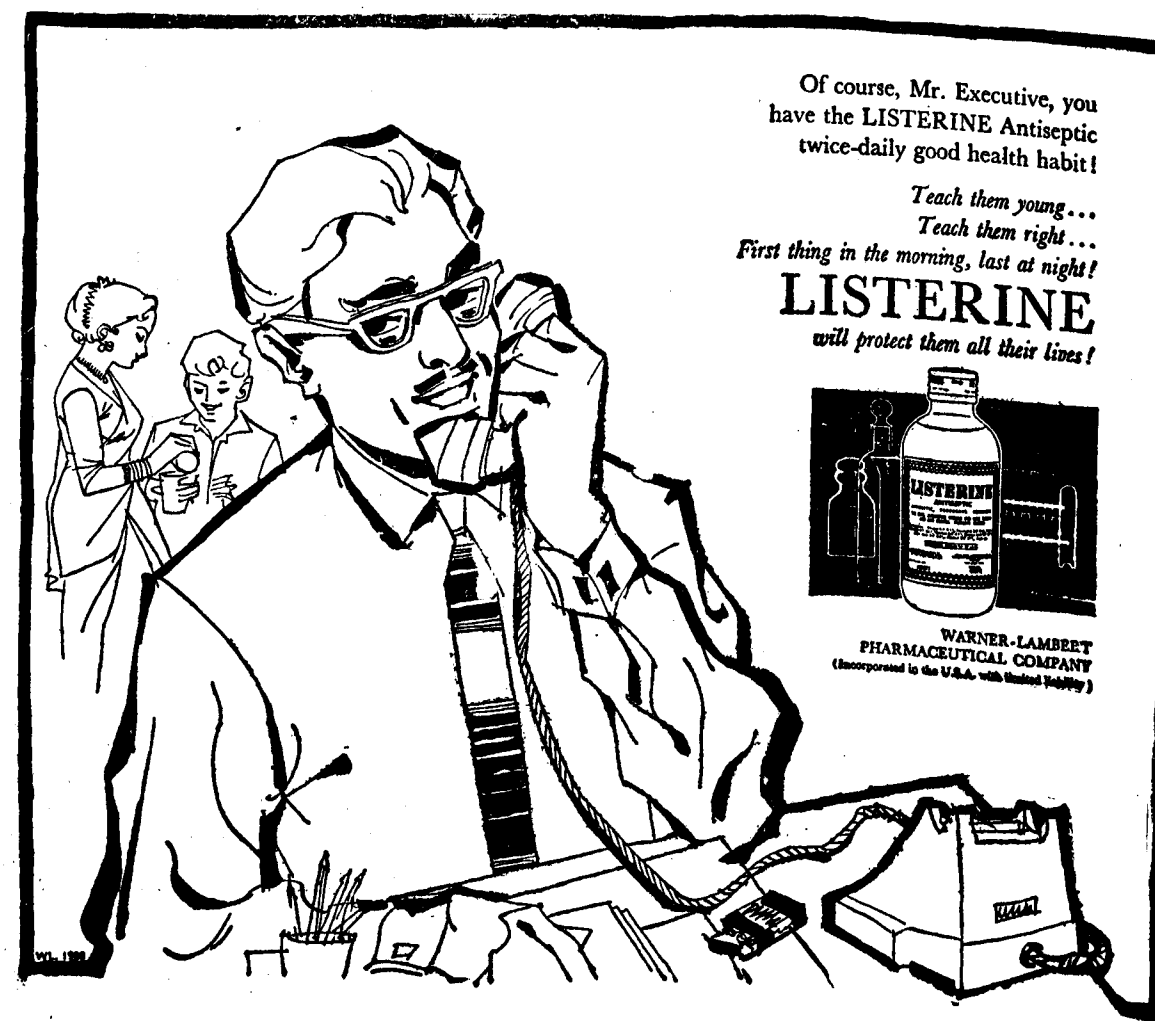
As far as depreciation charges are concerned, a flat 4 per cent. i.e., 25 year depreciation of assets, seems to be the basis on which the contribution to the Depreciation Reserve Fund is calculated. This is unimaginative as well as unrealistic. It seems fair to assume that the railway administrators in India have not yet realized the fact of technological obsolescence and its major role in depreciation. As dieselization has dramatically shown in the United States, the era of the steam engine is gone. This fact should be reckoned with in India too. The economics of coal transportation in India make it particularly urgent for the railways to be geared to dieselization in southern and western India which are far removed from coal fields. Under these circumstances what justification can there be for allowing a 25 year span of life on such

assets as locomotives? A life span of 10-15 years is perhaps more realistic.

A depreciation policy based on a flat four per cent is also unimaginative because it inhibits change and impedes a vigorous renewal and replacement programme. "Whereas a large part of the railway plant consists of assets older than 25 years, it is also true that had the railways undertaken a more vigorous depreciation and renewal policy in the past, their plant would be more adequate to cope with current demand".² There is one further danger in charging a relatively low annual depreciation allowance. To the extent that depreciation charges have been under-estimated, the operating expenses would also be understated by the same amount. The conclusion would therefore be that had the Indian railways followed a policy of adequate depreciation, gross expenditure figures would have been higher than the reported figures which in turn would have meant higher operating ratios. This is not a cheerful conclusion when we remember that earlier in this analysis it was found that the operating ratios for the Indian railways were already generally high.

1. Thomas M. Hill and Myron J. Gordon, *Accounting: A Management Approach*, Richard D. Irwin, Inc., Homewood, Ill., 1959, p. 195.

2. Louis Lefebvre and M. Datta Chaudhri, *Op. cit.*, p. 14.



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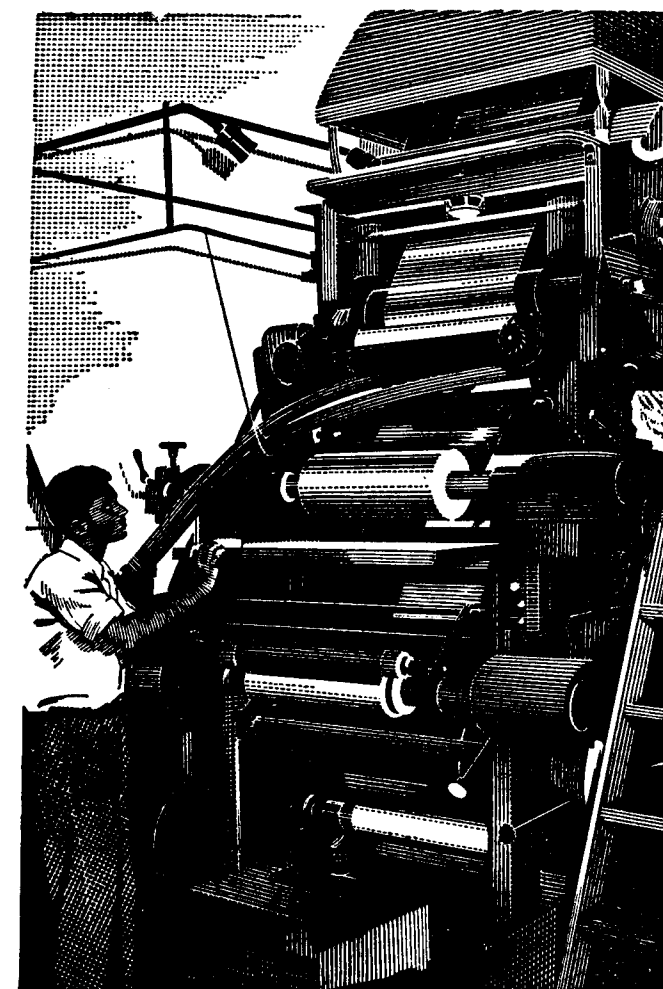
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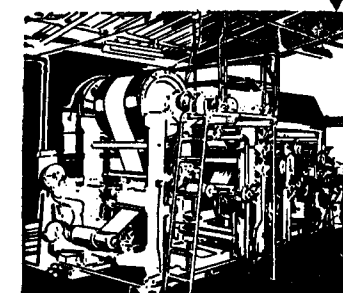


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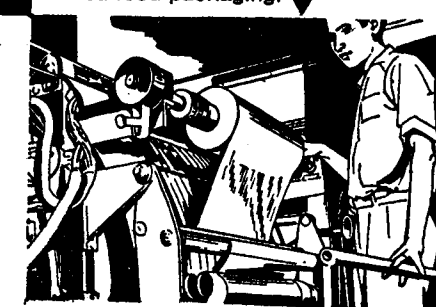
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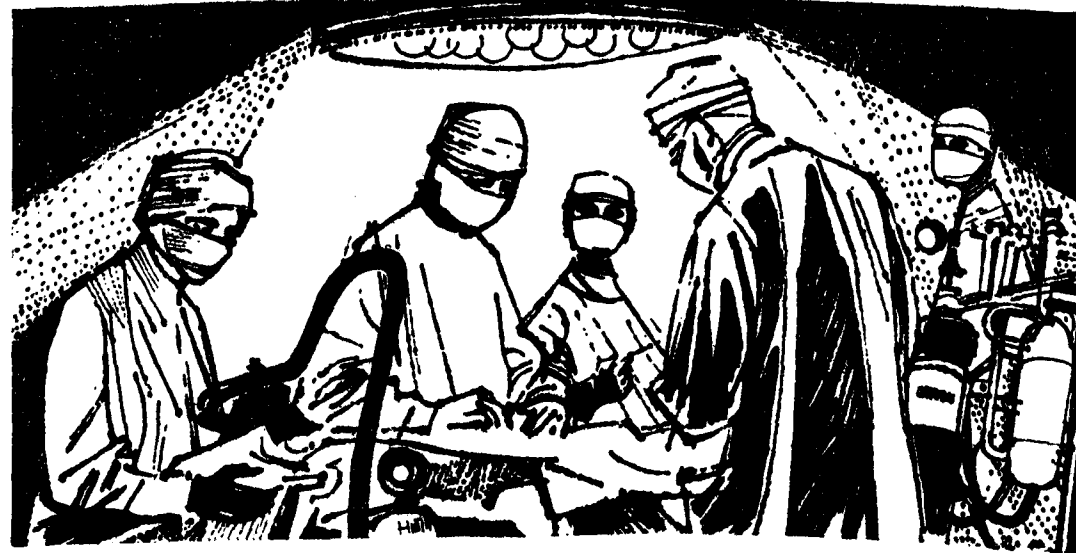


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WINDOW ON THE WORLD

Company Law Reform

From Our Special Correspondent

PARIS:

IT IS unusual for a book to be "reviewed" at meetings of industrial associations or to be the subject of angry articles in stock market weeklies. Yet this has been the case, last month and this, with F. Bloch-Laine's 'Pour Une Reforme de l'Enterprise' ("Toward a reform of the business enterprise"). Since it seems bound to find its way into English before long, a preview of the ideas it contains, and some hints as to the reasons for the opposition those ideas have aroused, might be opportune. M. Georges Villiers, the eternal president of the CNFP (the French Employers' Association), and M. Rene Damien, president of the Steel-Makers' Association, have both denounced it to their members as a dangerous work, not only for what it says but for the personality and influence of its author, or rather its authors. For Bloch-Laine insists that his book is really a joint effort by over 100 people who have discussed and approved every line of it, and those hundred are employers, officials, trade unionists and academics who meet in the commissions that write the French national plan. So its suggestions on company reform represents ideas acceptable to a wide and influential sector of opinion. But even if they were his own personal ideas, this would already be significant because Bloch-Laine is head of a major State bank, one of the chief planners and, although he has refused the Finance portfolio so far, he remains one of President de Gaulle's leading economic advisers. For all these reasons, his critics fear that some at least of his suggestions have a chance of acquiring force of law eventually.

Logical Implications

Whether or not this is so, will concern only Frenchmen—although any extensive recasting of company law in France, at this moment, could not remain without consequences for the whole Common Market. What will interest others is that Bloch-Laine's proposed reforms claim to be drawing the logical implications of the accepted analysis of how contemporary business works in practice. He makes no contribution to that analysis, but takes over current business theory, which is of course mainly American in origin. What some startled business men are taking as subversive and revolutionary in his book is familiar to all who have followed the researches of, say, Peter Drucker, the Professor of Management at New York University. He takes it as common ground (and indeed few will deny it) that present-day management of business enterprise is illegitimate. This does not mean that it is nefarious or sinister; on the contrary, most will agree that it is efficient and, granted that it remains subject to the checks and controls of other social powers, beneficial. But it is nevertheless illegitimate in that corporation managers cannot show how they got their power, except that they were co-opted by other managers. True, there is a pretence that they were elected by the shareholders, but everyone knows this to be hollow mockery. The "democratic" theory of business organisation, according to which the enlightened owners of the firm elect and control their representatives, probably never was true (Adam Smith was already deploring the disinterest of shareholders in "their" company) and it certainly is not now.

American economists and "economic sociologists" have described this state of affairs in great detail but they have not suggested making the law square with practice. They are content to let an antiquated company law stand, while recognising that it has little connection with the way corporate

business operates, and to rely on "the conscience of the king" (i.e. the goodwill and sense of responsibility of today's managers) or on "countervailing powers" outside the firm to ensure that illegitimate power does not become irresponsible power. Despite what socialist critics say, there is nothing especially innocent or trusting in this attitude. It matters less that economic power should be formally legitimate than that it should be checked and controlled, and it mostly is. Nor, as a general rule, are corporate managers set on abusing their power; most of them recognise that it is illegitimate and feel decidedly uncomfortable about the fact. Perhaps because he is French and a jurist, Bloch-Laine is dissatisfied with this illogicality, this contradiction between business theory and practice, and he outlines the changes in the law that would be required to bring it into line with the way modern companies work.

Democratic Pretence

For example, he says that if most shareholders play no real role in company affairs, then there is no reason why the law should make such a clear distinction between them and debenture-holders. The only distinction that matters is between those who take a sustained and active interest in the business and those who do not. For the latter, there will be no harm in doing away with the democratic pretence of shareholders' meeting. On the contrary, those who have put their money into a business and are not just occasional shareholders or proxy-holders should get a special status: they would come out into the open by having their shares registered and their ownership made public, they would give an undertaking to the other active partners in the business not to sell their shares without notice, and they would get specially effective representation in management. Critics have exclaimed that this means that such shareholders would be "trapped" in the company: they would get real influence over it but they would have to acknowledge some loyalty to it, unlike the ordinary investor who can buy and sell his stock freely. But of course Bloch-Laine knows that the only stockholders liable to accept this special status are not individual investors but the parents of subsidiaries, business banks and these secret "minorities of control" that today run many companies behind the democratic facade. In short, they are always other companies, and the point of the suggestion is to separate out this way of "owning" firms from the empty "ownership" represented by buying shares on the stock market.

Next, Bloch-Laine wants to formalise in law the fact that boards of directors are today a hodge-podge of people with very different degrees of control over, or even interest in, the firm's affairs. In a company there is always a kernel of real decision-making power alongside directors who are just advisors, figureheads, delegates of outside interests and so on, who play the role of the chorus in Greek tragedy, issuing vague warnings and uttering laments after the event. He suggests that the men who hold effective responsibility and are answerable to no higher authority be grouped in a college of directors, charged with running the business and with co-opting new members to their college. The rest of the directors should be grouped in a commission of controllers, where they would be joined by the nominees of the above-mentioned loyal or permanent shareholders, the elected representatives of the firm's employees and, where the firm's business was of importance to the national plan, the delegates of the planning commission. But this board of controllers would have only powers of checking and control, advice and contestation, and it would meet relatively infrequently.

of it sharing the power of the college of directors, and Bloch-Laine insists as vigorously as any employer could wish on the absolute necessity of unified direction in business enterprise.

He claims to know that the trade unions recognise this necessity as well as anyone, and that they have no wish to share managerial power, if only because this would compromise their right to contest freely managerial decisions by the accepted ways of trade-union action. The workers would be content with representation on the control-commission along with the State and outside capitalist interests. The only place where they want some measure of participation in decision-making concerns the social welfare activities of the firm where they resent one-sided paternalism.

These are only the principal ideas in Bloch-Laine's book but they suffice to show that his intention is to consecrate in law the death of the myth that owners control modern industry, and to separate out clearly the real controllers of business, leaving their powers of decision virtually intact but organising along formal lines the influence exerted over them by other social powers. When eminent business leaders denounce these proposals as "revolutionary", I think there must be misunder-

Innovation, Enterprise and Exports

By JOSSLEYN HENNESSY

LONDON:

THE COMING into being of the National Economic Development Council in the U.K. has led to much hard thought aimed at clarifying the objects, methods, and, indeed, the limitations of planning. An outstanding example is the publication this week by the independent Institute of Economic Affairs (66 A Eaton Sq., London. SW. 1) of a report entitled "The Way of Enterprise" (Price 30 sh.).

The theme of the report is that economic progress does not consist in multiplying the existing supply of goods and services. Progress consists, first, in cheapening existing products, so that yesterday's luxuries for the few become today's mass produced amenities for the many; secondly, in improving their quality until they are transformed and are, in fact, no longer the same product, except in name. Compare, for example, the price, capabilities, and amenities of the motor car of 1900, 1918, 1945, and 1963. Thirdly, progress consists in proliferating new goods and services. As you go back over the decades, the range of goods available today narrows—TV, radios, washing machines, typewriters, telephones, cycles, etc., etc., disappear from sight, and a whole series of obsolete goods, such as oil lamps, vehicles with iron-tired wheels, stage coaches, quill pens, and sand (in place of blotting paper) come back into view.

The record shows that, characteristically, innovations originate more often with the small entrepreneur than with the big established firm. This is not surprising. New ideas come from non-conformists, disturbing men, whose prime motive is an urge to independence, men who do not fit easily into the routine of being someone else's salaried employee.

But planners, the Institute's report points out, inevitably favour the foundation of large units. They think in terms of whole industries rather than of individuals, because a compact industry is easier to manipulate than an untidy, many-sided one. Planning tends therefore to promote a monolithic economy that progresses slowly. It is no reply to this to say that the USSR, and some other planned economies, have faster growth rates than many non-planned economies. To say this is to identify growth with spectacular State projects, armies, H-bombs, and cosmonauts. Admittedly many planned economies show an increase in known and established consumer goods (usually of a quality that cannot

standing for there is nothing less revolutionary in intention than Bloch-Laine's programme. He urges a concordance between law and actual practice, and if his ideas are really dangerous on some points it can only be because he is mistaken about current practice, not that he wants to change it substantially. So the denunciation of such danger could as well come from the fact that some business leaders do not recognise how modern corporations really work; they are content with a hollow theory inherited from the last century and think it subversive simply to point out that their own practice diverges from it. They imagine, for instance, that to draw the implications of the fact that ownership is no longer control constitutes an "attack on private property".

More intelligent conservatives will be franker: while admitting that formal law today bears no relation to economic realities, they will doubt the need and the wisdom of trying to square them as long as the system functions fairly satisfactorily. Whereupon the debate must turn on such general questions as whether the free-enterprise system is now working "satisfactorily" from everyone's point of view and whether it is ever wise for a society to live for long in discord with its own principles.

compare with a similar item manufactured outside the Iron Curtain), but this is not growth in the sense of the economic progress which leads to the continuous proliferation of new kinds of goods and services, which provide a higher standard of living for the masses. (Incidentally, another new Institute of Economic Affairs' publication, "Studies in Communist Economy," offers evidence of the resurgence of independent enterprise in the USSR).

In a striking paragraph, the Institute's report says: "A good supply of active entrepreneurs is of national, and not merely of industrial, importance. Enterprise is not indestructible; it can be reduced in quantity by obstruction and business enterprise is not easy to divert into other channels . . . It cannot . . . (except in rare cases) find an outlet in established industry or the public service. It can be bred out of the nation by the removal of opportunity, impoverishment, self-reliance, leadership, can flourish as a corrective to the general indifference and cult of safety."

The report glances at, but unaccountably fails to elaborate, the contribution to the balance of payments that innovating entrepreneurs make, in any country which gives them the chance. Germany's fantastic postwar economic progress sprang from her success in exporting and this was based on the innovations of innumerable entrepreneurs. The innovator's advantage is that, for a considerable period at any rate, he is the only source of his product. When penicillin was first produced in the UK, consumers all over the world wanted it too badly to haggle about the price. The same when electric typewriters were first produced in the USA. A country, such as India, for which foreign exchange is a matter of life or death, has the strongest motive to encourage goods have India's State directed enterprises contributed to independent entrepreneurs have contributed nothing new to India's exports, but the economic history of the UK and since 1945, shows that a country gets innovation in proportion to the extent that it creates conditions favourable to it.

The basic condition is that the entrepreneur must be

free to make, and keep, "abnormal" profits. No progress has ever come out of "reasonable" profits. Taxation in the UK today bears hard on the small entrepreneur. In the 19th century, it did not matter if his business credit was non-existent, because there were plenty of savings in private hands to which he could turn. Today, an unknown man has difficulty in raising initial capital, because private savings are small. Once started he has even greater difficulty in accumulating profits to plough back to back his judgment

further, because he incurs the surtax that applies to individual incomes but not to public companies. There has certainly been innovation in the postwar UK. The Institute's report gives full, and fascinating, case histories of 21 examples of brilliantly successful new small enterprises. But in Germany, with maximum income tax at 55 per cent, inventions, new techniques, and labour saving devices, have been correspondingly more numerous. Hence Germany's vast accumulation of foreign exchange.

U.S. Economy in Excellent Shape

By GUY SIMS FITCH

WASHINGTON:

THE AMERICAN economy has passed the halfway point of 1963 in excellent shape. Record is being piled on top of record in what is the third year of a remarkable economic upswing, one that in strength and durability already has outperformed the average rise in this century.

A comprehensive and reliable indicator of the economy's performance is the Gross National Product (GNP), which measures the total output of goods and services. While the GNP for the April-June period is yet to be officially released, unofficial estimates place it at an annual rate of about \$581,000 million, up nearly \$10,000 million from the first quarter rate and some \$30,000 million above the rate for the second quarter of 1962. One has to go back to the final three months of 1961 to find a more robust quarterly advance.

While the rise is expected to continue, many economists question whether its current pace will be sustained in the second half of the year. In retrospect, it is clear that its main elements of support in the past two years have been consumer and government spending. Both of these should continue to advance, though their rates of gain could conceivably be slower.

Consumer debt has been increasing, particularly to sustain the record purchases of such goods as automobiles and appliances and the rate of consumer savings has tended to dip this year. Retail sales, which moved up sharply last year, have been registering only modest gains for the past few months when adjusted for seasonal variations. While renewed buoyancy has been detected in retail sales reports in recent weeks, and retailers as a group are optimistic enough to predict a five per cent rise in this sale during the second half of this year, economists obviously are not placing as much reliance as before on consumer activity as a major expansionary force.

Much the same attitude prevails with respect to Government spending. State and local outlays can be expected to maintain their steady upward movement to meet the rising needs of a growing population for public services and facilities. The strong upward thrust of federal spending appears to be tapering off, however, and this GNP component may well be rising more slowly for the rest of this year.

On the other hand, there are other important sources of economic strength to consider. Capital spending by business, notably for new plants and equipment, clearly is on the upswing and will help sustain the economic advance. Housing, along with construction generally, also has been rising markedly of late, and should continue to improve.

Inventory accumulation is likely to prove another supporting force, even though industry will have to work down some of the steel stocks that were accumulated against the possibility of a strike that never came. By and large, a tight rein has been held on inventories throughout the economy, and inventory-sales ratios in general are well below levels reached in other upswings. Even the steel adjustment, which already is under way, should be completed easily and soon, in view of the basically strong demand for steel this year.

Some slowdown in the rate of the GNP rise thus can be expected in the third quarter which is just now starting. But this is normal during the summer months, anyway, what with the usual worker vacations and reduced plant operations, and it will be further influenced this year by whatever let-up in steel output may be acquired to run down excess stocks.

There is no doubt, however, about the economy's direction in the months ahead. It will be up, and by the fourth quarter of this year both steel and business in general should again be spurting ahead more rapidly.

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LISTENING POSTS

LIC Deal Clarified

By A Special Correspondent

NEW DELHI:

IN "EASTERN ECONOMIST" of June 14, it was mentioned in these columns that the LIC had sold a block of shares in a South Indian tea company to a third party although the managing agency concerned had reportedly offered to buy this lot. It now transpires that this statement is not correct and that the LIC had not received any such offer from the managing agency. The LIC's sale has been through brokers and it is learnt from authoritative sources that, as is usual in such cases, the LIC was not aware of the identity of the other party when it put through the business. In other words, this transaction was just like any other ordinary commercial transaction of its kind and that in making the deal all that the LIC was concerned to see was that it got a good price for shares it desired to dispose of. It is pointed out, that in these cases, the LIC's prime obligation is to its policy-holders and that it should be expected to buy or sell shares at the proper time on the most profitable terms. In the circumstances, it is clear that there is no justification for questioning or casting doubt on the propriety of the transaction under reference and it is therefore regretted that the earlier note on the subject in these columns should have created an impression to the contrary.

★★

The Union Ministry of Irrigation and Power does not share the view that the phase of large-scale development of multi-purpose river projects in India is almost over. On the basis of a survey carried out by the Central Water and Power Commission during 1951-53, it is pointed out that, after allowing for uses of river waters other than for power, a total hydro-electric potential of 41 million KW. at 60 per cent load factor can be technically and economically developed. Of this, not more than 5 per cent (1.93 million KW.) had been developed by the end of the second Plan. During the current Plan period, it is estimated that development of another 5.1 million KW. will raise the exploitation ratio to barely 12.4 per cent.

Some ambitious schemes of hydel power development, therefore, are proposed for the next three Plans. The tentative programme drawn up envisages development of 5.90 million KW. hydel power potential in the fourth Plan, 7.55 million KW. in the fifth Plan and 9.29 million KW. in the sixth one. Even after the completion of the sixth Plan, the exploitation of the hydel power potential in the country may not exceed 55 per cent.

It is recognised that some of the hydel power schemes may be implemented on their own. A number of others, however, will still have to be multi-purpose. Some of the giant multi-purpose schemes planned are given in the table alongside.

Bifurcation of the Union Irrigation and Power Ministry into its two components is also not favoured. The main reason for this is stated to be the fact that 75 to 80 per cent of the cost of any hydro-electric project has to be incurred on civil engineering works such as barrages, dams, tunnels, hydel channels, surge shafts, balancing reservoirs etc., the investigation, planning, designing and construction of which requires irrigation engineers at each stage. There is said to be a considerable area common to both the Water and Power Wings

so far as hydro-electric projects are concerned. The fact that the two functions are performed separately at State levels is, if anything, considered to be an argument in favour of having a unified organisation at the Centre, which would be capable of taking an integrated view of the water and power developments in the country. Experience in other countries, it is further pointed out, shows that advantages of a combined authority for water and power development are being increasingly recognised and there is a move for better integration in the field even in countries such as the USA and China.

The total cost of development of the hydel projects contemplated to be included in the fourth, fifth and the sixth Plans is estimated at Rs. 18,000 million. Of this, the expenditure on civil works alone is estimated in the neighbourhood of Rs. 14,500 million.

The Union Government, of course, is alive to the fact that along with the development of the hydel power potential, concerted efforts have to be made to augment the thermal and nuclear power generation capacity in the country. This is considered to be necessary not only for meeting the staggeringly increasing requirements of power in areas where there is no hydel power potential available or where it has been nearly exhausted, but also for mitigating hydel power shortages resulting from the proverbial vagaries of Indian weather.

For an optimum use of the power resources of the country, setting up of regional agencies for zonal power grids is also planned. It is proposed to hold talks in the near future with

Scheme	Power Potential	Irrigation Potential
	Mil./KW.	Mil./Acres
1. Development of Hydro Power & Irrigation in the Narmada Valley ..	2.0	4.0
2. Development of Irrigation & Power in Orissa — Machkund, Balimela, Tikkerpara, Indravati, Baraket and Bhimkund Projects ..	4.00	6.7
3. Beas-Sutlej Complex i) Unit No. I—Beas-Sutlej Link ..	0.8	4.8
ii) Unit No. II—Beas Dam ..		
4. Pochampad Project in the Godavari Basin ..	0.06	5.7
5. Ram Ganga Project (U.P.) ..	0.14	1.7
6. Upper Ganga Project ..	1.0	Being investigated
7. On the Brahmapura River, there is need for development of projects for flood control and power generation of over 3.5 million KW.		

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State Government at the Ministerial level so that these agencies are established as early as possible.

So far as the availability of power is concerned, a draft report prepared recently by the Electric Power Survey Committee reveals that the total demand for power in the country at the end of the third Plan will be of the order of only 8.14 million KW. The scheduled capability at the end of 1965-66 is expected to be 10.95 million KW. A surplus of 2.8 million KW., however, will not mean that power shortages will end during the current Plan period. Because power systems in the country are mostly independent and isolated, the all-India margin between capability and demand gives a misleading picture. According to the draft report, power shortages will continue in a number of regions in the country not only during the current Plan period, but also during the next one. They are expected to be acute in the Eastern Ghats area (comprising North Andhra, South Orissa, East Maharashtra and Central and Southern Madhya Pradesh) and the Eastern Himalayan region (comprising Bihar, Bengal, the DVC area and North Orissa). It is felt that in the conditions obtainable today in the country, the gross margin between capability and peak load should be 30 to 40 per cent until the different power systems are integrated.

Advance action has been instituted in respect of some of the power schemes to be included in the fourth Plan. Production of over half a million KW. of generating capacity is said to have been already sanctioned. A number of other schemes are stated to be under consideration and may be cleared in the next two months.

★★

According to the indications available here, the third Plan target of creating a capacity of 50,000 tons of synthetic rubber may not materialise. Capacity of this order had been licensed to be set up by two concerns—Messrs. Synthetics & Chemicals Ltd., Bombay (30,000 tons) and Messrs. Duncan Brothers, Calcutta (20,000 tons). The latter have surrendered their licence owing to the fact that raw material for their project was not found available to the required extent from the natural gas in Assam. Consideration of a few other applications received for setting up synthetic rubber manufacturing units has been deferred by the Government, pending an assessment of the availability of raw materials for them from the oil refineries and naphtha cracker/butadiene plants.

In 1965-66, therefore, India will have to continue to import rubber in sizable quantities. The demand for all types of rubber at the end of the third Plan is estimated at 140,000 tons per annum. With the Synthetics & Chemicals' 30,000 tons plant working to full capacity and about 50 per cent of the demand being met otherwise from natural or reclaimed rubber, the indigenously produced rubber supply will amount to not more than 75 per cent of the requirements. Increased defence needs may even widen this gap.

With Messrs. Duncan Brothers abandoning their synthetic rubber project, alternative uses for Assam's natural gas resources are being explored. Oil-India, it is understood, is examining the possibilities of setting up a small channel black plant based on these resources.

★★

Progress reports on the programme for the expansion of the Durgapur steel plant from a capacity of one million tons to 1.6 million tons show that firm orders are being placed for the various items of equipment with manufacturers of steel plants in the United Kingdom. Since it takes about 30 months from the date of placing of orders to the commissioning of the plant, the expansion project may perhaps

be expected to reach the production stage early in 1965. Meanwhile it is of interest to note that some of the contracts which are being placed with British firms have gone to parties who are not members of the Indian Steel Construction Company, or ISCON, which is the Consortium responsible for co-ordinating the parent steel project of Durgapur. Since it is being assumed that ISCON will continue to be employed as a co-ordinating agency for the expansion project as well only if at least 60 per cent of the successful tenderers are members of the Consortium, the question is raised whether the placing of some of the major contracts with non-members may not adversely affect the status and prospects of ISCON.

★★

The Government has recently granted a licence to National Instruments, Limited of Calcutta, a Government of India undertaking, to manufacture Ophthalmic glass and lenses in collaboration with the USSR. This unit, when in full production, will turn out 300 tons of ophthalmic glass and lenses per year. The foreign exchange cost of this project will be met by the USSR. The rupee expenditure is placed at Rs. 36.1 lakhs.

★★

An agreement has been signed between the Government of India and the Federal Council of Switzerland for setting up a pilot project in Munnar, Kerala State, for the development of fodder resources there. This should help in raising the milk yield per cow from the current $\frac{1}{2}$ decilitre to about $2\frac{1}{2}$ decilitres per day. The Swiss Government is giving a grant



"And C.D.S. will mean the death of the pocket..."

July 19, 1963

of 1.64 million Swiss francs (slightly less than Rs. 1.8 million) for covering the first stage of this project to be implemented in a period of three years.

The project, the first of its kind in India and the biggest one in the technical co-operation field to be launched by Switzerland, envisages (1) construction of a fodder station at Munnar to explore the soil and to determine the most suitable kinds of grass seeds; (2) construction of a veterinary and a sperm station for artificial insemination and for combating epidemics and pests; and (3) construction of two cattle breeding farms (for 50 units each) to start cross-breeding experiments. Training courses will be held under this project for the agricultural advisers in Kerala on the subject of cattle breeding and fodder production. If the first phase at

Munnar proves successful, the project is proposed to be extended to the Peermade District of the State.

The Swiss assistance for the first phase will cover approximately 75 per cent of the expenditure to be incurred on it. The remaining 25 per cent of the expenses will be met by the Government of India. The Swiss Government will provide the services of four experts, all the required machines, sperm and dairy equipment, improved grass seeds, chemicals, etc. along with technical know-how. The Government of India will be providing land and other ancillary facilities available locally. The management of the project will be entrusted jointly to an Indian and a Swiss Director. Both of them will be placed on equal footing. The Swiss Director is expected here in a couple of months.

The State of Housing

From Our Correspondent

BOMBAY:

THE MAHARASHTRA Government's plans on the housing front were discussed recently by the Chief Minister, Mr. Kanamwar, and the Minister for Housing, Mr. H. J. Taleyarkhan, when they inaugurated the State Advisory Council on Housing. The Chief Minister rightly suggested that cities such as Bombay should consider their needs in the next 20 years while planning housing etc. When an industrialist acquired land for a new factory he should reserve some land for housing the workers.

The Chief Minister stressed the need for giving greater importance to rural housing since villagers did not have fixed income like the townfolk and needed houses to suit their pockets. The State Government doubled its housing activity last year although it had yet to spend Rs. 4 crores allocated at the end of 1962-63 outside the Plan expenditures. According to Mr. Taleyarkhan, the Housing Department experimented with several schemes for housing. These included bamboo-cement-plaster tenements. Such two room tenements, with a carpet area of 250 sq. feet cost Rs. 1700 without counting the price of land. The difficulties in acquiring land for housing were briefly mentioned. Although 4,000 acres of land was proposed to be acquired, so far only about 500 acres of land could be acquired due to legal and other delays.

New Schemes

The State Government was introducing two new housing schemes, namely, the employers' contributory scheme for their employees and the housing scheme for the economically weaker sections of the community.

The first scheme, he said, had already received an enthusiastic reception and about 5,000 tenements had been booked by the Tatas, the Kirloskar Group and the Coopers. Under the subsidized industrial housing scheme, the Government had completed the construction of 30,000 tenements. Slum clearance in cities could be expedited if civic bodies contributed 12½ per cent towards its expenses. The legislation to regulate the ownership flats' construction was under way and would be placed before the Legislative Assembly in its next session. The Maharashtra Government has made rapid strides in its Housing activity probably like no other State Government in our country. Yet the problem of housing accommodation continues to be acute. A study conducted by the Reserve Bank some time ago revealed that the housing conditions would be progressively deteriorating. Unless attempts are made to disperse industries and Government offices, the activities of the Housing Board or the private constructors will hardly succeed in coping with the demand for housing. Al-

though decentralisation and dispersal of industries is spoken of day in and day out, nothing concrete has been done so far in this direction. On the other hand, the available evidence points to a fresh influx of job seekers into the city area

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The employees of the (Bombay) Civic corporation have demanded a 25 per cent increase in dearness allowance. It was only last year that an agreement was arrived at on the previous dispute between the Corporation and the employees. The Municipal Commissioner, it is understood, laid down certain conditions for starting the negotiations. These pre-conditions are believed to include an understanding that there will be an agreement covering all points in dispute and that this agreement will operate for the next five years. During this period, should there be any increase in the cost of living index and the State Government gives its employees an increase in the DA, then alone will the question of further increase in dearness allowance to civic employees be considered.

It was revealed earlier that the Corporation is 'not in a position to concede the unreasonable demand' for a substantial increase in dearness allowance to civic workers. This decision was unanimously taken at a meeting of the Municipal Congress Party Committee appointed to consider the situation arising out of the strike threat. The Committee included strangely, the Chief Minister of Maharashtra, Mr. M. S. Kanamwar. The resolution approved by the Committee stated that 'such a demand would entail great hardship on citizens and prove an unbearable burden on the Municipal finances'. The members of the Committee alleged that the Union leaders, on behalf of the employees, promised not to raise the issue of enhancement of dearness allowance at least for a period of two years. This was denied by the spokesman of the Union. Probably, this is the first time that the demands of civic workers were clubbed with those of other State employees by the authorities.

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In spite of a satisfactory contraction of bank credit in the current slack season, bankers seem to feel anxiety over the credit conditions in the next busy season which will commence within another four months. It is the general expectation that the busy season would start much earlier and bankers feel that the banking system might be put to difficulty in financing the genuine credit requirements of trade and industry.

Leading bankers met the Governor of the Reserve Bank to impress upon him their point of view. They wanted a modification of the two-tier system of interest rates, removal of

the ceiling on accommodation from the Reserve Bank, postponement in the implementation of enhanced liquidity and an assurance that the individual difficulties of bankers would be sympathetically considered. The bankers seem to have chosen a wrong moment to see the Reserve Bank chief. This is because the contraction of credit in the present slack season has been sizable. The credit contraction, since the commencement of the slack season, amounted to Rs. 60 crores as against Rs. 20 crores in the corresponding period of last year. The deposit expansion in the slack season came to Rs. 50 crores — almost the same increase as in the last year. The money market has been ruling extremely easy with the call rate quoted around $\frac{1}{2}$ per cent on an occasion. In the next few weeks, the return flow of funds is expected to gather further momentum. The Governor of the Reserve Bank, it is understood, gave a sympathetic hearing. It is difficult to imagine what else he could have done. Obviously, he cannot recommend any dilution of credit control at a time when the inflationary forces in the economy are gathering further momentum. The bankers were not made to suffer in the last busy season and there is no ground for their fear that they would countenance difficulties which will not be taken care of by the Reserve Bank.

The volume of Compulsory Deposit work in the banking system is likely to be given a boost. This is because the Reserve Bank has announced that its offices in provincial headquarters other than Bombay would not be receiving deposits. The State Bank made the announcement that its pay offices all over the country will not accept deposits. This would mean more business for banks. The more important question in this connection is whether the volume of work will be commensurate with the benefits which would accrue from the operation of the scheme. As against the cost of employing additional personnel the banks must balance the yield on the funds kept with them interest free for a period. The general consensus of opinion is that it is more bothersome to accept these deposits and the attendant advantages are not commensurate with the trouble taken.

In an analysis of bank credit during the 1962-63 busy

season, the Reserve Bank Bulletin has shown that industry's share of credit showed a sizable expansion. Bank credit expanded by Rs. 208 crores to Rs. 1,592 crores in the 1962-63 busy season against Rs. 193 crores in the 1961-62 busy season. Of the Rs. 197 crores increase in secured advances, as much as Rs. 137 crores, about two thirds of the total, was accounted for by advances against industrial raw materials (Rs. 102 crores) and manufactures and minerals (Rs. 35 crores). The pattern of expansion revealed that there has been a sustained rise in advances against manufactures and they do not show any contraction even during the slack season. Actually, there is a larger expansion in the slack months. Advances against industrial raw materials, and food articles show sizable variations. These rise sharply in the busy season and contract substantially in the slack season. For instance, the entire contraction in the 1962 slack season was under these groups shared equally. The major portion of contraction in the slack months of 1963 is likely to take place under industrial raw materials because this group accounted for more than 50 per cent of the secured credit expansion in the 1962-63 busy season. The analysis reveals that the economy is getting fast diversified and that the Reserve Bank must make its credit estimates more realistically than before.

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Led by steels, Dalal Street staged an impressive recovery. Extreme gains were however pared somewhat due to realising but the tendency remained upward. The improvement was mainly due to heavy professional short covering in leading counters. The higher dividend declared for Tata Steel work-cussions at the Centre and Bombay to activate the capital market helped the sentiment. From the angle of corporate news, Zenith Steel declared a maiden dividend and this was derived by the news that Britain and the United States had submitted their proposals for joint air exercises with the IAF in India. It is however relevant to note that the basic factors responsible for the depression in the share market have undergone no material alteration. The current rally in equities might not probably make much headway unless there is something positive in the basic developments.

Hope Springs Eternal

From Our Correspondent

CALCUTTA:

WITH THE announcement of a higher net dividend of Rs. 7.70 for the year ended March 1963 as against Rs. 7.25 paid for the previous year by TISCO, stock market sentiment has shown further improvement. On Lyons Range, active trading in the pivotal scrip, Indian Iron has lifted the price in initial trading, following the TISCO, dividend announcement, by more than half a point and though profit-taking has since been interfering with its onward march, there is no gain-saying its popularity with the operators. For some days now Indian Iron has been the market favourite on the growing belief that the shareholders of the company will get a higher dividend. Such belief is based on the well reasoned assumption that the company's working during the year ended March 1963 would show a higher profit as production has increased sizably over the previous year's record. Many also continue to rate the chances of a bonus issue high. In the event, these hopes have not come true. The Indian Iron dividend has merely been maintained. The sustained interest in steel shares stems also from the indications that have become available in recent weeks of the Government's sympathetic attitude toward the problems of the steel industry. The very fact that

a high level meeting has recently discussed the question of decontrol of distribution and price of steel is taken as an encouraging sign. Though the meeting, as was to be expected, discussed, it is significant that the matter is not shelved. It has been reported that Government will not be averse to giving its approval to a scheme of decontrol both of distribution and price provided it does not impinge unduly on the interests of any one section of consumers. The stock market has interpreted this to mean that Government is willing to abolish controls but it will not take a firm decision before the full implications of such a change are carefully gone into.

It is, however, not the steel prospect alone that is motivating the optimistic appraisal of the investment outlook. Hope springs eternal in the human breast and marketmen are only too human. It is believed that the realisation is slowly depression in the stock market that the continued orderly growth of industry and hence conducive to an done to revive the confidence of investors. Till recently, been to reiterate in a general way that the economy is get-

ting stronger and stronger as a result of the various developmental programmes. But what the investor is looking for is concrete evidence that the enterprises in which he has deployed his funds are earning higher profits so as to distribute increased dividends and to put by larger and larger amounts for the expansion of their productive capacities. Such evidence has been woefully lacking during the past few months and many a hope has been blasted by the last Central budget with its new-fangled levies.

Not only has the investor been told that a large number of industries has been obliged to keep a big portion of their capacity idle for want of raw materials and/or power but he has also found to his great disappointment that his investments have come to yield in most cases a lower return than before, thanks to the Super Profits Tax. The one effective way of dispelling the investor's gloom will be to abolish the SPT. Though the Union Finance Minister has so far shown no indication of doing away with it, it would appear that before long he may be persuaded to jettison it by sheer force of the mounting evidence of its crippling effect. In the meantime, the operators at least have been cheered by the indication that the Government is contemplating some measures to revitalise the capital market. One step that is generally believed to be certain is that the LIC and other financial institutions will be asked to lend active support to the stock market. The Central loans will be out of the way soon and then the LIC will be able to spare funds for investment in equities. It is also expected that the measures contemplated by the Government will include some relaxation in the present margin requirements governing forward trading in shares as well as a directive to banks to be more liberal about margins against share advances. The reduction in the emergency insurance premium rate has also been helpful in bringing about the present improvement in sentiment.

★★

Despite a fall in prices, business passing in the jute goods market has continued to be meagre over the past couple of weeks. While sacking has been neglected partly because overseas buyers have been placing their orders increasingly with Pakistan, only scattered enquiries have come to hessian. Presumably consumers abroad are content to draw from their stocks, expecting a further fall in prices, to replenish their supply. The lack of buying interest on the part of buyers abroad is understandable as they know that there won't be any dearth of jute goods in view of another bumper crop that is in the offing for India. Apart from the extremely favourable weather conditions, the prospects for a bumper crop in India have been enhanced by the fact that even according to official reckoning there has been a slight increase in the area under jute. A declining price trend by itself will not disturb the freedom to the Indian industry is extremely limited in view of the fact that it has no control over the cost of most of the major items that go to make up the final cost of production. Since nearly 60 per cent of the cost in the jute industry is accounted for by raw jute, it follows that what it pays for the raw material influences a great deal its cost of production. Therefore the minimum operational price of Rs. 30 per maund basis Assam Bottoms renders it impossible for the industry to sell its products below a certain level. The fact that mills have not shown much interest at the lower price levels indicates that they will be only incurring loss in such transactions.

The unenviable position in which the industry is placed with regard to its obligation in respect of maintaining the operational price of jute has been brought into sharp focus last week when the Jute Commissioner issued compulsory quotas to the tune of 4.4 lakh bales of raw jute to be lifted

during the current month by the industry — 4 lakh bales by the IJMA mills and 40,000 bales by other mills. Earlier it was believed that in view of already heavy stock of jute with mills and the IJMA recommendation to member mills that they co-operate in maintaining the minimum prices, no compulsory purchase quotas would be issued. Thus the mills have been placed in a difficult position as on the one hand manufactures are not moving as fast as they are produced and on the other their godowns are already overfull with stocks purchased on their own account and on behalf of the Jute Buffer Stock Association.

A redeeming feature in an otherwise unsatisfactory situation is that there are indications that efforts are in train to help the industry to solve some of its urgent problems. The industry's plea for help in countering the Pakistani competition has been endorsed by the Board of Trade at its latest meeting. It has called for an examination of the present position of jute sacking. Both prices and offtake are continuously falling and the Board has called upon the Government to assist the industry in some suitable way to promote exports. It has referred to a scheme that is being drawn up jointly by the industry and the Jute Commissioner and has asked the Government to take it up for early consideration. Among other recommendations of the Board are the establishment of a permanent exhibition of jute goods in Calcutta, increased attention to research on jute products and diversification programmes, immediate initiation of steps for increasing the productivity of raw jute and improving its quality, and the immediate acceptance by Government of priority programme of the Food and Agriculture Ministry

EASTERN ECONOMIST

Twentieth Anniversary Number

In this special issue of June 7, 1963 Eastern Economist takes pleasure in presenting its readers with a rich fare of articles on various aspects of the Indian economy and a special section devoted to the study of industrial development in the various States. Contributors include the U.S.S.R. Ambassador in India, Mr. K. D. Malaviya, Dr. P. S. Lokanathan, Mr. K. Santhanam and Mr. Tarlok Singh.

Extensively illustrated with charts and statistical tables, this special number is priced Rs. 5 per copy, but is available to regular subscribers without any extra charge on annual subscription.

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for raising the productivity and improving the quality of jute.

An indication of the intense competition that Indian sack-ing is facing in foreign markets from Pakistan can be had from the latest Fibre Supplement of the Commonwealth Economic Committee. According to the Committee the total value of Indian exports during 1962 was Rs. 154.2 crores, 6 per cent higher than in the previous year. This compares with the 19 per cent increase by weight. Pakistan exports by value are estimated to have fallen over the year to Rs. 30.9 crores, or by 11 per cent although by weight they were 11 per cent greater than a year previously.

★ ★
Presiding over the twenty-ninth annual general meeting of Indian Soap and Toiletries Makers' Association last week in Calcutta, Mr. P. N. Talukdar has called for a careful investigation into the working of the soap and toiletry industry both by the manufacturers and Government. A probe however would have been in order even some ten years ago. For, large idle capacity has been plaguing the industry during the past several years now. Only 13 per cent of the installed capacity was put to productive use in 1950-51 and since then not much improvement has taken place for in 1962-63 the percentage of idle capacity stood at 42. The organised sector of the soap industry (the above statistics refer to this sector only) is expected to attain a production of 2,20,000 tonnes with a capacity of about 2,55,000 tonnes but at present the output is no

more than 1,50,000 tonnes per year (which by the way represents only 75 per cent of the first Plan target of 2,00,000 tonnes).

It will be evident that the meagre output of the industry is not due to any dearth of capacity. What then is standing in its way of utilising its capacity in full? Mr. Talukdar has pointed out that "the conclusion is inescapable that perhaps the Planning Commission has not bestowed enough care on the question of mobilising the physical resources required to enable the industry to meet the target". As things stand, the industry is experiencing serious difficulty in securing the necessary raw materials. The drastic cut in imports makes it almost impossible for the industry to get its raw materials in sufficient quantities and whatever is available gets inflated in cost since the State Trading Corporation has been authorised to import and distribute them. The fact that the industry is still dependent for certain essential items on imports has shortage of these items has become chronic. Hardly any note has been taken of the fact that even with regard to indigenous materials the cost has gone up by as much as 69 per cent in certain cases. It is, however, wrong to say that Government is completely ignoring the industry: like other industries the soap industry is expected to maximise production and what is more, it is asked to sell one of its products at a particular price!

Inter-State Talks on Rivers

From Our Correspondent

MADRAS.

THE MADRAS and Kerala Governments have had the first round of talks on the utilisation of the waters of the west and east flowing rivers. The Madras Government has for some time past been requesting the Kerala authorities for a diversion of waters from the east flowing rivers like Periyar, Pambar and Kallar. The diversion of waters from these rivers will help backward areas in Madurai and Ramanathapuram Districts particularly. There is also anxiety to know how the Kerala Government propose to utilise the waters of the east flowing rivers, Bhavani, Siruvani and Kabbini, in their areas. The effective utilisation of available water resources in the upper reaches will naturally benefit the river basins in Kerala. But, at the same time, it is being asked whether joint projects will result in larger availability for the lower regions.

An integrated programme will probably help to prevent waste and lead to a satisfactory sharing arrangement. The working of the Parambikulam-Aliyar Project is also being examined. In regard to the Siruvani River, Coimbatore will get its drinking water supply from this source but Kerala has not agreed so far to the suggestion of the Madras Government that Siruvani waters should be available for irrigation purposes as well. In a complicated question like the sharing of river waters no immediate progress can be expected. But engineers on both sides have been asked to gather the relevant data and there will be a fresh meeting of the representatives of the two Governments in Madras after some time. The Kerala Government may probably agree to help Madras if the latter in turn were prepared to supply power from Neyveli or other sources. In any case, the attempt at closer collaboration between the two States is to be welcomed.

★ ★
Dr. Dharma Teja's proposal for erecting a 200 mW. thermal station at Ramagundam in Andhra Pradesh and handing

it over to the State Government has caught the imagination of the public. Dr. Teja has his own way of doing things and the spectacular additions to the fleet of Jayanti Shipping have aroused great curiosity in his proposals for starting other ventures. At first, it was suggested that the thermal plant and the power generated was to be sold on a bulk basis to the State grid. It has now, however, been indicated that the power station would be completed as a package deal and handed over to the State Electricity Board and that payment by the State Government would commence one year after the date of purchase. The State Government is reported to have reacted favourably to this proposal and as the Industrial Policy Resolution would not be violated, the Centre's permission is awaited. It has been suggested that a similar proposition should also be placed before the Madras Government if the ever, resurrected the Republic Forge Company and arrangements have been completed with Renaults of France for undertaking the manufacture of heavy trucks at Hyderabad. Originally, Republic Forge Company was to manufacture forgings with the help of International Finance Corporation. The scheme was not, however, implemented on account of subsequent unfavourable developments.

★ ★
The newly formed association of pharmaceutical and chemical manufacturers had its inaugural meeting in Madras a few days back. This is the first time the various manufacturers in the Madras State have got together and formed a society. The Health Minister, Mrs. Jothi Venkatachalam, who presided over the meeting stressed the need for under-basic materials that might be made available by Neyveli Lignite Corporation when its briquetting plant begins operation in 1965. The Health Minister complained that the

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response from private industrialists was not encouraging and the State had not made the desired progress in the manufacture of chemicals except in particular directions. The main difficulty relates to the availability of raw materials and the high cost of production due to heavy indirect taxes. But there is also need for collaboration with foreign interests and so far no attempt has been made, as in Maharashtra and Gujarat, to start chemical manufacturing units in a big way. Mr. R. Venkataraman, naturally expressed the hope that the industrialists would bestir themselves and conduct research in a way that new drugs manufactured would suit the requirements of the population.

★ ★
The performance of Hindustan Machine Tools in the past few years has been quite satisfactory and there is confidence that the requirements of the country can be met to a considerable extent from indigenous sources. HMT itself will be responsible for promoting three more units in Punjab, Andhra Pradesh and Kerala, the second unit having already been constructed in Bangalore. Mr. C. Subramaniam, Union Minister for Steel and Heavy Industries, has actually indicated that it is the intention to have a machine tool factory in every State ultimately. A few days back he laid the foundation-stone for the Central Machine Tools Institute in Bangalore sponsored by the Central Government with financial and technical assistance from Czechoslovakia. It is feared, however, that the target for the third Plan may not be reached in regard to the output of machine tools as sufficient progress has not been made so far. The institute is expected to be completed in 18 months. It is expected to be of considerable assistance in the development of design and research associated with the machine tool industry. Bangalore will also be having an institute for training steel engineers.

★ ★
There has been greater activity in the Madras Stock Market and business in planting shares particularly has been on a much larger scale. The steadier advices from Bombay earlier in the week and the subsequent announcement of a higher dividend by Tata Iron & Steel Company for the year ended March 31, 1963 have had a stimulating effect. In the absence of selling by holders prices have improved all round. In the Peirce Leslie group of plantation shares there has been interested buying for some time past and prices for Chembra Peak, Kil Kotagiri and Periakaramalai have been marked sharply higher. Following the successful cornering of shares

of Ouchterlony Valley it is felt that the interested buying will continue in evidence for some time and there may be a bid for changing the Board of Directors if the cornering operations prove successful. Calcutta interests seem to be involved. Other shares, too, have been marked higher and it is expected that cotton textile and rayon units will be able to do better on account of the likelihood of a revision of selling prices. India Cements has been sticky for some time past as it was reported that the results for 1962-63 were not satisfactory. But it is expected that the working for the current year will make better showing as the new factory now being constructed at Sankaridrug, near Salem, will commence production some time in October next. The initial capacity will be two lakh metric tons annually. There are already plans for increasing the output to four lakh tons annually. As ample limestone deposits are available locally, it is even expected that the capacity can be raised to 800,000 tons annually ultimately. The existing factory at Talaiyuthu has already a capacity of 500,000 tons.

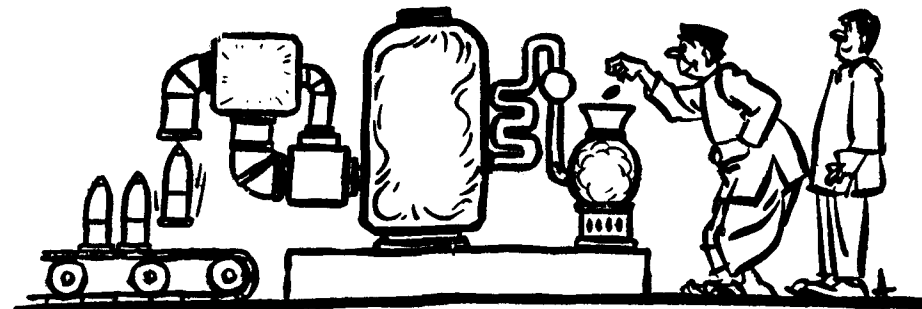
Underwriting Arrangement

The steadier tone of the stock markets, however, has not been helpful to the sponsors of new companies for completing the underwriting arrangements through broker-firms. Actually, it has been necessary to approach the statutory financial corporations for finalising the underwriting arrangements. It is expected that Laxmi Machinery, Sakthi Pipes, Chemicals and Plastics, Seshasayee Industries and others will be raising their requirements some time in the last quarter of this year.

After the pending capital issues have been successfully floated there may be a vacuum for some time as many units which have got industrial licences are unable to proceed with their schemes on account of the unwillingness of the foreign collaborators to enter into fresh commitments and the difficult foreign exchange situation. It is learnt that the promoters of the fertiliser project which was proposed to be located at Tuticorin may not proceed with their scheme as the American participants have not shown keen interest after the new budget measures were announced while the fertiliser unit in Mangalore may not also be proceeded with expeditiously until the various hurdles have been got over. It is, however, stated that the project of Parrys to locate a large-sized fertiliser factory at Visakhapatnam will be pushed through and that the American collaborators have been persuaded to implement this project.

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July 19, 1963

The moving finger writes

I HAVE just returned from a brief visit to Madras (which incidentally explains why "Moving Finger" was missing last week), where the DMK is gloating over its victory in the Tiruvannamalai by-election for the State Assembly. Tiruvannamalai has always been a difficult proposition for the Congress. In the 1957 general elections, that party lost it to the DMK, which secured a majority of 14,000 votes. In the last general elections the Congress succeeded in reversing the verdict, but its majority was a meagre 2,000 votes. In the recent by-election, after the contest had been made a prestige issue by both sides, the DMK edged its way to victory by a majority of 1,500 votes. From the Congress point of view what gives significance to this result is that the Chief Minister, Mr. Kamaraj Nadar, had not only thrown the entire resources of his party into this battle of the ballot, but had himself taken a direct and personal part in the campaigning. Elsewhere Congress electoral reverses could have been attributed in part to schisms within the Pradesh Congress Parties or the poor level of State administrations. In Madras neither of these factors were present to help the Opposition. In the circumstances the adverse verdict of the Tiruvannamalai voters should certainly be taken as an expression of disillusion, if not discontent, with the Congress party over national issues.

By saying this I am not implying that the Tiruvannamalai vote is a vote for the DMK ideology of Dravidisthan or even that it is an anti-Hindi vote. I am even less sure that the feeling of dissatisfaction of those who voted against the Congress candidate in Tiruvannamalai had much to do with gold control or the Compulsory Deposit Scheme or the burden of taxation in general. What, I fear, is happening is that people in different parts of the country are gradually losing faith in the morals and manners of the Congress party as a national organization. Even apart from the glaring illustration which New Delhi has been providing from time to time of the Rajaji thesis that the Congress monopoly of power is corrupting public life and administration, large sections of the people are ceasing to look upon the Congress as a national institution, pure and perfect in its personnel or purposes and incapable of doing anything wrong or ignoble.

It is necessary that the Congress leadership should take note of this changing mood and sentiment of the people. Rajaji, through his incessant talk of quotas, permits and licences, has no doubt been responsible to a large extent for this disillusionment of the people with the Congress, but he could not have succeeded if erring Congressmen and groups had not so generously been providing him with evidence through their acts of commission and omission. But while the success of the Rajaji propaganda may have meant a loss to the Congress it does not seem to be bringing any gain to the Swatantra party. This is because Swatantra lacks the organisation needed to build it into a real challenge to the ruling party on the national front or even in individual States. Hence it is that the chief beneficiaries of the Rajaji line are third party Opposition groups which happen to be better organised. In Madras, the DMK is clearly benefiting as much from the Swatantra denigration of the Congress as from its own direct efforts against the ruling party.

This brings me to the very pertinent point which the Prime Minister made at his last press conference when he said that in most cases the elections were decided by better

organisation. The question now is what the Congress is going to do to improve its organisation. There is little doubt that in the last 15 years the organisational obligations of the party had been sadly neglected. The abler, even if not the better men, had all been attracted to what is called the legislative wing with its pretty feathers of pelf, power and patronage. The damage can be made good only by a deliberate movement of Congressmen of quality back into the organisational echelons of the party. This is the basic problem of the Congress which has been there for some time and has now been highlighted by the recent electoral reverses. The difficulty is that no Congress leader, not excluding Mr. Nehru, is prepared to face this problem squarely since the solution will so clearly demand a reorientation of personal preferences which none of them seems prepared to contemplate.

★★

I am really glad that before Prof. Galbraith left Roosevelt House, he had at least been able to see agreement reached on US collaboration with the Tarapore Nuclear Power Station Project. It is no secret that he had set his heart on the finalisation of American assistance to Bokaro during his tenure as Ambassador. It must have disheartened him not a little that this particular scheme is still in a talking stage, with Washington insisting on a second raw material survey which, as Prof. Galbraith has clearly stated on more than one occasion, cannot by any means be regarded as a necessary condition for an initial American commitment on aid. It is interesting to recall that on a recent occasion when Prof. Galbraith was talking informally to a few journalists in the Capital, he tried to hide his unhappiness over Bokaro by suggesting that, while a steel plant, however important in itself, could not be regarded as being of revolutionary significance in the technological sense, the Tarapore Nuclear Power Station which the United States would soon be helping India build would certainly be an outstanding instance of the importation of the most modern development in science and technology into the Indian economy.

★★

Last Sunday in the Capital the Chief Justice of India inaugurated a newly floated "Chit Fund" company, and the Union Minister for Transport and Communications presided over the function. The presence of Mr. Jagjivan Ram on an occasion of this kind is perhaps more easily understood than that of the Chief Justice of India. Politicians have to keep themselves in the public eye and not all of them are always in a position to pick and choose among the opportunities available to them for the purpose. Members of the Judiciary, however, are in quite a different position. They need not of course isolate themselves in ivory towers and they, like the rest of us, are certainly entitled to participate in the social and cultural activities of the communities in which they live. At the same time, I do not see much point in the Chief Justice of India inaugurating a Chit Fund.

Incidentally, Chit Funds are a recent institution in the Capital (and indeed in Northern India) and there has been some talk in the Union Finance Ministry and elsewhere that their functioning should be regulated in the interest of the public. No step, legislative or other, however, seems to have been taken so far, although in its original home States in the South, the institution of the Chit Fund is being required to work subject to certain safeguards for chit holders.

V.B.

Trade Winds

ADVISORY COUNCIL FOR INDUSTRIES

THE CENTRAL Advisory Council of Industries has been reconstituted with the Minister of Commerce and Industry as Chairman and 25 members representing industrial owners, employees, consumers and producers. The new Council will function for two years. The owners' interests are represented by Mr. Bharat Ram, President Federation of Indian Chambers of Commerce and Industry; Mr. A. R. Foster, President, Associated Chambers of Commerce of India; Mr. J. R. D. Tata, Bombay; Mr. K. K. Birla, Calcutta; Mr. Keshub Mahindra, Bombay; Mr. Arvind N. Mafatlal, Bombay; Mr. S. L. Kirloskar, Poona; Mr. T. S. Krishna, Madurai; Mr. B. V. D. Menon, Kalamasseri, Kerala; Mr. Neville N. Wadia, Bombay; Mr. Abhijit Sen, Calcutta; Mr. V. S. Kudva, Mangalore; Mr. K. C. Maitra, Bombay; Mr. N. M. Wagle, Bombay; Mr. J. V. Jardine Paterson, Chairman, Indian Jute Mills Association, Calcutta; and Mr. N. B. Prasad, Secunderabad.

Mr. S. R. Vasavada, General Secretary, INTUC; Mr. Michael John, Vice-President, INTUC; Mr. Manohar Kotwal, General Secretary, Hind Mazdoor Sabha and Mr. K. G. Srivastava, Secretary, All India Trade Union Congress, represent employees. Mr. M. P. Bhargava, M.P., Agra; Mrs. Raksha Saran, New Delhi; and Mr. P. R. Ramakrishnan, M.P., Madras are the representatives of consumers and Dr. A. Ramaswamy Mudaliar and Mr. N. Mahalingam, Pollachi, represent producers.

U.S. GRANT FOR GRAIN STORAGE

The US Government has extended a grant of Rs. 1.8 crores to the Government of India from PL 480 rupee counterpart funds for the construction of 90 food grain storage godowns in different parts of the country. These godowns will have a total capacity of 1.8 million tons and are being financed entirely by the US. Last year the US Government granted Rs. 10.3 crores for this project. The third Plan calls for doubling the existing food grain storage capacity to five million tons. Adequate storage plays an important part in stabilising prices. It helps the consumer by making food available throughout the year and discourages hoarding by speculators. It prevents a sharp fall at harvest time and averts a steep rise at other periods.

A factor in the high productivity of US agriculture is the existence of plentiful storage capacity. The Government of India has attached importance to building up storage capacity in this country and has launched this large godown building project.

In addition to this rupee grant, the US has already financed the import of two silo-cum-elevators, 50 prefabricated godowns and equipment for experimenting with new techniques of food grain storage. The silos are located at Hapur, U.P. and Calcutta. The USAID Mission has also made available to the Government of India the services of a number of American technicians.

STANDARDISATION OF MACHINE TOOLS

To guide its technical committees and accelerate the pace of work relating to the standardisation of machine tools, the Indian Standards Institution obtained the services of Mr. F. Danek for two years under the United Nations Programme of Technical Assistance. During his stay Mr. Danek assisted

in the formulation of over 50 standards on machine tools and small tools. Some of his important recommendations relate to the setting up of standards units in factories, implementation of standards, production of standardised parts, obtaining the technical information, and training of standards engineers in particular branches.

It is expected that standardisation will help in exporting the machine tools as the standards which have been formulated by ISI have been prepared taking into consideration the practices prevailing in various countries.

PATENTS LAW AND D.I.R.

There seems to be a certain amount of misunderstanding about the purpose and effect of certain changes which have been made to the provisions of the Defence of India Rules in so far as they affect the Patents Law of the country. The Ministry of Commerce and Industry has indicated that the object of the powers taken under the Defence of India Rules is not to extinguish the existing patent rights or to make them usable with appropriate compensation, but merely to ensure that in an emergency there are no occasions for delay in production or scarcity supplies leading to exorbitant prices for essential items like drugs and medicines. So far, no such action has been taken under the Defence of India Rules in question. Similar emergency powers have been taken by different countries in times of war. The long-term policy regarding patents is a matter which is still under consideration and will be the subject matter of fresh regular legislation, it has also been considered advisable not to register under the existing law any fresh patents in the field of drugs and medicines. This is also secured by the amendments that have been promulgated to the Defence of India Rules.

LONG-TERM POWER PLAN

The Union Ministry of Irrigation and Power has drawn up a 15 year perspective plan for generating 22.74 m. KW. of hydro power and 13.8 m. KW. of thermal power including 9.81 m. KW. from coal and 4.68 m. KW. from nuclear sources at a cost of Rs. 1,800 crores. The proposal is for generating 5.90 m. KW. of hydro power by the end of fourth Plan, 7.55 million KW. by the end of fifth Plan and 9.29 million KW. by the close of the sixth Plan. Taking into account the magnitude of this programme a committee of the Central Water and Power Commission has come out with forceful arguments against any move to split the Irrigation and Power Ministry into two. Most of the projects, it is indicated, call for joint efforts of power and irrigation experts.

PARTICLE BOARDS FROM COCONUT HUSK

Investigations at the Central Building Research Institute, Roorkee, have shown that particle boards possessing attractive appearance, good strength and satisfactory resistance to decay and fire could be prepared at a low cost from the unfretted husks of mature coconuts. The boards are suitable for use as partitions, ceilings and cheap roofings in buildings. Husks for board manufacture could be collected in the same manner as for retting and coir manufacture. The proportion of synthetic resin binder required for their preparation is only 0.5 per cent compared to 6 to 10 per cent required in the conventional manufacturing process. The cost of production

of one sq. metre of board of density 640 kg./cum. and 1.9 cm. thickness is estimated to be Rs. 3.11 as against the wholesale price of Rs. 8.3 to Rs. 10.5 in U.K. India is one of the largest coconut growing countries with an annual production of about 3,000 million nuts. About half the quantity of husks obtained from these nuts is utilised by the coir industry while the other half does not find any industrial use at present. Even if only 10 per cent of the husk which is not being industrially utilised were to be converted into particle boards, the production would be about 3.7 million sq. m.

INDUSTRIAL FASTENERS' ASSOCIATION

The Screw Manufacturers Association and the Indian Bolt and Nut Manufacturers Association have been amalgamated to form a new association to be called the "Industrial Fasteners Association of India" at a joint special meeting of all the members of the two associations held recently in Calcutta. The main object of this association is to safeguard the interests of the manufacturers of the industrial fasteners and allied items in the country. The Industrial Fasteners Association of India is affiliated to the Engineering Association of India.

SPOILAGE IN CANNED PRODUCTS

The Central Food Technological Research Institute, Mysore, have investigated the types of spoilage of canned vegetables and fruits under conditions characteristic of India and suggested remedial measures. Hydrogen swell, the major cause of spoilage in fruits can be minimised by properly exhausting the cans and storing them at low temperature. In the case of canned vegetables and their products, spoilage was due to infection from cooling water, autosterilisation, heat resistant organisms and overfilling or incomplete exhausting of the cans; the relative incidence of the different types being 42.6, 29.8, 14.8 and 12.8 per cent respectively. Chlorination of cooling water, adequate processing of the vegetables, and complete exhausting of the cans are the corresponding preventive measures for different types of spoilage.

BHASKARPARA PROJECT

The National Coal Development Corporation has approved the plan for a colliery in Madhya Pradesh. It will be an underground mine at Bhaskarpara in Surguja District. The targeted output from the colliery is half-a-million tonnes per annum and the total reserve in the area has been estimated at over 31 million tons of Grade I coal. The project will involve a net capital outlay of a little over Rs. 2½ crores and is expected to yield a return of 11.4 per cent per annum.

Bhaskarpara adjoins the Kutkora project of the Corporation. A third project will, in all probability be coming up in this region shortly. A central washery is also likely to be set up here for beneficiating the coal produced in these collieries. Though no firm data about gassiness are available, all precautions have been taken which are usual in the case of gassy mines. Extraction of coal will be by the re-treating longwall method with caving, in view of the low thickness of the seams and non-availability of stowing materials. It is proposed to use coal-combines which will not be used also be completely mechanised — fast ploughs will be used as at the Corporation's Churcha project. The number of residential quarters for miners and others will exceed 1,100. Provision has also been made for an 11-bed hospital, pithead

bath, canteen and such other amenities as are usually provided in all Corporation's projects.

PUBLIC SECTOR CHIEFS' MEET

The conference of heads of public sector undertakings last week under the chairmanship of Mr. Gulzarilal Nanda, Minister for Planning, Labour and Employment, took a number of decisions relating to labour matters. It was decided that, as far as possible, disputes would be resolved by voluntary arbitration so that they may be settled quickly. Delays in settling such disputes would be avoided and letters and other references, in this connection would be replied to with minimum delay. By and large, there was no need to go to courts and engage lawyers for this purpose.

The conference went into details about the grievance procedure followed by various undertakings. It was felt that in some cases the procedure had taken a long time and the conference decided that every effort should be made to modify procedure in such a way as to cut out the delay. It was also decided that wherever a particular undertaking had no established grievance procedure, it should adopt one immediately. The chairman stressed that while the interests of the workers should be safeguarded as far as possible, the general tone of discipline in an undertaking should not be allowed to get undermined. Services of conciliation officers could be utilised as arbitrators to settle the problems quickly.

AGRICULTURE SHOW IN MOSCOW

The Indian exhibition which will open later this month in Moscow will have an agricultural section portraying the salient features of India's progress in the field of agriculture since Independence. The large number of agricultural crops which India is able to raise with the help of the varied agro-climatic conditions in the country and several farm products which have a demand in world markets will form an impressive part of the exhibition. Each of India's important crops and commodities like oilseeds, tobacco, sugarcane and sugar products, cotton, jute, spices, essential oils and fruits will be given sufficient space to enable visitors to get a clear idea of the wide variety of farm crops and products of India and the progress made in increasing agricultural production and development of quality products.

SOAP INDUSTRY'S PROBLEMS

Mr. P. N. Talukdar, President of the Indian Soap and Toiletries Makers' Association, made a pointed reference to the low utilised capacity in the organised sector of soap industry while addressing the annual general meeting of the association held recently. He indicated that even the current production is nearly 60 per cent of the installed capacity. The idle capacity, however, has tended to decrease over the last few years. It has declined from 57 per cent in 1951 to 50.5 per cent in 1955-56. But even the present idle capacity of nearly 42 per cent in 1962-63 is quite high. This wastage of capacity, he added, is not due to lack of demand for soap in the country. As a matter of fact, the third Plan target of 2,20,000 tons fixed for the organised sector in addition to the estimated production of 2,80,000 tons in the unorganised sector is considered quite modest. He pointed out that there are certain factors which impeded the growth of this industry and perhaps of largest consequence are the difficulties experienced in securing the necessary raw materials like copra, coconut oil, palm oil, mutton tallow or aromatic chemicals and essential oils. In addition to this the fiscal levies have further added to the costs.

Company Affairs

TELCO'S DEFENCE EFFORT

MR. J. R. D. TATA's survey of the progress and problems of the Tata Engineering and Locomotive Company Limited, in his statement to the shareholders for the year 1962-63, strikingly illustrates both the opportunities offered by the defence effort for speeding up the industrialisation of the country and the difficulties in terms of financial and physical resources which unfortunately, if unavoidably, seem to go hand in hand with those opportunities. Mr. Tata noted with satisfaction that the company was able to increase its turn-over by about five per cent over that of the previous year. It had also succeeded in extending the range of its products by establishing the production of excavators and diesel shunters. The detailed planning for the expansion of the automobile, foundry and forge divisions has also been completed. Of the company's expansion programme intended to double the output of Tata Mercedes-Benz vehicles from 12,000 to 24,000 per year, the Chairman gave interesting details. Thanks to the emergency, the original proposal for executing this expansion in two stages has been reviewed and at the Government's instance, the company is planning to speed up work on the second stage. Meanwhile arrangements for financing the first stage of expansion which would increase capacity to 18,000 units per year have been completed to the extent that the Agency for International Development has approved a loan of \$13.65 million (Rs. 6.5 crores), while the Government of India has agreed to release another sum of Rs. 1 crore of foreign exchange. The company is now submitting a second application to A.I.D. for another loan to cover the needs of the second stage of expansion. As for the rupee finance, Mr. Tata indicated that the Directors were considering the most appropriate method of raising the funds required.

All this is one side of the picture, and while it is good that the setting up of important engineering capacities has come to receive added attention in view of the emergency, it has also to be noted that, unless steps are taken simultaneously to engage available capacity fully, the benefits from expansion will remain largely unrealised both in terms of defence and development. From this point of view it is distressing to learn that the increase in output by the rate of about 20 per cent, which was achieved through additional shifts and overtime working introduced after the emergency could not be sustained for more than a few months as the Government failed to provide additional foreign exchange for the import of raw materials and components. While it is true that there is a foreign exchange shortage, there can be no denying the fact that the available resources could be utilised in terms of a more rational scheme of priorities. In this connection, Prof. Galbraith's friendly criticism of our planners that they seem to give equal importance to all projects needs to be listened to.

Mr. Tata quite frankly said that at the present rate of progress of the automobile industry, the commercial vehicle target of 60,000 vehicles by the end of the third Plan "will not be attained because there is just not enough capacity either with the main manufacturers or with the components industry". Thus goes overboard another important industrial ambition of the third Plan. Here is one more reason why Mr. Nanda should make up his mind to examine whether the present planning policies and attitudes do not have to be revised for the sake of better implementation of planned programmes.

Mr. Tata referred, among other things, to the fiscal policies both in terms of their general aspect of affecting investment and corporate activity and in terms of one of their particular consequences of discouraging the development of road transport by imposing onerous burdens on manufacturers,

operators and users of motor vehicles. It is to be hoped that, as the Finance Minister and other Ministers in charge of the economic Ministries come to realise more and more the crippling effects of the accumulating fiscal burdens on the economy, some effort will be made to rationalise taxation measures, not indeed as a favour to industry or commerce, but as a minimum measure of protecting the economic development of the country.

NEW INDIA ASSURANCE

Mr. A. D. Shroff, Chairman of the New India Assurance Company Ltd., told the shareholders at the annual meeting held recently that the company had suffered heavily from the crisis in the investment market. The appreciation on the company's investments amounted to Rs. 112 lakhs by the end of 1961, which dwindled to Rs. 49 lakhs by the end of 1962. The latest valuation shows a complete wiping out of all appreciation. He pointed out that the conditions in the investment market during the past eight months have been showing increasing crisis of confidence. There has nearly been a catastrophic fall in prices of shares irrespective of merits and investments over a large field have practically become frozen. He deplored the setback and indicated that there were various factors responsible for this trend. The introduction of super profits tax, he added, was perhaps the principal reason. The acute stringency of money and the lower pace of growth of additional banking facilities aggravated the crisis. Other measures taken by the Government, however, desirable in their objectives like the Gold Control Order and the introduction of Compulsory Deposit Scheme, tended to create a weakened credit structure in the country. Mr. Shroff added that the New India Assurance Company had continued to play its due role of investment in the floatation of new sound enterprises. Even in the present crisis the company has continued to extend its co-operation and support to a large number of units through investment.

JAY SHREE TEA

The Board of Directors of Jay Shree Tea and Industries Ltd., has finalised the basis of allotment of shares in respect of the recent issue of 24,800 redeemable cumulative preference shares (9.3 per cent) of Rs. 100 each. Applicants who have desired to have five to 125 shares will get the full number of shares applied for; for 105 to 125 shares — 100; for 150 to 205 — 120; for 250 to 300 shares — 100; shares — 160; for 400 shares — 150; for 350 shares — 180; for 500 shares — 200; for 1,000 shares — 250; for 1,250 shares — 300; for 2,000 shares — 400; for 2,500 shares — 500; and for 5,000 shares — 1,000. For the allotment of 24,800 shares applications received were 806 for 45,590 shares.

The company has now applied to the Controller of Capital Issues for consent to issue bonus shares to the existing shareholders in the proportion of one bonus share for every four existing shares. It is proposed to capitalise Rs. 22 lakhs from reserve.

HIND CYCLES

The Hind Cycles Ltd. has completed the production of two million bicycles. The company's factory at Worli, Bombay, went into production in 1941 and today it produces 550 units a day. Some 200 components go into the manufacture of bicycles and this factory is perhaps the only one in the country where all the components are produced under one roof out of indigenous material and under entirely Indian skill. The company has been exporting bicycles in large numbers to neighbouring countries like Iran and Iraq. The export target

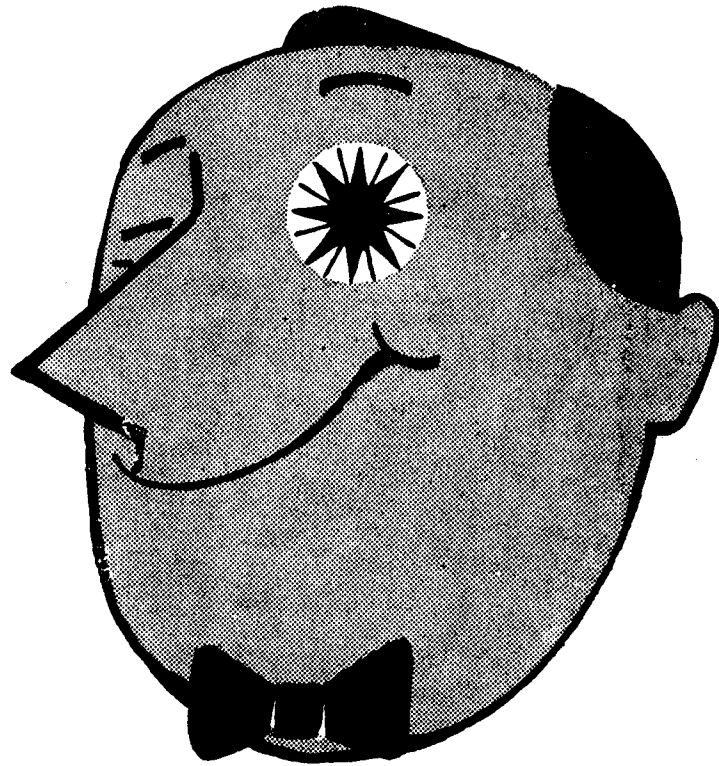


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July 19, 1963

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July 19, 1963

fixed by the Ministry of International Trade is 50,000 units in which all the manufacturers participate. A scheme of subsidy has been devised by the manufacturers so that Indian bicycles can compete effectively in the foreign markets. The domestic demand as assessed by the Planning Commission is 1.3 million units, but actually the demand is considerably more than the supply. The diversification and expansion scheme of the company envisages scooter manufacture and assistance to defence efforts by producing some defence items as well.

TATA IRON

The Directors of the Tata Iron and Steel Company Ltd. have announced a higher dividend of Rs. 11 per share (gross) for the year ended March 31, 1963, against Rs. 10.36 per share (gross) paid last year. This higher payment is in line with the profits of the year which have risen from Rs. 19.24 crores to Rs. 22.21 crores. The directors have provided for depreciation at the rate of five per cent on the original cost which amounts to Rs. 7.70 crores. The additional provision to make up the total amount admissible under the Income Tax Act amounts to Rs. 3.95 crores, and the provision for development rebate reserve is Rs. 8.70 crores. The provision for taxation is Rs. 8 lakhs. The directors have transferred a sum of Rs. 126 lakhs from general reserve No. 2 and Rs. 258.30 lakhs from general reserve No. 1. The proposed dividend including the preference dividend will absorb Rs. 488.56 lakhs. The turn-over for the year has also increased from Rs. 86.25 crores to Rs. 99.53 crores.

MADRAS MOTORS & GENL. INSURANCE

During the year ended December 31, 1962, the Madras Motors & General Insurance Co. Ltd. recorded a profit of Rs. 10.95 lakhs. A sum of Rs. 4.50 lakhs has been separated towards the general reserve. The directors have proposed the payment of dividend at the rate of 18.5 per cent (subject to taxation) which will absorb Rs. 5.55 lakhs. The company during the year has written a premium of Rs. 71.39 lakhs as against Rs. 59.28 lakhs last year. The claims paid and outstanding amounted to Rs. 27.35 lakhs against Rs. 18.99 lakhs. Motor claims continued to be unfavourable. Due to increase in the price of motor-vehicle components and high labour charges, repair bills are rising sharply. Many State Governments have appointed Claim Tribunals for settlement of third party claims and it has been experienced that the compensation awarded by them is very liberal. The Chairman has, therefore, pointed out that generally the cost of the claims is going up steeply. The reserves for unexpired risks continued to be maintained at 50 per cent of the net premium and at the close of the year it stood around Rs. 31.08 lakhs as against Rs. 26.51 lakhs a year before.

Net premium in fire insurance amounted to Rs. 5.94 lakhs as against Rs. 2.78 lakhs last year. In case of marine insurance also the net premium was higher at Rs. 2.17 lakhs as against Rs. 1.31 lakhs a year before. The Chairman added that income from investment has not risen in the same manner as underwriting profits. In order to build up the investment income, in such a manner, the company is now investing in equity shares and preference shares of new floatation as well as established companies, which, in the opinion of the Directors, have growth potential.

GOOD YEAR'S PROBLEMS

The Directors of Good Year India Ltd. indicate in their annual review that sales of its products during 1962 showed a marginal decline of 2.6 per cent against those of the previous year due to the below-capacity production at their Balabgarh factory. The year's trading consequently resulted in a loss of over Rs. 57 lakhs. The Directors have recommended to pass the dividend this year. The Managing Director indicated that the chief problem that caused lower output in the

Balabgarh factory was the overall power shortage and the widely erratic nature of the power supply. The Directors, however, hope that through the efforts of the Punjab Electricity Supply Board the factory will be able to get sufficient continuous supply of electricity. During some months of 1963 the Balabgarh factory achieved the monthly rated capacity based on annual installed capacity of 210,000 tyres and tubes. The company has followed the policy of diversification and, therefore, apart from traditional lines of automotive accessories, industrial products, chemicals and adhesives, it is marketing a wide range of products manufactured to its specifications and designs by small scale industry ranging from items as simple as bells and locks for bicycles to precision products like dock fenders, water-stops and automotive batteries. In this sense it is furthering the interest of many small industries too. It was indicated that the proposal for expansion of the company is still under active consideration and sanction for the expansion has already been approved by the Central Government.

OIL INDIA

During 1962 Oil India Ltd. recorded lower sales of crude oil. The Chairman of the company indicated at the annual general meeting held recently that unit costs of production excluding drilling as well as development cost has improved to Rs. 8 per ton in 1962 as compared to Rs. 13 per ton in 1961. He added, however, that with the commissioning of the first stage of pipeline and creation of further assets in oil fields, the company has to make a much larger provision for depreciation as compared to the previous year. The Directors have recommended the final dividend of Rs. 90 per share for the year 1962. An interim dividend of Rs. 40 was declared and paid in December, 1962, and the remaining of Rs. 50 is being paid now. The dispute regarding royalty was settled with the Prime Minister's Award last November which fixed it at a rate of Rs. 7.50 per ton and Oil India is paying royalty on this basis. It obtained a prospecting licence for 1,290 sq. miles in area "A". Another application for exploration licence of 595 sq. miles is now pending with the Government. Last year 25 wells were drilled of which 19 were oil producers, two dry and four await further testing. During the year the crude conditioning plant in Nahorkatiya was completed which is the first one of its kind in any part of the world. The plant had been brought into commission from February 1963. The company floated Rs. 30 crore debenture issues to finance the rupee cost of the pipeline.

SHAMSHER STERLING CABLE

The Shamsher Sterling Cable Corporation Ltd., proposes to issue for public subscription capital of Rs. 35 lakhs which will raise its capital to Rs. 65 lakhs. The company plans to expand its plant for the manufacture of plastic coated and rubber coated wires. Showa Electric Wire & Cable Co. Ltd. jointly with Mitsui & Co. Ltd. of Japan will take up shares to the tune of Rs. 10 lakhs in the forthcoming issue. Shamsher Sterling Cable Corporation has been receiving technical assistance from Showa Electric Wire and Cable Co. Ltd., under a collaboration agreement signed in 1961. Under this agreement Showa Electric, one of the leading cable manufacturers in Japan, is to provide technical information in the nature of designs, engineering techniques, production processes, compositions, etc. and to arrange for the training of the company's technically qualified personnel at the factory in Japan. The scheduled investment by the Japanese firms will be made with the rupee fund which the former Mitsui & Co., (the predecessor of the present Mitsui & Co. Ltd.) has held in India as frozen assets.

HINDUSTAN TWYFORDS

Hindustan Twyford Ltd., which was officially opened by the Chief Minister of Punjab in March last, is gradually increasing production to attain its rated capacity. Mr. J. R. T.

Hay, Chairman of Twyford Ltd., the parent company in the U.K., in his annual statement to the shareholders circulated along with the report and accounts, has indicated that the company is expected to be operating profitably by the early autumn and to reach the full production early next year with a turnover of the order of Rs. 111.50 lakhs (£750,000). Twyford Ltd., London, holds 26 per cent interest in the equity capital of the Indian company.

CAPITAL ISSUES

Five out of seven companies which have been authorized to raise fresh capital will issue bonus shares. Out of the grand total of Rs. 99.05 lakhs for all the companies, Rs. 32.36 lakhs will be in bonus shares. The consent is valid for 12 months.

The New Shorrock Spg. and Mfg. Co. Ltd., Ahmedabad, will issue Rs. 14,10,625 capital. Of this, Rs. 14,01,625 will be in bonus shares and Rs. 5,000 in 40 equity shares of Rs. 125 each to be sold in the market at the best price obtainable.

Rohit Mills Ltd., Ahmedabad is to issue bonus capital of Rs. 5,85,000 on capitalization of the company's reserves to a like extent.

Steam & Mining Equipment (India) Private Ltd., Calcutta is to issue further capital of Rs. 5.50 lakhs, divided into 55,000 equity shares of Rs. 10 each, on capitalization of reserves to a like extent to be issued as fully paid up bonus shares.

Kumergode Estates Ltd., Mangalore is issuing further capital of Rs. 2 lakhs, divided into 1,00,000 ordinary shares of Rs. 2 each, on capitalization of its general reserves to a like extent, to be issued as bonus shares to the existing shareholders in the ratio of one such share for every two shares held.

Sree Saraswati Press Ltd., Calcutta is issuing further capital of Rs. 5 lakhs, divided into equity shares of Rs. 10 each, on capitalization of the company's reserves to a like extent, to be issued as bonus shares to the existing shareholders of the company in the proportion of one such share for every equity share held.

Guest, Keen, Williams Ltd. will issue 2,14,583 equity shares of Rs. 10 each at par. The shares will be issued to Tata Iron & Steel Company Ltd. in consideration of transfer by them of 15,606 fully paid up equity shares of Rs. 100 each held in Sankey Electrical Stampings Ltd.

Cooper Engineering Ltd., Bombay is raising further capital of Rs. 45.20 lakhs, divided in 45,200 equity shares of Rs. 100 each, for cash at par.

LICENCES ISSUED

The Union Ministry of Commerce and Industry has granted licences to the following firms under the Industries (Development and Regulation) Act, 1951 — during the week ending 6th July, 1963. The list contains the names and places of the licencees, articles of manufacture and annual installed capacity.

COAL

M/s. National Coal Development Corporation Limited, Dharbhanga House Ranchi (Proposed name: Sudamdih Colliery) (Dhanbad, Bihar) — Coal 2.16 million tonnes. Diamond Angarpathra Colliery Co., P.O. Katrasgarh, Distt. Dhanbad, Bihar (Dhanbad, Bihar) — Coal 13,000 tonnes. Bhowra Kankanee Collieries Ltd., 25, Brabourne Road, Calcutta-1 (Amlabad Colliery Distt. Dhanbad, Bihar) — Coal 60,000 tonnes. Shri Biswa Nath Agarwalla, M/s. Surindra East Loyabad Colliery Co., P.O. Kusunda, Distt. Dhanbad (P.O. Kusunda, Distt. Dhanbad, Bihar) — Coal 28,000 tons.

ELECTRICAL CABLES

Shamshir Sterling Cable Corporation Ltd., Vaswani Mansions, Dinsha Wacha Road, Bombay-1 (Maharashtra) — ACSR and AA Conductors — 2,400 tons (on two shifts).

CONVEYING EQUIPMENT

National Engineering Works, 25, Dalal Street, Fort, Bombay-1 (Maharashtra) — Conveyors — Rs. 12 lakhs E.O.T. Cranes 48 Nos. Chemical Vessels and Tanks 600 tons.

SCIENTIFIC INSTRUMENTS

Shri R. K. Singh, Engineer Manager, Govt. Precision Instruments, Factory, Lucknow (Lucknow, Uttar Pradesh) — Microscopes, Pathological Research and Special varieties like Binoculars etc. 1500 Nos., Stereo-Corneal, Workshop and Tool maker's microscopes 1,500 Nos.

COTTON TEXTILES

Deccan Co-operative Spg. Mills Ltd., Ichalkaranji Distt. Kolhapur (Maharashtra) — Cotton yarn 12,000 spindles. Vishnu Narayan Naik, Margoa, Goa; Proposed name: "The Goa Textile Mills" (Margoa, Goa) — Cotton yarn 12,000 spindles. M.M.A. Rasiwalla & Co., 17, Janjekar Street, Hus-sinbhai Building, Mandvi - Kaliwada, Bombay-3 (Gujarat) — Cotton ropes—1,80,000 Kgs., Threads—60,000 Kgs., Cotton and Nylon Fishing twines 3,60,000 Kgs. Jute ropes 21,000 Kgs. (on single shift). Bhalakia Mills Co. Ltd., Khokhra Mehmedabad Road, Ahmedabad-8 (Ahmedabad, Gujarat) — 1,760 spindles for the manufacture of cotton yarn. Mysore Spinning & Manufacturing Co. Ltd., 70, Forbes Street, Fort, Bombay-1 (Maharashtra) — 6,400 spindles for the manufacture of cotton yarn. Modern Mills Ltd., Temple Bar Building, 70, Forbes Street, Fort, Bombay-1 (Maharashtra) — 6,160 spindles for the manufacture of cotton yarn.

JUTE

Hooghly Mills Co. Ltd., Post Box No. 2280, 10, Clive Row, Calcutta-1 (West Bengal) — Wide Hessian (Carpet Backing Cloth) — 102 Broad looms for producing 10710 tonnes.

WOOLLEN TEXTILES

Raymond Woollen Mills Ltd., Pokharan Road, P.O. Jekegram, Thana, Maharashtra, Proposed name: "M/s. Baijnath Bankey Beharilal Woollen Mills," (Kanpur, Uttar Pradesh) — Woollen yarn — 12,000 lbs.

SYNTHETIC FIBRES

The Delhi Cloth and General Mills Co. Ltd., Bara Hindu Rao, Delhi-6, P.B. 1089 (Delhi) — Pure silk fabrics 20 power-ooms per day per shift. The Narasinha Mills (P) Ltd., Kannaipalayam, Suler P.O., Coimbatore-1 (Coimbatore, Madras) — Staple fibre yarn — 12,000 spindles after effecting expansion. The Suguna Mills (P) Ltd., Bashyakaralu Road, R.S. Puram P.O., Coimbatore-2 (Madras) — Staple fibre yarn — 12,000 spindles after effecting expansion. Essorpe Mills Private Ltd., Periaswamy Road, R.S. Puram, Coimbatore (Madras) — Staple fibre yarn 12,000 spindles after effecting expansion. Raja-lakshmi Mills Ltd., Singanallur Post, Coimbatore-5 (Coimbatore, Madras) — Staple fibre yarn — 12,000 spindles after effecting expansion.

MILK FOOD

Glaxo Laboratories (India) Private Ltd., Worli, Bombay-18 (Maharashtra) — Complian (special type of Milk Food) 120 m. tonnes.

CHANGES IN NAMES

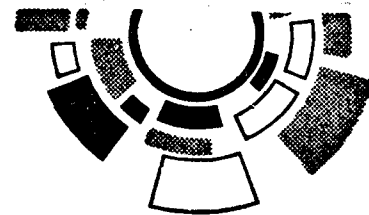
(During the week ending 6th July, 1963).

From M/s. Freezing Products Private Ltd., Madras to M/s. Refrigerators and Home Appliances (Private) Ltd., Madras.

LICENCES REVOKED

(During the week ending 6th July, 1963).

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BOOKS BRIEFLY

Dr. Rao on a Gift Horse

Foreign Aid and India's Economic Development: By Dr. V. K. R. V. Rao and Dr. Dharm Narain; Asia Publishing House, 1963; Pages 111; Price Rs. 12.

Reviewed by K. RANGACHARI

THE ROLE of foreign aid in India's development is a subject of great topical interest, particularly in view of the proposed inquiry into delays in utilization and other related aspects by a special committee set up by the Planning Commission. Except in official reports and in purely quantitative terms, no proper assessment has yet been made of the effectiveness of the use of aid under the five-year Plans. In a timely and useful introduction to the subject, prepared at the instance of UNESCO, the authors have tried to fill this gap. This study analyses the character and magnitude of aid, offers a glimpse into the procedures of the granting and receiving authorities and discusses some of the problems created for both parties. Private foreign investment does not fall within the scope of the study nor has an attempt been made to discover specific reasons for lags in utilization of foreign aid earmarked for projects. But the authors have drawn a number of conclusions—some of them of questionable validity—on future policy.

While it is true that any attempt to estimate the value of foreign aid will suffer from the limitations arising out of artificial exchange rates and price factors (especially when aid is tied to purchases in the donor country), the danger of overestimating the importance of aid in our economy may be much less than the authors assume. Their idea of disinterested foreign aid (which leads them to doubt the character of aid used as a means of trade promotion, or imposing repayment terms beyond the debtor country's visible capacity) seems too idealistic. So is their assumption of soundness of Indian planners' judgments on priorities, which they would dislike to see influenced by donor countries or financing institutions; the technique of "illuminating choices," which Mr Eugene Black regarded as integral to the diplomacy of aid, has not been given due place as the authors seemed to be more keen on proving that India has not been influenced in any way in her policies and that her efforts and performance have established the desire and determination to make the best use of aid resources. Safeguards desired by aiding countries are therefore regarded as a positive hindrance to the proper use of aid.

Not many intimately in touch with the formulation and implementation of our Plans will share this somewhat one-

sided and romantic view, which leads to the recommendation that the maximum of non-project aid, with liberty to use it for purchases anywhere, will maximise benefits. Even if it were wholly true, we are not prevented from appreciating the valid reasons for linking dollar aid with purchases from the U.S.A. (when that country has been losing its gold reserves rapidly) and for American insistence on Western Europe matching its aid contribution to developing countries, to make it share the burden when the dollar is weak and Europe has grown prosperous through Marshall aid. In a world in which creditor nations are still reluctant to play their part, it seems naive to recommend that by making aid fully convertible, the donor country will invariably benefit from the consequent expansion of world trade.

It is not easy to assess the social effects of foreign aid in the receiving country, though it is possible to point out examples of gross abuse by certain powerful ruling groups in some countries which have helped themselves to the benefits of aid and aggravated social inequalities. India is certainly not one of these; aid for the "infra-structure" projects and social services like health and education, food supply and other social services have widely spread the benefits of planning. That emphasis by aid-givers on private enterprise in the industrial sector may retard our social revolution is an unwarranted presumption; President Kennedy's aid policy, for example, has fully recognized the importance of reducing social and economic inequality.

Opinions will differ on the effects of the cold war and ideological rivalries on the volume of aid to developing countries, but the record is clear enough to prove that European and Japanese reconstruction was (and many will say the U.S.A. and the World Bank; the problem of large U.S. agricultural surpluses also emerged later when aid policy gathered momentum. There will be broad agreement with the authors' view that India has on the whole adopted the right attitude to both blocs and profited by the balance it provided to planning in both the public and private sectors. The blame for slow utilization should not be laid entirely on the terms of aid or on our overworked administrative machinery; political decisions involving the regional location of projects or their allotment to the public or private sector have been no less responsible. The study should stimulate interest in these and other detailed aspects on which a more objective view is possible.

Readers' Roundtable

WHERE THE FAULT LIES

Sir—Although the Supreme Court has ruled the price-page schedule measure as unconstitutional, the President of the Indian Language Newspaper Association has repeated his plea for introduction of a price-page schedule. The idea behind this proposal is to limit the size of big dailies, and thus divert the advertisement to language newspapers most of which are small in size and resources. This approach is hardly a healthy one even assuming that advertisers will readily divert their advertisements to smaller papers if the measure is implemented. In a visit to a number of newspaper offices in different parts of the country, I found that the real problem of language papers is one of organization. Of course, there are a few exceptions.

The editorial staff of these publications is too big. A large part of this is nothing but a translation bureau. The rest is engaged in writing editorials and articles on world

situation which has little local readership interest. The advertisement and business departments are ill organised. In one case, I found that the functions of an advertisement manager, news editor and chief reporter were all combined in one person! Little or no attempt is made to educate local industrial and business enterprises of the importance and use of advertising. It is interesting to note that papers which have striven in this direction are doing well.

Instead of attempting to bring down the well-organised papers through legislative coercion, the Indian Language Newspapers Association should concern itself immediately with infusing better business skills among its less healthy members. That way lies the prosperity of our small language papers which are bound to grow in importance in years to come with growth of literacy and of consumer goods industries whose mass markets will obviously lie with the readership of language papers. Bombay.

"ARISTIDES"

July 19, 1963

COMPANY MEETINGS

TATA ENGINEERING & LOCOMOTIVE CO. LTD.

STATEMENT OF THE CHAIRMAN, SHRI J. R. D. TATA

The following is the statement of Shri J. R. D. Tata, Chairman of the Tata Engineering & Locomotive Co. Ltd., for the year 1962-63.

The year under review was a somewhat disturbed one for your Company marred by shortages of materials and foreign exchange as well as the aftermath of the declaration of the National Emergency. But for the shortage of steel, particularly flat products and specials, the output would have been appreciably greater.

2. In spite of this shortage, your Company was able to increase its turnover by about 5 per cent over that of the previous year. The establishment of production of excavators and Diesel shunters has helped to diversify the range of products manufactured. The successful execution of these two projects as well as the completion of the detailed planning for the expansion of the Automobile, Foundry and Forge Divisions is a matter of satisfaction to your Directors as I am sure it will be to you.

PROFITS AND APPROPRIATIONS:

3. In spite of an increase of Rs. 2 crores in the year's turnover, the gross as well as the disposable profits are lower than those of the previous year. The reasons for this setback, which were beyond the Company's control, have been explained in the Directors' Report. I am sure the shareholders will approve of the action taken by the Directors in drawing a sum of Rs. 6 lakhs from General Reserve No. 1, in order to make it possible to maintain the dividend on ordinary shares at the same level as in the previous year. I trust, however, that shareholders will not interpret such action as any kind of commitment in regard to next year's profits or dividend. It would naturally be the wish of the Directors to maintain the present rate of dividend, and I hope that profits will in fact prove to be adequate for the purpose. At the same time, it must be borne in mind that we live and operate in difficult and uncertain times in which our own wishes and intentions are necessarily conditioned by circumstances and developments beyond our control. Much will depend, amongst other factors, on whether the Finance Minister will find it possible or be willing to repeal the super profits tax, and also on the level of production we are able to achieve in the current year. This itself will depend, to a large extent, on the availability of raw materials and foreign exchange. Notwithstanding the minor setback in profits in the past year and the difficulties and uncertainties which we may have to face in the current year, the fact remains that your Company's productive capacity and financial strength continue to grow and its prospects therefore continue to be bright.

EXPANSION PROGRAMME:

4. The shareholders are aware of the Company's expansion programme, referred to as the 'C' Programme, intended to double the output of Tata Mercedes-Benz vehicles from 12,000 to 24,000 per year. As I said in my statement last year, the Government of India desired, in view of the critical foreign exchange situation that this programme should be spread over two stages and that only the first stage—limited to an increase

in capacity to 18000 units per year—should be taken in hand for the present. Accordingly during the year under review, the Company submitted, with Government's approval, an application to the Agency for International Development for a loan of \$13.65 million (Rs. 6.5 crores) for implementing the first stage of expansion. This loan has been approved by A.I.D. and an Agreement has been executed. Government have also released to the Company, as agreed, a sum of Rs. 1 crore of foreign exchange from "free sources" for import of special items to be purchased from West Germany.

5. Since the advent of the National Emergency, and in view of the accelerated demand for our products for defence purposes, Government have now decided that the second stage of expansion should be implemented as soon as possible. We are accordingly submitting a second application to A.I.D. for a further loan to cover the foreign exchange requirements of the second stage.

6. The most appropriate method of securing the Rupee finance for the contemplated expansion is receiving the consideration of your Directors.

AUTOMOBILE DIVISION:

7. It is only in times of emergency such as the one we are now experiencing that the vital importance of an efficient and self-supporting automobile industry can be properly evaluated and appreciated. This emergency has also revealed weaknesses in the structure of the Indian automobile industry, particularly for meeting the requirements of the special types of vehicles needed for our Defence Services. There are reasons to believe that Government is now directing its attention towards eliminating some of these.

8. Immediately after the declaration of the Emergency, with a view to raising to the maximum the output of Tata Mercedes-Benz vehicles for the Army, additional shifts and overtime working were resorted to and the output was stepped up by as much as 20 per cent. Unfortunately, this high rate of output could not be sustained for more than a couple of months as Government could not provide the additional foreign exchange required for the import of raw materials and components.

9. The first stage of the expansion from 12,000 to 18,000 vehicles per year has been planned in such a manner that the additional output will be secured sometime towards the end of 1964. Deliveries of plant and equipment from the United States are reasonably short, varying from 9 to 12 months. As all the buildings and services will have been completed by then, the Company will be in a position to secure additional output no sooner this equipment is installed.

10. Commercial vehicles continue to be in short supply. The position has become particularly acute as a result of the diversion of a major portion of our output for Defence purposes. During the Company's financial year 1962-63, the

production of commercial vehicles in the country totalled 25,385, of which 12,200 or 48 per cent were Tata Mercedes-Benz. The commercial vehicle target for the third Plan has been set at 60,000 vehicles by 1965-66, but this, of course, will not be attained because there is just not enough capacity either with the main manufacturers or with the components' industry.

11. The Commercial Vehicles (Distribution and Sale) Control Order, which came into force in May, 1963, is evidence of the deteriorating position regarding the availability of commercial vehicles. The directions issued by the Controller of Commercial Vehicles result in 80 per cent of our output being reserved for priority allocation by Government. Whilst the preference of the Government authorities for Tata Mercedes-Benz vehicles is a matter of gratification, the reservation of these vehicles for non-Defence purposes not only operates unfairly on our dealer organisation, but is also likely to influence adversely our long-term market position. These facts have been brought to the attention of the authorities and we are hoping that suitable modifications to the Control Order will be issued before long.

12. Our dealers, whose reasonable expectations of continued supply of vehicles has been greatly and unexpectedly upset, have shown a great deal of patience and loyalty to the Company. During the past several years, a first class sales and service organisation has been set up, the successful functioning of which depends on a steady supply of vehicles and spare parts. Not only has the vehicle supply to our dealers dwindled to a mere trickle, but the spare parts position also is becoming critical due to a decision of Government not to grant import licences to manufacturers even for such items which are not currently being produced in the country by component manufacturers.

13. The growth of the road transport industry has always had to contend with high taxes and duties, multiplicity of regulations and inadequacy of good roads. At present the magnitude of the tax burden on road transport is so great that a recent estimate made by the Indian Road Transport Development Association reveals that taxes and duties on goods transport average 6 Naye Paise per ton-mile or approximately equal to the average freight per ton-mile charged by the Railways. This industry whose growth is vital for the development of our nation will now suffer additionally from the non-availability of vehicles. The inescapable conclusion is that the vital importance of encouraging the vigorous growth of the automobile and road transport industries has yet to be appreciated by our Planners and Government. If there is any appreciation, it has certainly not been translated into any effective action up to now.

GENERAL ENGINEERING AND FOUNDRIES DIVISION:

14. The release of production facilities as a result of the planned reduction in steam locomotive output has made possible a worthwhile increase in the turnover of the General Engineering Division, the performance of which would have been very much better if operations had not been plagued by several handicaps which appear to have become an inherent part of the Indian engineering industry. Though our excavators, shunters and paper and pulp making machinery contribute significantly to the country's development and save a great deal of foreign exchange, the actual position is that engineering companies such as ours are unable to obtain any assurance of supplies of steel in adequate quantities and of the required types; numerous orders for steel placed over the past couple of years remain outstanding without even an

indication of when we may expect deliveries. It has to be appreciated by the controlling authorities that for the effective utilisation of high grade engineering capacity put up at considerable cost by companies such as ours, it is vital that the flow of materials through the shops be planned in detail and long in advance of actual operations. The uncertainties created by material shortages result in the processing of uneconomic batches, frequent setting, low labour productivity and lock up of funds in works-in-progress. Such inefficient operations inevitably raise our costs and lead to a wastage of production facilities, which is as undesirable as idle plant and equipment, even though this may not be equally evident.

15. Discussions are in progress with Government regarding the continuance of manufacture of steam locomotives after the current order for 325 units which will be completed during the latter half of 1966. We have brought to the notice of the Railway Board that the new projects which we have undertaken are very high up on the list of foreign exchange savers and the increase in their output and the rapid growth in their indigenous content is dependent on the availability of the skilled men and machines to be progressively released by the reduction in locomotive production. We have drawn their attention to the fact that further large-scale investment by the Railways in obsolete motive power such as the steam locomotive, which in any case will have to be prematurely retired, is not calculated to solve the nation's transport problem. We are pursuing this matter with Government.

16. In Jamshedpur, as in most of India, industrial production has been hampered by power shortages. The Company's Foundries Division has been particularly affected; frequent furnace shut downs due to power cuts have limited the tonnage of both the foundries to about the same levels as during the previous year. It is to be hoped that the additional power to be generated by a number of Government projects in eastern India will become available according to schedule so that the crippling effects of such shortages on industrial production can be avoided.

17. The installation in the Alloy Iron Foundry of the new equipment ordered from the U.S.A. under the A.I.D. loan will greatly increase its capacity and further improve its efficiency. Some of the latest techniques and processes of foundry practice are being introduced and it is confidently expected that the performance and quality of the foundry products will compare favourably with those of automobile foundries in other parts of the world.

NEW PROJECTS:

18. The execution of the projects undertaken recently and the implementation of our expansion programmes have fully extended our financial and managerial resources. Your Directors, therefore, consider as inadvisable at this stage any which we are fully committed. An exception has, however, been made in regard to a plant which we propose to set up production of press tools, dies and production devices needed in increasing quantities by the repetitive engineering industry. Such an operation apart from saving and earning foreign assets — the skills and techniques required for designing and producing various types of production devices. This is a specialised field in which a beginning has scarcely been made in India, but one which forms an essential element in the country's engineering industry.

19. The Government of India have granted to the Company a licence to establish such a plant. Though the location

of the project has not yet been finalised, negotiations are in progress for securing suitable land in the Poona region.

LABOUR AND PERSONNEL:

20. During the past years I have referred to one of our most important though intangible assets — our engineers, administrators and craftsmen. The attention that we have paid to the training and development of our personnel resources constitutes the principal assurance of our future vigorous growth. We have now over 700 persons on the Company's rolls who have obtained one or more University degree in a wide range of technical, commercial and other subjects. The number of our engineering graduates exceeds 400, apart from over 1,300 employees who hold engineering or technical diplomas and certificates. These constitute an asset that we must maintain and develop with as much care as we devote to our plant and equipment. It will continue to be the Company's policy to provide adequate compensation to its employees and to keep the avenues of promotion open for those who prove their ability to undertake greater responsibilities.

21. Our growth and expansion will continue to demand an increasing number of skilled and qualified personnel. The pool of trained and experienced men in the country is strictly limited and in view of our increased demand we shall need to establish in due course additional facilities for their

training and development. Towards the end of the year under review there were under training at the Telco Works 473 trade apprentices and 125 graduate engineers and supervisors.

22. The labour situation at the Works continues to be satisfactory. There were no strikes and other disturbances to production during the year under review, although during May this year there was a stoppage of work in the Rear Axle Section of the Automobile Division resulting in a loss of 13,901 man-hours.

23. Your Company is taking active steps to build up a co-operative relationship with the recognised Union so that the productivity of our labour can increase and emoluments and conditions of work improve.

24. In conclusion, on behalf of the Directors and on your behalf, I would like to express my thanks to the Company's workers and staff for the results achieved during the year in the face of so many difficulties, only some of which I have mentioned.

J. R. D. TATA
Chairman.

Bombay, 5th July, 1963

Note: This does not purport to be a record of the proceedings of the annual general meeting.

THE NEW INDIA ASSURANCE COMPANY LTD.

Mr. A. D. Shroff Exhorts all Insurers to Co-operate

Summary of Chairman's Speech

Addressing the shareholders of the New India Assurance Co., Ltd., at the 44th Annual General Meeting, on Wednesday, the 10th July, 1963, the Chairman, Mr. A. D. Shroff, expressed satisfaction at the better standards of conduct and understanding achieved in the General Insurance Industry in India due to the efforts of the Executive Committee of the General Insurance Council and increasing measure of co-operation amongst general insurers. He once again appealed to all Insurers, Indian and non-Indian, to pool their resources to make the Industry a strong and viable sector of the national economy.

TAX BURDEN

Alluding to the crisis of confidence prevailing in Stock Exchanges in India, he referred to the heavy tax burden imposed by the Government, particularly the Super Profits Tax, and said that fears expressed by a number of experienced businessmen and industrialists at the time the proposal for the Super Profits Tax was made are unfortunately being completely confirmed by the behaviour of the new capital issue markets in India and reduction in Dividends declared by a number of Companies. He added that unless this ill-conceived new tax was abolished, there would be a serious retardation in the industrial development of the country.

DAMAGE TO SAVINGS

He further stated that Government's measures, including Gold Control Order and the Compulsory Deposit Scheme, have tended to create a sort of natural resistance and negative psychology as also to weaken the process of capital formation, and to undermine the credit structure in the country. According to him, common sense understanding of human psychology suggested that the habits of thrift and saving cannot be fostered by measures of compulsion. Such measures of compulsion invariably invite resistance. He felt that the most effective mobilisation of people's savings could only be achieved through hard selling of the concept of savings.

APPEAL TO L.I.C.

In this context he stated that the Life Insurance Corporation of India must adopt unorthodox measures to make a much larger contribution to national savings than it was doing at present. As regards the Unit Trusts, he opined that a Unit Trust, as a public sector monopoly, would not serve a real purpose.

NOTE: This does not purport to be a record of the proceedings of the Meeting.

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RECORDS AND STATISTICS**Export Performance in 1962-63**

INDIA'S exports totalled Rs. 693.7 crores in 1962-63 as compared to Rs. 660.3 crores in 1961-62, recording an increase of Rs. 33.4 crores. This is the highest rise in exports recorded during any single year. The revised targets for exports during 1962-63 were Rs. 700 crores (Rs. 720 crores including exports from Goa). Compared to this target, the shortfall is about Rs. 6 crores. The target for exports for 1963-64 however has been set at Rs. 745 crores.

An important feature about India's exports during 1962-63 has been that the increase in exports compared to any of the previous years was due to an increase in the quantum of exports of practically all the commodities rather than to an increase in the price of any of the major commodities. This is all the more significant because commodity prices are falling in the international market.

India's exports, commodity-wise and country-wise are presented in the following tables. It will be seen that the traditional commodities on the whole had given a good account of themselves. Substantial increases were recorded in jute manufactures (Rs. 11 crores), tea (Rs. 7 crores), tobacco (Rs. 4 crores), sugar (Rs. 2.5 crores) and raw hides and skins (Rs. 2.6 crores). The poor performers had been cotton textiles, leather, manganese ore, raw cotton and waste, raw wool, ferro-manganese, iron and steel and steel scrap, while the other items had shown more or less an even trend.

Increased Export to U.K.

As regards direction of trade, India's exports to the U.K. increased from Rs. 161 crores in 1961-62 to Rs. 164 crores in 1962-63, thereby recording an increase by about Rs. 3 crores. There had been increases in the exports of tea, oil cakes, shellac, groundnut, groundnut oil, jute cloth and coir mats and matings. On the other hand, substantial declines were recorded in respect of cotton piecegoods, raw cotton, cotton waste, jute bags, mica, manganese ore, coffee and tobacco unmanufactured.

Exports to Western Europe (excluding the U.K.) recorded an improvement by over Rs. 4 crores. There was a decline in the exports to Western Germany by Rs. 4 crores, Belgium Rs. 1 crore and small declines in respect of Austria, Norway and Portugal though in all other West European countries there was some improvement. As far as the individual commodities are concerned there had been improvements in the exports of oil cakes (+Rs. 203 lakhs), tea (+Rs. 110 lakhs), jute bags (+Rs. 74 lakhs), rose wood (+Rs. 59 lakhs) groundnut oil (+Rs. 25 lakhs) and cotton waste (+Rs. 5 lakhs) but these increases were not sufficient to compensate for the loss in regard to the decline in exports of coffee (—Rs. 270 lakhs), leather (—Rs. 213 lakhs), manganese ore (—Rs. 126 lakhs), jute cloth (—Rs. 65 lakhs) and essential oils (—Rs. 10 lakhs).

Exports to Americas increased from Rs. 150 crores to Rs. 160 crores mainly because of increased exports to Canada and Argentina. There was a general increase in the export to these countries and exports would have been still higher but for the decline in the export of ferro-manganese and jute bags to the U.S.A. Exports to the U.S.A. in particular recorded substantial increases in respect of cotton piecegoods

(handloom fabrics), mica, vegetable oils, jute cloth and fish and fish preparations.

Exports to the East European countries increased from Rs. 58 crores in 1961-62 to Rs. 82 crores in 1962-63. There was an increase in the exports to all individual countries, the most significant increase being in respect of Poland wherein exports increased from Rs. 4.5 crores in 1961-62 to Rs. 11.7 crores in 1962-63. Exports to U.S.S.R. increased from Rs. 32 crores to Rs. 39 crores. There were increases in the export of coffee, tea, tobacco (unmanufactured) and raw hides and skins to the U.S.S.R. However, moderate declines were recorded in respect of pepper, jute bags, and lac. Exports of iron ore and manganese ore to Poland increased from Rs. 61 lakhs to Rs. 111 lakhs and from Rs. 22 lakhs to Rs. 34 lakhs respectively. Export of oil cakes to Czechoslovakia also recorded very substantial rise from Rs. 9 lakhs to Rs. 131 lakhs. The other commodities recording increases are manganese ore, hides and skins (tanned or dressed), castor oil, coir fibre and yarn and mica. There was, however, sharp decline in the export of coffee, gunny cloth and groundnuts.

Import Restrictions

Exports to Asia (excluding Japan) recorded a decline by about Rs. 3 crores i.e. from Rs. 96 crores to Rs. 93 crores. Among countries in Asia there was a decline in the export to Ceylon and Indonesia mainly because of the decline in the export of cotton textiles to these countries. The decline in the export of cotton piecegoods to Ceylon was due to import restrictions imposed by the Ceylonese Government because of the worsening of their balance of payments position. Exports to Afghanistan and Iran, however, recorded small increases.

Exports to Japan amounted to Rs. 34 crores in 1962-63 as compared to Rs. 40 crores in 1961-62 thereby recording a decline of Rs. 6 crores. The decline was due mainly to a sharp fall in the export of iron and steel scrap from Rs. 616 lakhs to Rs. 191 lakhs, pig iron from Rs. 107 lakhs to Rs. 27 lakhs and manganese ore from Rs. 291 lakhs to Rs. 145 lakhs. Decline in the export of scrap was partly due to export restrictions placed at our end and partly to the slackened demand from the Japanese steel industry. Similarly increase in domestic requirement of pig iron was to some extent responsible for decline in export of this item to Japan. Among other items there was a sharp decline in the export of cotton waste from Rs. 204 lakhs to Rs. 75 lakhs. There was, however, some improvement in the export of iron ore, mica and leather manufactures.

Exports to Africa decreased from Rs. 56 crores to Rs. 50 crores during the year under review. The decrease was in respect of most of the countries in Africa. Exports to some of these countries came down because of less offtake of Indian cotton fabrics there. Exports to Egypt, however, recorded a small increase. There was improvement in respect of jute sackings bags and spices, while exports of jute hessian bags and hessian cloth recorded declines. There were declines in the export of cotton piecegoods and jute manufactures to Kenya. A small increase, however, was recorded in the exports of blankets, rugs and art silk piecegoods.

COMPOSITION OF INDIA'S EXPORTS

Commodity.	(Value in Rs. Lakhs)			
	1962-63		1961-62	
	Qty.	Value	Qty.	Value
Tea (Mil. Kgs.)	221	129.2	206	122.3
Coffee (Mil. Kgs.)	20.4	7.6	29.7	9.0
Spices (Value)	13.9	..	17.5	..
(a) Pepper (Mil. Kgs.) ..	20.9	6.6	21.7	8.2
(b) Cardamoms (Mil. Kgs.) ..	2.3	2.7	2.4	3.6
(c) Others (Value)	4.6	..	5.8	..
Tobacco (Mil. Kgs.)	62.2	18.9	46.3	15.0
Vegetable Oils (Non-essential) ..	13.2	..	5.8	..
(a) Linseed oil (Mil. Kgs.) ..	0.7	0.1	0.4	0.08
(b) Groundnut Oil (Mi. Kgs.) ..	57.7	7.8	6.8	1.0
(c) Castor Oil (Mil. Kgs.) ..	30.1	4.3	24.9	4.0
(d) Other Non-essential Oils ..	0.9	..	0.7	..
Vegetable Oils (Essential) (Mil. Kgs.)	1.4	4.3	1.1	4.5
Oil Cakes (incl. defatted groundnut meal) ('000 tonnes)	859	31.8	506	17.3
Gums, and Resins (Mil. Kgs.) ..	15.4	2.5	11.8	2.0
Lac (Mil. Kgs.)	20.8	4.8	20.7	4.6
Sugar (excl. molasses) ('000 tonnes)	418	17.0	285	14.6
Cashew Kernels (Mil. Kgs.)	48.6	19.4	41.8	18.2
Other Fruits and Vegetables	7.5	..	7.2	..
(a) Walnuts (Mil. Kgs.)	5.1	1.3	5.4	1.5
(b) Potatoes (Mil. Kgs.)	14.7	0.7	7.1	0.4
(c) Onions (Mil. Kgs.)	106.7	2.6	114.0	2.9
(d) Pulses ('000 tonnes)	10	0.8	7	0.6
(e) Pickles and Chutneys (Mil. Kgs.)	2.0	0.4	1.7	0.4
(f) Others	1.7	..	1.5	..
Raw Cotton ('000 tonnes)	55	12.2	62	14.3
Cotton Waste (Mil. Kgs.)	36.6	4.3	41.6	5.3
Fish (Mil. Kgs.)	10.9	4.1	15.7	3.9
Raw Wool (Mil. Kgs.)	9.6	5.7	14.5	8.4
Bones (Mil. Kgs.)	70.0	2.9	69.8	2.9
Bristles ('000 Kgs.)	240	1.5	439	1.1
Leather—Hides and skins tanned or dressed (Mil. Kgs.) ..	19.4	22.6	20.7	25.3
Hides and Skins (undressed) (Mil. Kgs.)	14.5	10.8	11.7	8.2
Commodity	1962-63		1961-62....	
	Qty	Value	Qty	Value
Jute manufactures ('000 tonnes)	940	155.7	843	144.8
Cotton Textiles (Mil. metres) ..	506	46.5	515	48.3
(a) Cotton piecegoods (mill-made)	478	39.9	489	43.4
(b) Cotton piecegoods (Handloom)	28	6.7	26	5.0
Woollen manufactures	..	5.1	..	4.7
Art Silk Fabrics (Mil. metres) ..	73.3	8.1	68.8	6.7
Coir fibre yarn and manufactures	78.3	12.2	76.1	11.4
(a) Coir fibres and yarn (Mil Kgs.)	58.9	8.5	57.7	8.0
(b) Coir manufactures (Mil. Kgs.)	19.4	3.7	18.4	3.4
Iron ore ('000 tonnes)	3797	19.8	3366	17.4
Manganese ore ('000 tonnes)	750	7.9	965	10.4
Other minerals and ores (excl. Mica)	..	3.5	..	3.8
Mica (Mil. Kgs.)	34.2	10.4	28.3	9.7
Coal and coke ('000 tonnes) ..	1115	2.8	934	2.4
New Manufactures				
(a) Ferro-manganese ('000 tonnes)	12	0.9	5.6	5.0
(b) Cement ('000 tonnes)	35	0.3	98	0.9
(c) Iron and steel (Value)	..	2.3	..	9.7
(d) Iron and steel scrap ('000 tonnes)	179	2.0	268	6.3
(e) Engineering goods (Value)	..	7.1	..	6.1
(f) Chemicals and allied products (Value)	..	1.3	..	1.3
(g) Footwear (Lakh pairs)	55	2.7	47	2.4
(h) Plastic goods (Value)	..	0.2	..	0.1
(i) Red earthen tiles (Lakh Nos.)	82	0.1	156	0.3
Sports goods	..	0.2	..	0.2
Total exports (incl. others)	..	686.4	..	655.2
Re-exports	..	7.3	..	5.4
Total exports (incl. re-exports) ..	..	693.7	..	660.6

DIRECTION OF INDIA'S EXPORTS

(Rs. Lakhs)

Country	1956-57 1960-61 1961-62 1962-63			
	1956-57	1960-61	1961-62	1962-63
1. U.K.	181,89	172,48	160,94	163,73
2. U.S.A.	90,74	102,53	115,73	117,10
3. Canada	15,64	17,61	17,60	22,42
4. Western Europe (excl. U.K.)	62,07	67,35	67,94	72,25
Belgium	6,85	5,25	5,92	4,52
France	8,01	8,84	8,08	8,78
Germany, West	15,03	19,87	20,64	16,40
Italy	6,93	9,27	9,16	9,61
Netherlands	10,71	8,52	8,03	9,78
Denmark	1,86	1,63	1,66	2,86
Norway	47	1,01	1,25	1,00
Irish Republic	5,26	5,02	3,90	4,81
Sweden	1,51	1,53	1,69	1,81
Spain	37	96	72	3,99
Switzerland	1,11	1,36	1,73	1,73
5. Eastern Europe	22,22	46,22	57,63	81,90
Bulgaria	5	19	89	1,76
Czechoslovakia	3,26	7,30	8,10	11,36
Germany, East	46	3,29	4,55	8,51
Hungary	1,49	1,37	4,76	6,61
Poland	1,24	3,87	4,51	11,71
Rumania	22	1,39	2,61	3,41
U.S.S.R.	15,50	28,81	32,21	38,54
6. ECAFE (excl. Japan)	74,49	77,29	72,34	70,24
Afghanistan	1,68	6,43	4,87	6,17
Burma	11,37	6,58	5,26	5,21
Ceylon	18,01	18,43	17,03	13,53
Malaya	3,91	6,01	6,81	6,76
Hongkong	4,00	2,89	3,42	4,07
Indonesia	7,70	3,11	6,97	4,06
Country	1956-57 1960-61 1961-62 1962-63			
	1956-57	1960-61	1961-62	1962-63
Iran	4,55	5,41	4,44	6,37
Pakistan	7,98	10,26	9,54	9,48
Singapore	7,63	7,15	8,29	9,46
Thailand	2,45	3,22	2,66	2,01
7. Rest of Asia	24,64	22,39	24,11	23,08
Aden	6,52	5,35	5,51	4,81
Bahrein Islands	2,38	2,34	2,08	1,83
Iraq	2,82	2,98	3,03	3,74
Kuwait	3,36	3,42	4,01	3,97
Qatar and Trucial Oman	1,43	2,04	2,04	1,79
Saudi Arabia	5,72	3,27	3,32	2,70
Syria	77	1,03	1,57	1,70
8. Japan	29,36	35,27	40,54	34,03
9. Africa	53,44	49,01	56,32	50,19
Egypt	11,53	13,41	12,92	13,10
Ethiopia	3,92	2,41	2,74	1,99
Ghana (Gold Coast)	1,77	1,61	2,65	1,44
Kenya	6,32	4,94	5,45	5,63
Nigeria	6,94	5,74	7,05	6,17
Sudan	9,47	9,48	10,30	9,02
Tanganyika	3,28	2,31	2,83	2,85
Rhodesia	2,24	1,42	2,36	1,76
Uganda	56	59	74	64
10. Latin America	19,68	16,56	15,36	17,74
Argentina	6,40	4,52	4,95	8,52
Cuba	5,22	7,29	5,18	3,52
11. Oceania	..	..	..	..
Australia	23,43	22,38	15,95	18,98
New Zealand	4,89	7,40	7,39	6,60

Companies at Work During 1962-63

A STUDY has been made of the distribution of companies at work in the country according to the region in which their registered offices are situated. Of the total of 25,519 companies reported to be at work in all the four regions into which the Indian Union has been divided for the purpose of the administration of the Companies Act, 1956, the largest number of companies were at work in the Eastern region comprising the States of West Bengal, Bihar, Orissa, Assam, Manipur and Tripura, the number being 9,693.

These 9,693 companies at work in the Eastern region

constituted 38 per cent of the total number of companies at work in this country as on 31st March, 1963. It is worth mentioning that the Eastern region continued to be leading all the other three regions because of the State of West Bengal wherein alone there were 8,754 companies at work during 1962-63. The Eastern region was followed by the Western region in which were 6,374 companies at work on 31st March, 1963. These 6,374 companies accounted for 25 per cent of the total number of companies at work in the whole of India during the period under review. Of the other two regions 5,106 companies were at work in the Southern region

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and 4,346 in the Northern region accounting for 20 per cent and 17 per cent respectively of the total companies at work in the Indian Union during the year ending 31st March, 1963. In terms of paid-up capital also the Eastern region surpassed all the other three regions in having the largest amount of paid-up capital i.e. Rs. 926.3 crores, of which one Government

company alone viz. Hindustan Steel Ltd., amounted for Rs. 350 crores. The paid-up capital position of the companies at work is Rs. 649.9 crores, Rs. 320.2 crores and Rs. 214.7 crores in the Western, Southern, and Northern regions respectively. The table below shows the number and paid-up capital of companies at work in the four regions during 1962-63.

REGION-WISE DISTRIBUTION OF COMPANIES AT WORK

(Paid up capital in lakhs of Rs.)

Region / State	No. of Companies*			Paid up Capital*		
	Public	Private	Total	Public	Private	Total
Northern Region :						
Delhi	231	1,770	2,001			
Punjab & Himachal Pradesh	169	674	843	24,71	1,08,33	1,33,04
Rajasthan	137	297	434	7,99	9,78	17,77
Uttar Pradesh	260	808	1,068	14,11	7,47	21,58
				29,18	13,15	42,33
TOTAL	797	3,549	4,346	75,99	1,38,73	2,14,72
Eastern Region :						
Assam, Manipur & Tripura	100	285	385			
Bihar	90	248	338	10,37	26,07	36,44
Orissa	52	164	216	12,19	4,30,12	4,42,31
West Bengal	2,235	6,519	8,754	13,29	2,03	15,32
				3,20,44	1,11,83	4,32,27
TOTAL	2,477	7,216	9,693	3,56,29	5,70,05	9,26,34
Western Region :						
Gujarat	292	598	890			
Maharashtra	823	4,329	5,152	53,70	14,82	68,52
Madhya Pradesh	96	236	332	3,43,11	1,77,89	5,21,00
				30,00	30,40	60,40
TOTAL	1,211	5,163	6,374	4,26,81	2,23,11	6,49,92
Southern Region :						
Andhra Pradesh	156	310	466			
Kerala	420	624	1,044	23,45	6,38	29,83
Madras	683	2,248	2,931	25,67	6,97	32,64
Mysore	247	418	665	84,65	1,05,67	1,90,32
				21,69	45,67	67,36
TOTAL	1,506	3,600	5,106	1,55,46	1,64,69	3,20,15
GRAND TOTAL**	5,991	19,528	25,519	10,14,55	10,96,58	21,11,13

** Excluding the Union territory of Andaman and Nicobar Islands and Goa.

* Provisional Figures.

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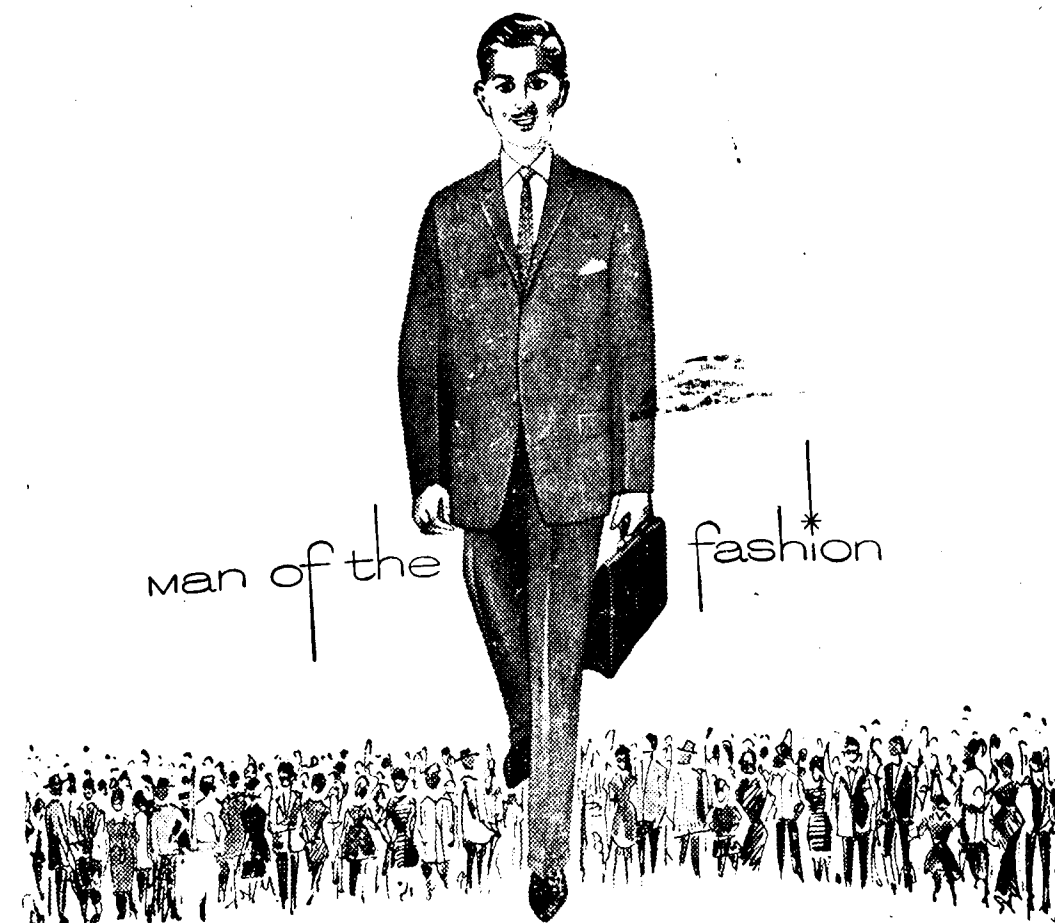
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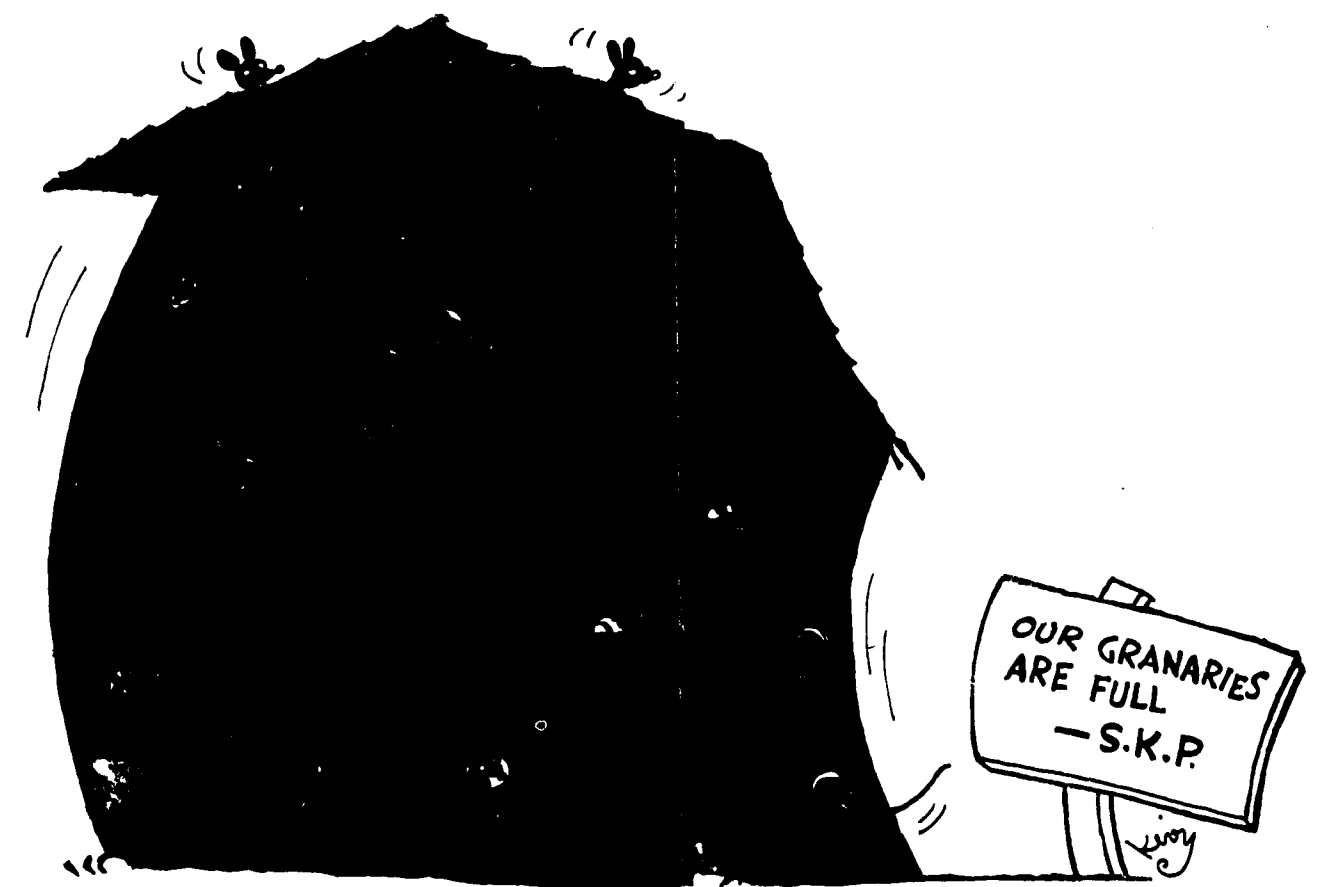
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The Case of the
Tactless Tarts

EXPLAINING HIS decision not to relinquish office when the storm over the Profumo affair was at its height, Britain's Prime Minister recently said that he was determined that no British Government should be brought down by the action of two tarts. We believe that tarts in the literal sense are unlikely to constitute a threat to the Government of Mr. Nehru, but a pair of tarts, using the term in a figurative sense, certainly seem to have brought into jeopardy the prestige and the good name at home and abroad of the Government of India.

The tactless action of the two Ministries of Information and Broadcasting and External Affairs in concluding a deal with the US Information Agency for a high-powered transmitter for All India Radio in exchange for broadcasting time for "Voice of America" programmes is certainly a case of bartering away principles for a mess of pottage. It is being argued that, in the interest of defence and national security, the Government of India urgently needs a high-powered transmitter in the eastern region to counter China's anti-Indian propaganda in South-East Asia. It has been further contended in defence of the transaction with the US Information Agency that this stroke of business has helped India to obtain a transmitter sooner and on easier terms than may otherwise be possible. Under the agreement now reached the transmitter would be ready and functioning within two years whereas, if India is to attempt to procure one as an ordinary commercial transaction, it may be five years before this custom-built facility could be constructed and commissioned. It has also been stated that we would now be paying only for the installation and that the equipment itself would cost us nothing, while a normal purchase would have cost us in foreign exchange many times the amount of Rs. one crore which we may be spending in terms of the agreement with the US Information Agency. All this may be true, but it may still be asked whether the Government of India should have sought to pay for these advantages by agreeing to VOA programmes being relayed through the transmitter.

The Voice of America is a US Government programme and it has a certain political history in the context of the global cold war between the Western democracies on the one hand and the Communist countries on the other. To allow this programme to be broadcast from Indian soil therefore has certain deep implications for our foreign policy and our relations with certain nations and governments with whom we are on friendly terms. Since, unfortunately, the Government of India, through maladroitness mismanagement, has not taken the elementary step in good public relations of releasing the full details of the agreement with the US Information Agency on an issue which, as could easily have been foreseen, was bound to become controversial and agitate the public mind, we do not know whether any understanding has been reached between the Governments of India and the United States on the precise nature and contents of the programmes which will be relayed under this arrangement. From such details as are available, however, it appears that the Government of India will have no voice or control over the material of the relayed broadcasts. All the information we have on this point is an extremely vague observation of the Deputy Minister for Information and Broadcasting that certain types of broadcasts to certain countries could not be made through the transmitter. It is necessary to know what precisely are the obligations which the Government of India has accepted under this provision and what the US Information Agency, on its part, has agreed to. Meanwhile, it has been mentioned that All India Radio cannot use the

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transmitter for broadcasts in Bengali and Urdu. It has been suggested that this restriction is intended to ensure that the transmitter is not employed for Indian propaganda against Pakistan, but it is absurd to suggest that this or any other condition which Washington may prescribe is likely to forestall Pakistani protests against the transaction in the present mood of the Ayub regime.

There is in fact a need to question what precisely are the advantages to the Americans themselves of the terms which they have insisted on in this transaction. It cannot be said that Voice of America lacks relaying or transmitting facilities in the Pacific. It already has powerful broadcasting stations in this region. There is, therefore, no obvious reason why the US Information Agency should have held out for relaying facilities in the present case. The countering of Chinese Communist propaganda is as much the business and the concern of the United States as it is of this country and we are sure that American public opinion and the US Congress would have no difficulty at all in extending approval to the supply of the transmitter to AIR without the quid-pro-quo which is now being exacted. In fact, on any thoughtful view of the matter, the US Government as well as the Indian Government should be able to see that the effectiveness of counter-propaganda against the Chinese would have been far greater had there been no strings attached to the supply of the transmitter to India by the United States. It is clear that the status and the prestige this counter-propaganda may be expected to enjoy in the South-East Asian region will not be improved by any seeming compromise on the part of the Government of India over cold war issues. While

the Government of India's anxiety to secure this essential facility as early as possible is to be appreciated the conclusion is hard to resist that our diplomacy has failed to employ the arguments available to it to persuade the US Government to provide the transmitter on a more acceptable basis.

The contention that there was no alternative cannot stand examination. In our view we could have even explored the possibility of securing broadcasting facilities from VOA stations in the Pacific area for conducting our counter-propaganda against China. An arrangement of that kind would certainly be more acceptable than the present one. Whether the Government of India has already decided to seek a revision of the agreement or not, it is clear that it cannot ignore the fact that the implications of the transaction are certainly not very agreeable for this country. The U.S. Government too may not want to ignore the adverse reactions of public opinion in this country. In all its dealings in the sphere of economic and military assistance, the U.S. Government has always been guided by a desire to establish and promote enduring understanding, goodwill and friendship between the peoples of the two countries. In the process it has gifted away vast amounts of money and materials to the Government and people of this country. Viewed in this context, the cost of the transmitter is a mere bagatelle and we have no doubt at all that the leasing of the transmitter to the Government of India or even its outright sale or gift can and ought to be arranged by the U.S. Information Agency without creating for itself as well as others the kind of complications to which the present agreement must necessarily give rise.

Truce Under Strain

THE PLANNED publicity, systematically organized by the Central Ministry of Labour and Employment, on the eve of last week's annual session of the Indian Labour Conference, raised genuine hopes that the Conference would apply its collective resources to discussing fairly and frankly the problems which posed threats to industrial truce. But those hopes were not realised. The problems were discussed very broadly and issues raised by them were not probed into fearlessly to fix responsibility where it lay for the breaches of the truce. Managements in the public sector and labour had the best of the bargain, while employers in the private sector were made the target of sustained attacks, as if they were the sole villains of the piece. Price inflation has an immediate and intimate bearing on industrial peace. But the Conference adopted an innocuous recommendation on price increase and on remedies to prevent violations of the truce. So great was the anxiety shown by the Chairman, Mr. Gulzari Lal Nanda, in particular, to steer hurriedly through controversial questions that

this important session, scheduled to last for a bare two days, was cut short to the opening day.

Before the tripartite Indian Labour Conference was due to start, official conferences at the levels of the Secretaries to Labour Ministries at the Centre and in the States as well as at the Ministerial level, were convened, as usual, to take stock of the situation. These conferences need not be brushed aside as mere formalities, since they generally result in focussing attention on topics to which special attention should be devoted at the Tripartite Conference. Two issues figured prominently on the agenda—the breaches of the Industrial Truce Resolution and the threat which the shooting trends in the price level hold to the observance of industrial peace. It is now a matter of common knowledge that real concern is felt at the Government level over the disturbing rise in overall prices, in particular in the prices of essential goods which have a vital influence on the cost of living. Mr. Nanda once again

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made an exhibition of his lack of firmness in coming to grips with this baffling question of price increases. At his suggestion the Conference adopted the recommendation that fair price shops and consumers' co-operatives should be given free play to counter profiteering tendencies and, in the event of their ineffectiveness, physical controls should be attempted. To ensure prevention of lapses from the Industrial Truce Resolution, the Conference appointed a tripartite committee, under the chairmanship of Mr. Nanda, to follow the progress of industrial relations and to prevent interruptions to productive activity.

The main grievances regarding violations of the Industrial Truce Resolution revolved round the specific charge of the "intransigent" attitude of employers in the private sector. Speaker after speaker from the other two parties to the Conference indulged in extreme and one-sided criticism against the attitude of private managements. The gravamen of the charge was that private employers showed a deliberate attitude of defiance of the clause in the Truce Resolution, which called upon the parties to settle the dispute by voluntary arbitration wherever mutually agreed solutions could not be reached. It was alleged that in spite of several cases of dismissals, discharges, retrenchments, lay-off etc., employers in this sector were adamant in their refusal to abide by the voluntary arbitration clause.

Mr. Naval Tata put up a candid and convincing defence on behalf of the employers, but the logic of his clarifications and explanations appears to have gone unheeded. His main contention was that voluntary arbitration is not such a simple technique to be adopted in every single case as is uncritically assumed. There are positive difficulties and far-reaching implications of this technique which need to be given due thought. In particular he pointed out that arbitration must be binding on both the parties in an industrial establishment if it is to have any sense at all. This pre-supposes that the trade unions would bind themselves by the award of the arbitrator. But it is the bane of Indian trade unionism that a multiplicity of trade union organizations exists practically in all the industries and because of their allegiance to four different all-India apex organizations, there is a continuous and keen inter-union rivalry which is generally pushed to the point of jealousy to resort to all manner of practices. A settlement accepted by one trade union may, after some time, be upset by another trade union in a bid to tighten its hold on labour in that particular establishment. Mr. Tata made it absolutely clear that employers had no intention of making capital out of inter-union rivalries and jealousies; but if voluntary arbitration was to have any abiding effect, labour owed it to itself and to the nation's industrial economy to compose its differences at least during the period of the emergency.

It is significant that public sector managements,

when they were called upon to explain, at the Secretarial and Ministerial level deliberations, the reasons for their hesitation to resort to voluntary arbitration, emphasized this very central stumbling block of inter-union jealousies. In an apologetic tone they gave the assurance that they would try their best to make voluntary arbitration a more and more common way of settling industrial disputes. There were numerous instances of breaches or deviations from the Industrial Truce Resolution committed by managements in the public sector. But they were all bypassed during the discussions at the Indian Labour Conference. It must be recalled here that at the last annual session of the Indian National Trade Union Congress, the major target of attack was the attitude of public sector managements in encouraging and giving recognition to minority trade unions, in particular to the Communist-dominated All-India Trade Union Congress. Specific instances of deviations from the Truce Resolution were pointed out at this forum. When violations of the truce by public undertaking managements were thus brought to light, it was nothing short of discrimination to adopt a policy of hush-hush over their lapses and to hold private managements alone responsible for the breaches of the truce. A memorandum circulated at the Ministerial Conference makes clear mention of work stoppages and go-slow as among the major factors of the violation of the truce. But at the Labour Conference

Eastern Economist 20 Years Ago

JULY 23, 1943

The U.P. Government has in recent months exhibited its anti-inflationary zeal in a number of ways, and the "collective subscriptions" and the enhanced entertainment tax were the principal measures. A report today says that the U.P. Government has issued instructions that every zamindar should invest in defence loans an amount equal to at least half the total amount of land revenue he has to pay to Government. Subscription to the war loans implies the existence of a surplus and the high prices have certainly put the large landed zamindari class in possession of much money. But there is no reason why a Provincial Government should seek by isolated action to compel the investment of the funds in Government bonds. There seems no reason to fix 50 per cent of the land revenue as the amount of compulsory investment, because the surplus saving is not proportional to income, but dependent on the total commitments of the income-earner. Such isolated provincial action will create an undesirable disparity in the fiscal treatment of the zamindars in the different provinces, not to mention the overriding consideration that combating inflation is essentially a function to be tackled on an all-India scale by the Central Government. Something might, perhaps, be said for tapping the higher reaches of agricultural incomes for loans, just as the excess profits have been subjected to compulsory deposit. But it is part of the larger problem of bringing agricultural incomes within the purview of the financial system and cannot be taken up now. Meanwhile, such provincial measures of a compulsory character seem ill-advised.

this highly objectionable attitude of labour managed to escape attention.

It is a pity that the INTUC refrained from making any constructive contribution to the discussions at the Labour Conference. It is universal knowledge that Mr Nanda had to intervene personally to persuade the INTUC not to boycott last week's session of the Indian Labour Conference because of its demand for the exclusion of the AITUC for its attitude in regard to the emergency. So obsessed were all the spokesmen of the INTUC with the unpatriotic activities of the AITUC that they refused to see that measures to safeguard industrial peace and to contribute to the maximization of production were the overriding necessities of the times.

Press reports of the Conference make a passing reference to the fact that complaints against breaches of the Industrial Truce Resolution were examined. What particular points were brought to light by this examination and how responsibility was apportioned cannot be gathered from these reports. In the result, one has to remain content with the evidence of certain statistical estimates of interruptions of work. These estimates are contained in the memorandum prepared for the consideration of the Ministers and also circulated among the parties to the Conference. A broad classification of the types of disruption of work is important as suggesting whether liability for lapses from the truce can be foisted upon private employers who were undoubtedly held solely liable at the Conference. Among the causes leading to dislocation, an important one was the closure of the establishments. There were as many cases of retrenchment as 9,730 in the sphere of the Central Government, while the corresponding number in the sphere of the State Governments was 7,000. Then come two telling figures. In the Centre's sphere, cases of lay-off were as high as 25,000 and in the States' sphere they were still much higher at 42,000. Lay-off, it is safe to presume, was enforced on the managements because of shortage of imported materials, lack of power, transport and such other factors. It surpasses comprehension how responsibility can be attributed exclusively to the managements in a situation where the causes necessitating the lay-off were beyond their control in a majority of cases.

Rising price trends have their inevitable impact on workers' wages in real terms. It is but natural that they should cause not only concern but also discontent to the worker when he finds the purchasing power of his pay-packet declining with the progressive rise in prices of essential commodities. Theoretically, therefore, there was some force in Mr Dange's contention on behalf of the AITUC that compulsory savings are inconsistent with declining real wages. This proposition, however, would hold sound in normal conditions, but the extraordinary situation of the emergency demands special attitudes, forbearance and sacrifice. It need

not be supposed that the opposition of the AITUC (as also that of the Hind Mazdoor Sabha and the United Trade Union Congress) to the Compulsory Deposit Scheme is grounded on economic reasoning. In particular the AITUC has given ample proof that it is bent upon making political capital out of the enforcement of compulsory deposits to foment discontent among the workers. The AITUC has explicitly demanded the exclusion of Mr. Morarji Desai from the Central Cabinet in the expected reshuffle on the ground of his confirmed commitment to a policy of high taxation.

In one breath, Mr. Dange gave the assurance that industrial peace would be safeguarded by the AITUC, but in another breath he had no qualms of conscience to assert that if the Compulsory Deposit Scheme inflicted great hardship on workers and they went on strike, his organization would not let them down. He was impervious to the pleadings of Mr. Nanda and others that this particular grievance cannot be made a pre-condition to the observance of the Truce Resolution. It is pertinent to underscore the fact that out of six million workers in industrial establishments (other than the public sector establishments and private shops) only about 1.8 million come within the purview of the CDS. They invite the application of the scheme because of the relatively higher level of their wages. The grievance regarding the hardship of compulsory deposits is probably magnified. But even so, there is the assurance of Mr. Nanda that modifications may be considered and introduced in the application of the scheme to workers.

The entire position taken up by the AITUC, HMS and the UTUC against compulsory deposits runs counter to the spirit as well as the letter of the Industrial Truce Resolution. It is no argument at all to point out that the CDS does not form any part of the Truce Resolution. The plain truth is that the Industrial Truce Resolution was adopted by the three parties on November 3, 1963, whereas the CDS was announced long afterwards in the budget proposals on February 28, 1963. But there are positive and unequivocal obligations accepted by the parties in terms of the Truce Resolution. There are no conditions precedent and no reservations to be subsequently brought into play.

At the outset the Resolution declares that "*under no circumstances* should there be any interruption in or slowing down of production of goods and services." This commitment is unqualified and if the parties which have endorsed it have any sense of integrity, it is their bounden duty to carry it out without any reservations. It is a commitment which is accepted to meet the threat to the very freedom of the nation and to plead escape clauses is to betray lack of allegiance to the nation. The Truce Resolution makes a specific mention, in a subsequent context, to the necessity of maintaining the stability of prices. It stipulates that all efforts should be made to ensure that prices of industrial goods and essential commodities are not

allowed to rise. The one effective way to do this is to sustain and also to raise the levels of production. But price stability, in the exigency created by the emergency, cannot be made a pre-condition to the observance of industrial peace. Finally, this resolution places an obligation on workers to contribute their mite to the defence effort in the form of savings. It exhorts them,

Food Prices: Facts and Fancies

THERE CAN be no doubt that current difficulties in the food situation have been brought about by a sharp fall in internal production in the wake of two bad crop years which has greatly reduced the available supplies. It is a delusion to hold, as the otherwise realistic Union Minister for Food and Agriculture did the other day, that there was no justification for the recent rise in food prices, as domestic production of foodgrains amounted to some 96-97 per cent and the marginal shortage of only 3-4 per cent had been amply taken care of by P.L. 480 imports and commercial procurements. This contention is not correct, because all food-grain prices have not gone up. Wheat, for instance, is still available at reasonable prices and in adequate quantities. But the position as regards rice is deplorable. There has been a fall of as much as one million tons in rice production. Surely the P.L. 480 imports and commercial procurements of rice together have not been of such dimensions as to offset this sharp fall in production which, be it noted, is over and above the hardy annual of the 3-4 per cent marginal shortfall.

In order to appreciate how bad the rice situation has become, one must take a look at the plight of rice mills. Most of them are said to be working at only 30 to 40 per cent of their capacity, while some have actually closed down for want of stocks of paddy. Why is this happening? One explanation is that a substantial portion of the harvested crop is being withheld by producers with a view to reaping a handsome profit later on, when prices go up further. Now all producers in our country cannot afford to do this, if only because they grow hardly enough to meet their own requirements, for family consumption, seeds and exchange of commodities. Even the few big producers (such as our land reforms have left unscathed, if any) who may be guilty of hoarding may really not be having all the surplus they are alleged to be having, after making due allowance for their own requirements, especially after two bad harvests. Any attempt to force out these supposed hoarded stocks from these quarters may actually reduce the quantity ear-marked by them for seeds for the next sowing. Before resorting to this extreme measure, therefore, it is of the utmost importance to make sure that there are adequate stocks left with growers for purposes of seed.

What is inexplicable is the apparently leisurely

as a matter of imperative necessity, to contribute at least one day's earnings per month to the defence effort which comes, in the case of all the workers without exception, to about 3½ per cent of their wages. In the light of these solemn commitments, it does not lie open to the AITUC to hold a threat of unilateral withdrawal from the Resolution.

way in which the authorities have chosen to deal with the situation. It is not as though the shortage in foodgrains has descended on us all of a sudden. Even as early as in March last, symptoms of the developing crisis manifested themselves in West Bengal in the form of a firm trend in foodgrain (in particular, rice) prices. When the attention of the authorities was drawn to this disturbing trend, there were assurances from the highest in the land that this was but a passing phase and that all would soon be well. Unfortunately, the passing phase has proved anything but passing and, in the meantime, there has been a "passing" rise of over 59 per cent in prices of medium varieties of rice in West Bengal.

Explaining the rise in prices of rice in the country, Mr. Mahomed Hasham Premji, President of the All-India Foodgrain Dealers' Association, told the fifth convention of foodgrain dealers in New Delhi, a few days ago, that it was "mainly on account of the mis-conceived policy on the part of the authorities, both Central and State, of imposing increased rice levy in the States and building up buffer reserves of rice in the State and Central Government godowns, instead of diverting the procured rice stocks from the surplus to the deficit States." Specifically, he recalled that the Association had drawn the attention of the Government, as early as in January last, to the shortage of 2½ lakh tons of rice in the Eastern Rice Zone and of one lakh tons in the Western Rice Zone. These could easily have been met out of the surplus from the Northern and the Southern Zones, but, according to Mr Premji, this was not done. Instead, the Government clung to its stocks, which are today estimated at about 800,000 tons. How much of it has been damaged by weevil while in transit or storage is anybody's guess. Even when allotments were made, it is alleged, there were inordinate delays in the issue of permits, as, for example, when an allotment of 15,000 tons of Surti Kolan rice was made from Andhra Pradesh to Maharashtra and Gujarat. It is delays like these, coupled with prejudices, that give rise to avoidable restrictions in the form of unworkable rice zones and quite some unimaginative food laws and, not the least, the anomalous state of sales tax levies that have been the bane of our food distribution system all these days. The sooner that these are done away with, the better it will be for all concerned.

Highlights of the Week

MUCH ADO

THREE SHORT press communiques, issuing from Rashtrapati Bhavan on July 18, put an end, at least for the time being, to the private canvassing and the public speculation that have been going on for some time now with regard to the reshuffling of the Nehru team. The changes which the Prime Minister has been willing and able to make are few as well as relatively minor. The only new entrant is Dr K. L. Rao who replaces Mr O. V. Alagesan as Minister of State in charge of Irrigation and Power. Dr Rao's appointment is in the nature of a surprise but is not, for that reason, any the less welcome. He is an eminent engineer who had held high positions in Government and retired as Member (Designs and Research) of the Central Water and Power Commission. He contested the elections to the Lok Sabha in 1963 as a Congress candidate and was returned from the Vijayawada constituency of Andhra Pradesh. During the short time he has been a Member of Parliament, Dr Rao had spoken in the House on the subjects of irrigation and power with knowledge and effect. His career as a political administrator in a portfolio of which he has adequate technical information and expertise will be watched with interest.

Mr O. V. Alagesan leaves the Ministry of Irrigation and Power to take up the Ministry of Mines and Fuel as Minister of State in charge. Although his predecessor in the portfolio, Mr K. D. Malaviya, was a Minister of full Cabinet rank, it may not be correct to infer that the portfolio has now been downgraded. Mr Malaviya's elevation in the Cabinet hierarchy, when the Government was reconstituted after the last General elections, was more in the nature of a personal distinction and reward than anything else. His successor has no doubt been called to a delicate and difficult assignment which is not likely to be rendered easier by senior Ministers who, whether they have any regular responsibility or not in the area of Mr Alagesan's direct jurisdiction, may only be too ready to try to assist him by offering counsel on how he should deal with the many controversial issues which he has inherited as part of his legacy from Mr. K. D. Malaviya.

Tame Attempt

The third change in the Government is the departure of Mr K. C. Reddy, Minister for Commerce and Industry, who tendered his resignation for reasons of health. The Prime Minister has decided, at least for the present, not to fill this vacancy. Instead the Ministry of International Trade and the Ministry of Industry have been declared two separate and independent charges with Mr. Manubhai Shah being responsible for the former and Mr. Nityanand Kanungo for the latter and both continuing in their existing rank as Ministers of State.

The general impression given by the decisions of the Prime Minister is that, even if he had been willing to make more substantial changes in the composition of his team, he had not done so because it was not possible for him to find ways of reconciling conflicting demands among Ministers and would-be Ministers for portfolios or promotions. Reports had credited the Prime Minister with a desire to effect changes in the Ministries of Railways and Food and Agriculture. It is possible that he had in mind other changes too. If he has not been able, in the event, to effect them it is essentially because Mr. Nehru has never felt strongly enough about a rational ordering of personnel and portfolios and to resist the pressures or pleadings of scheming or reluctant colleagues in the Government or the party. In the wake of the Cabinet changes there is a feeling in some quarters

that this cannot be the end of the affair and that, whether he likes it or not, Mr Nehru will have to make more changes soon in order to clarify responsibilities and coordinate functions within the Government. Whether this prediction turns out to be true or not, it is obvious that there are quite a few loose ends left. It is significant that four economic Ministries and a somewhat larger number of economic subjects have been entrusted to the independent charge of junior Ministers, that is Ministers who are not full members of the Cabinet. If there is a method in this madness, it could be that scope has been deliberately created for the evolution of some kind of factual, if not formal, overlordship by a senior Minister or Ministers in these areas. This should mean that, even if the Prime Minister does not intend to make any further political changes in the composition of his Government in the near future, he may at least be making quite a few procedural ones. From this point of view such rearrangement of subjects and departments as may be made in the coming weeks will be watched with more than ordinary interest; in particular, it will be studied carefully how it is proposed to improve the effectiveness of the coordinating authority of Mr. T. T. Krishnamachari over defence production and economic development, or of Mr. S. K. Patil over governmental agencies and activities impinging on agricultural planning and production.

C.D.S. MODIFIED

THE FINANCE MINISTRY'S Press Note on the modification of the Compulsory Deposit (Employees) Scheme issued on July 17 makes further modifications in the C.D.S. in its application to industrial workers. It will be recalled that the income earning group with an annual income between Rs. 1,500 and above (but not subject to income-tax) was placed in a separate category in the case of those income earners engaged in undertakings to which the Employees Provident Fund Act, 1952, applies. In the case of this class or income earners, liable to make compulsory deposit, a comprehensive modification in the scheme was already introduced on the eve of the introduction of the C.D.S. The employer was placed under the obligation to make a single or collective deposit in the Deposit Office and the stipulation about every individual employee having to make a separate application for opening his account was dispensed with. However, accounts or the deposits would be maintained separately in the name of each single employee to facilitate repayment of deposits on maturity without the intervention of the employer. This facility would reduce delay in obtaining repayments. In case the actual annual salary or wages of the employee turn to be less than Rs. 1,500 in any year, the Press Note announces that refund would be made immediately after the close of the year with interest. Then there is a modified provision for determining the annual income from salary or wages for the specific purpose of applying the exemption of 11 per cent permissible under the scheme, wherever the income contains variable ingredients like the value of food concessions, dearness allowance, etc.

The major modification, however, brings a more far-reaching benefit to this class of employees than would appear from a superficial perusal of the Press Note. It is related to the determination of the conditions under which a cut in the salary or wages can be made by the employing establishment for the purpose of the deposit. The new provision stipulates that compulsory deposits should be applied to salary or wage earners of a minimum amount of Rs. 1,500 per year if, and only if, they were in continuous service of the same employer for a period of not less than 240 days, but

not otherwise. It seems clear that in the case of employees who had interrupted periods of service under different employers of less than 240 days, the attempt to recover deposits will be given up, since it will be extremely difficult in practice to determine in each case the actual aggregate income per year before July 1, 1963. This modification is introduced on the analogy of the provision in the Employees Provident Fund Scheme. Similarly, deposits will be made from the salary or wages of the workers subsequent to July 1, 1963, if they will be in continuous employment for a minimum period of 240 days under the same employer. This provision implies that the wage cuts on account of deposits after July 1, 1963, will be deferred for a period of 240 days. Will the entire amount due for the year be recovered from the wages in the remaining period of four months? Ostensibly, the employer will have no right to make the cuts in the wages for the first eight months. This creates a new problem of making accelerated deposits and it would call for a further modification of the scheme to spread the liability over a reasonably sufficient period. In the meantime, if the worker ceases to be employed in that particular establishment, the claim to the recovery of the deposit from him will very probably have to be abandoned.

SOUR SEVENTEENTH

THE SCOPE for mischief of the proposed amendment to the Constitution—the Seventeenth Amendment—is in inverse proportion to the length of the relevant bill. Obviously, the reason for the proposed amendment is to give fresh lease of life to certain agrarian laws passed by State Governments, some provisions of which were challenged and invalidated by both the Kerala High Court and the Supreme Court. The most controversial of these was, of course, the Communist Government-sponsored Kerala Agrarian Relations Act, and the Congress Government, which replaced the Communist Government in that State shortly after this legislation, gave a solemn assurance to the people of Kerala to amend this "mischievous legislation" of the Communist regime. It was expected that the Central Government would bear in mind this promise of the Kerala Congress Government whilst framing the proposed amendment. However, the form that the amendment has now taken goes much beyond this limited requirement and, in the process, seems to defeat the main purpose of the amendment. This is evident from the reported reactions of the Kerala Government and the 27-member Action Committee headed by Mr Mannath Padmanabhan, the well-known "Liberation Struggle" leader of Kerala.

While the Kerala Government is believed to have made it known to the Government of India that "it is more than enough if Article 31 (A) of the Constitution is changed as proposed in the amending bill," Mr. Padmanabhan is reported to have stated at a public meeting in Changanacherry on June 30 that "the State Government's promise to amend the 'mischievous legislation' of the former Communist regime would be frustrated by New Delhi's proposal to include it in the Ninth Schedule." Now, there was no suggestion at any time, whether by the public or by the State Governments concerned, that the legislative enactments listed in the Bill should be included in the Ninth Schedule, although, after seeing the proposal in the Bill, certain sections of the public in Kerala, mainly Communist-dominated bodies, have since begun to demand that this is the right thing to do and have been urging that State Government not to oppose their inclusion in the Ninth Schedule. Those who resist the inclusion do so for the reason that, once this is done, the parties affected by any of the legislative enactments listed will be deprived of their rights to move the courts. The State Governments concerned also object to this, because, if it is

done, their freedom to make changes in the enactments affected will be greatly curtailed. It is not known how many State Governments (besides the Kerala Government) have informed the Union Government of their opposition to the proposal, but there is reason to believe that most of them will do so, if they have not already done it.

But the Constitution (Seventh Amendment) Bill, 1963, does not stop there. It seeks to substitute the existing sub-clause (a) in clause (2) in Article 31A of the Constitution by another sub-clause which will alter beyond recognition the accepted meaning of the expression "Estate." As proposed, the term "Estate," in relation to a given area, will have the same meaning as that expression or its local equivalent has in the existing law relating to land tenures in force in that area and shall also include any 'jagir,' 'inam' or 'muafi' or other similar grant (including 'janmam' right in Kerala), any land held under 'ryotwari' settlement for agricultural and ancillary purposes, including waste land, forest land, pasture land and even sites of buildings and other structures occupied by cultivators, agricultural labourers and village artisans. This extension of the meaning of the term "Estate" is not as innocuous as it may seem; it may be said to deal a death blow to all landowners, including industrial undertakings owning farm lands in which they have made large investments in the form of buildings, etc.

DEFENDING THE DOLLAR

THE UNITED STATES Government announced last week a series of measures designed to relieve the pressures on the nation's balance of payments. The significance of these measures is that the U.S. Government is determined to maintain existing basic policies regarding the preservation of the present par value of the dollar and its interchangeability into gold at \$35 an ounce, the continuance of the broad programmes of U.S. military and economic assistance to allies and friendly nations and the pursuit of international agreements for the liberalisation of trade. These objectives have been clearly spelt out in President Kennedy's announcement of July 18.

Among the measures which have been announced to mitigate the strain on the U.S. balance of payments are the decision of the Federal Reserve Board to increase the discount rate from three per cent to 3½ per cent coupled with another decision to allow banks to pay up to 4 per cent interest on time deposits or certification of 90 days or more in amendment of the previous position in which the 4 per cent rate was permitted only on deposits of more than one year and a temporary "interest equalization tax" on foreign long-term borrowing in the United States which goes into effect immediately and will remain in force only up to the end of 1965. Mr Kennedy has also indicated economies in the Defence Department's military spending abroad and has disclosed that his Administration would be mounting a drive to persuade American tourists to see America now, by making travel at home a more appealing alternative to travel abroad. Simultaneously the President also announced that the United States intended to draw foreign currencies equivalent to \$500 million from the International Monetary Fund

While the common purpose of all these measures is to stem the flow of American gold abroad, the higher interest rates are intended specifically to hold within the United States itself such "floating" capital as is apt to go abroad in search of higher returns in short-term investment. Explaining the purpose of the "interest equalization tax", the President said:

"The outflow of long-term capital for portfolio investment has been, in 1963, at an annual rate of more than \$1.5 billion. Given both the existence of direct controls and the inadequate capital market mechanism in foreign countries,

the wide differentials in interest rates, the unacceptability to the U.S. under present circumstances of a substantial increase in the whole long-term interest rate structure and the fact that we cannot employ direct capital controls because they are contrary to our basic precept of free markets, we must turn to a third alternative. To stem the flood of foreign security sales in our markets, consistent with both economic growth and free capital movements, Congress is requested to enact effective July 18 through the end of 1965, a temporary 'interest equalization tax' which would, in effect, increase by approximately one per cent the interest costs to foreigners of obtaining capital in the United States. There will be no limitations on the marketing of foreign issues and no governmental screening of borrowers. The tax would not apply to (a) direct investment; (b) debt maturing in less than three years; (c) loans of commercial banks; (d) purchase of securities of less developed countries or companies operating primarily in such countries; (e) transactions in foreign securities already owned by Americans; and (f) the purchase of securities by foreigners. Underwriters and dealers would be exempted from the tax on stocks and securities resold to foreigners as part of the distribution of new issues. The tax will not apply to offerings for which active registration statements are now on file with the Securities and Exchange Commission. Purchase commitments already made will not be affected. All Americans who purchase new or outstanding securities from foreign users or owners would be subject to the tax graduated from 2.75 per cent to 15 per cent of the value of the debt obligation, according to the maturity of the obligation. The tax will be 15 per cent in the case of equity stocks."

Partial Mitigation

It is estimated that the new proposals made by President Kennedy would save about \$2 billion in the next 18 months. This saving, however, could only mitigate in part the large payments deficit of the United States which in 1962 was of the order of \$2.2 billion. In the circumstances, the President's decision to conclude with the IMF a stand-by arrangement for the next twelve months and to utilize this authority to finance a portion of the payments deficit is easy to understand. This is the first time that the United States has sought accommodation from the IMF and it is an interesting question whether this experience will strengthen U.S. faith in the adequacy of the current machinery of the Fund or whether it will lead Washington to explore with greater willingness than it has already shown the various formulae which have been put out from time to time for increasing international liquidity. Mr Kennedy has for the time being promised that the U.S. would hold consultations with its allies on possible improvements in the international monetary system.

Following is the text of the IMF announcement relating to the stand-by Fund arrangement with the U.S. Government:

"The International Monetary Fund has entered into a stand-by arrangement that authorizes the United States to draw the currencies of other members of the Fund up to an amount equal to \$500 million during the next 12 months. The quota of the United States in the Fund is \$4,125 million, of which \$1,031 million has been paid in gold. The amount of the stand-by arrangement represents a little less than half the amount the United States could draw on a virtually automatic basis under Fund practice.

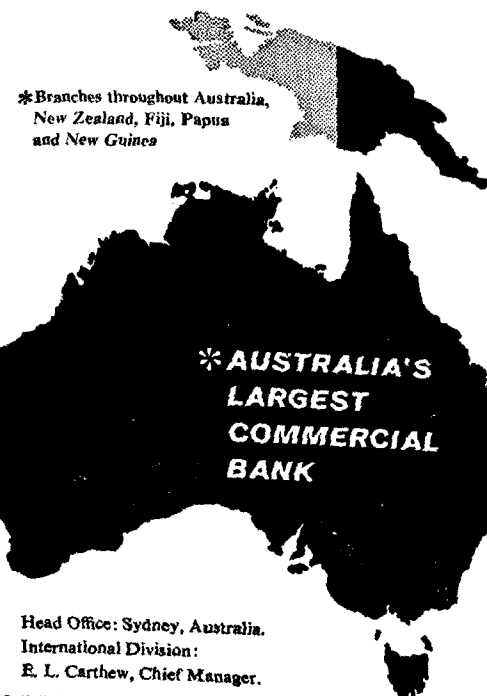
The United States has not previously made use of the Fund's resources. Drawings of U.S. dollars from the Fund by other members have amounted to approximately \$4.2 billion since the Fund's operations began in 1947. In recent years, Fund policy has encouraged drawings in non-dollar

currencies and repayments to the Fund in U.S. dollars. This policy has provided assistance in financing the U.S. balance of payments deficit. As a result of repayments, the Fund's dollar holdings are now almost at the subscription level which is 75 per cent of quota or about \$3 billion, and the articles of agreement prevent repayment to the Fund with U.S. dollars beyond that level. In these circumstances the stand-by arrangement, which is available for general balance of payments needs, is intended to facilitate repayments by other members. This would be accomplished through United States drawings of other convertible currencies which would be sold to Fund members for dollars and used by them to make repayments to the Fund."

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A POLICY FOR RAILWAYS—VII

Is Our Railway Management Outdated?

By T. M. RAO

THE RAILWAY organization as it exists today displays all the characteristics of its checkered past. It developed as a curious mixture of private and public enterprise. In the early days, the railroads were built and operated by private companies under what is known as the "guarantee system." Under this system the government undertook to guarantee return on capital invested in the construction of railways at five per cent per annum. Beginning in 1870 the government itself entered the field actively to build and operate railroads. There were many considerations in doing so but the chief among them were strategic and defence considerations and the prevention of famines.

By 1907 the major railroad lines existing today had been constructed and those which had been originally built by private companies were purchased by the government; these were then leased out again to private companies for purposes of management. Starting with the East Indian Railway in 1924, the government began to take over the railways under direct State management as and when the contracts with the private companies expired. By 1950 with the integration of the former Indian States the railway lines belonging to Princely States were also merged in the government railways.

Centralized Working

The railroads at present are run as a department of the Central Government with the Railway Minister at the head being responsible to Parliament. Under the Minister the permanent establishment is headed by the Railway Board which is the chief administrative organization of all Indian railroads and at the same time functions as the secretariat of the Railway Ministry. The control of the Board over the large railway net work is exercised through the General Managers of the eight regional railway systems, and who function more as representatives of the Board than as heads of autonomous railway units. All policy making is centralized in the Board with the General Manager having certain powers to incur capital expenditures within strictly specified limits.

It is now proposed to lay bare the weaknesses of the existing organization and suggest changes which will make it a more effective instrument in meeting the demands of a developing economy.

Let us take finance. The analysis in an earlier article has shown that the return on investment is extremely low. This has necessarily hampered the rehabilitation and modernization programme of the railroads. This should not be surprising because it is rather difficult for a government department to run an enterprise on sound business principles.

The financial statements published by the Railway Board are not easy to understand. They are prepared mainly for presentation of the annual budget to Parliament and they show actual receipts and expenditures for the previous year, revised estimates for the current year and budget estimates for the following year. A layman looking at the figures cannot understand how well or poorly the railroads are doing. It may be asked why the railways cannot publish, along with

The author examines here investment policies and operating techniques of the Indian Railways and comes to the conclusion that planning has been poor and management far from modern.

the budget statements, a balance sheet and an income statement of their operations as business firms do. Like the latter, the railways should also be able to publish a ten-year financial summary which at a glance would reveal the financial health of the organization.

In recent years the source and application of funds statement has come to occupy an important place in the annual reports of many companies. Such a statement seeks to show whence the funds were derived and where they were used in a given year. A typical statement on the receipts side would consist of net income, depreciation and retirements, borrowings and working capital; on the expenditure side, capital expenditures, dividends, debt reduction etc. As an example, Sun Oil Company's Funds statement for 1960 is reproduced on page 156. While the balance sheet gives the financial picture of a business enterprise at any given moment and the income statement concerns itself with revenues and expenses in a given period, it is the source and application of funds statement that gives a company performance. It has now become common to furnish therefore using the funds statement more and more to appraise company performance. It has now become common to furnish these statements to stockholders along with the other financial statements.

It may be pertinent at this point to make a comment on the annual reports and statistical statements published by the Railway Board. They are both voluminous and dull. Presentation of statistics must serve two purposes. First, they must serve as a tool for management in appraising and improving performance. Second, in so far as they are meant for the public the statements must help them gain a clear appreciation of the performance of the enterprise. Judged by these two standards, the annual reports of the Railway Board must be considered a complete waste of money.

Next let us consider the question of planning. Some of the major decisions made by the Railway Board over the last 10 or 15 years will throw revealing light.

1949 was the last year in which steam locomotives were built in the United States by a manufacturer for domestic use. About the same time the Railway Board decided to build the first steam locomotive works in India at Chittaranjan. Already in the early '50s there were indications of growing difficulties of coal transport in India and the need for another source of energy on the Southern and Western Railways particularly. If at that time the decision had been made to build diesel-electric locomotives side by side with the steam

locomotives, the Indian railways would have been in a far different position today as regards their locomotive needs. The argument against diesels was that crude oil was not locally available and had to be imported. But it was known even at that time that there was an excellent chance of oil wells being discovered, considering the geological strata in the different parts of the country.

This was the kind of information that an effective planning organization would have kept track of. Even if India had to depend upon foreign imports of crude, the overall economies of dieselization and the boost that indigenous production of diesel-electrics would have given to the economy would have certainly recommended itself.

Technological Advance

But what is more important is the fact of technological advances. The diesel-electric locomotive, represents a definite technological advance over the steam locomotive just as the commercial jet airliner does over the propeller aircraft. Without constant innovations and technical advances a developing economy can hardly ever reach the take-off stage.

Another example of poor planning is the conversion of Gudur-Renigunta metre-gauge line on the Southern Railway into broad-gauge at a cost of over Rs. 4 crores. The stated purpose of the conversion was to by-pass Madras city and provide a shorter route for south-bound freight traffic to Madras and Kerala States. But the railway authorities seemed to have forgotten that this link could not serve its purpose until the time that rail capacity was augmented beyond Renigunta on the broad gauge line down to Erode.

With the same capital investment if centralized traffic control were introduced on the Vijayawada division, it is fairly certain that the bottleneck that the division had become

in the North-South rail transportation could have been eased and the costly double-tracking of the single line could have been avoided. There is some question about the increase in line capacity that would result from centralized traffic control. It may be appropriate to quote here from the remarks of John W. Barriger, President of the Pittsburg and Lake Erie Railroad Company before the American Transportation Research Forum recently:

"The addition of second, third and fourth main tracks to provide for increasing train density in distant past years proved that train movement capacity increased as the square of the comparative increase in their number. Thus, ratios of capacity of 1 to 2, 3 and 4 track lines were, respectively, as 1 is to 4, 1 is to 9, and 1 is to 16, always assuming physical characteristics of grades, curves and distances remained unchanged. CTC will increase train movement capacity of a single track 80 per cent compared to one without it. A second track will provide a 300 per cent increase. However, an 80 per cent train capacity increase usually is sufficient to avoid building a second track."

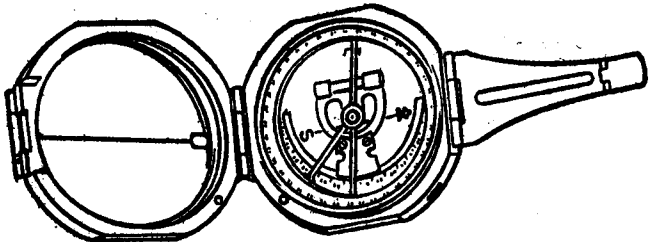
Static Thinking

In discussing this subject with Indian railway officials, one comes away with the impression that they still think of "line capacity" in static terms. In reality, however, it is a function chiefly of train loads, signal spacing, terminal capacity and operating rules. For instance on many United States railway systems, 150-wagon freight trains with a gross load of 10,000 tons are a common feature. On the Vijayawada Division two such goods trains in each direction will suffice to meet the current and future needs and leave adequate capacity for passenger and way freight trains.

Secondly the Absolute Block System of operation with tokens is the most restrictive method. Conversion to Auto-

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	1960	1959	1958	1957	1956
(Millions of dollars)					
Funds were derived from					
Net Income	\$ 49.3	\$ 42.8	\$ 32.1	\$ 47.5	\$ 56.2
Depreciation and Retirements	63.3	52.8	56.4	53.7	48.3
Intangible Development Costs	33.5	38.7	30.1	40.0	36.7
Borrowings	—	—	—	40.0	3.0
Working Capital and Other	—	19.5	2.3	—	—
Total Funds Available	\$ 146.1	\$ 153.8	\$ 120.9	\$ 181.2	\$ 144.2
Funds were used for					
Capital Expenditures	\$ 73.1	\$ 94.0	\$ 70.7	\$ 92.8	\$ 78.0
Intangible Development Costs	33.5	38.7	30.1	40.0	36.7
Cash Dividends Paid	12.3	11.7	11.4	10.8	10.1
Reduction of Long-Term Debt	5.6	9.4	8.7	3.7	1.8
Working Capital and Other	21.6	—	—	33.9	17.6
Total Funds Used	\$ 146.1	\$ 153.8	\$ 120.9	\$ 181.2	\$ 144.2



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strike, in which they extend. With this data, and with other information resulting from geological surveys, a map is made of formations deep inside the earth.

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matic Block System with colour light signalling would in itself increase capacity enormously. On a single line this might presuppose long passing sidings and some kind of centralized traffic control system.

The purpose of the above discussion is to show that costly and conventional double tracking is not the only solution to the problem of inadequate capacity on the railways. In fact new concepts in signalling and operational methods may yield additional capacity that would meet the growing demands of traffic on many of the present congested sections. It therefore leads to the suspicion that the art of developing alternatives and making a rational choice from the determination of the opportunity costs involved in each case, is not widely practised by the Railway Planning Organization.

Another example on the Southern Railway is the remodeling of the Madras central station at a cost of Rs. 1.5 crores. The purpose of the scheme was to increase the number of platforms and to provide capacity to deal with passenger trains adequately. The old mechanical interlocking has been completely replaced by a push-button route-relay interlocking plant. No one can take objection to facilities provided for improving passenger operation. The need for technological improvements in railway operation particularly in signalling is long overdue. What is being pointed out here is that the allocation of railway investment has been irrational and the choice of priorities unsound by any yardstick.

The railways are faced with two urgent tasks, viz., (i) increasing rail capacity on the major trunk lines and at terminals in order to carry the steadily increasing freight traffic and (ii) attaining self-sufficiency in the indigenous manufacture of railway equipment like electric and diesel locomotives, signalling and communication equipment etc. All this must be done within the limited resources available. That is why the direction of railway investment is so important. The railways cannot, at this juncture, afford to spend large amount of money on building high level platforms and impressive passenger stations. Even in the hey-days of railroad construction in the United States, only a relatively few stations were provided with high level platforms. It may be interesting to note that in the entire suburban region of the New York Central System there is only one station that can boast of high level platforms and that is the Grand Central Terminal in New York City. This should serve as an important lesson to the railway administrators in India.

CORRECTION

Reference graph on Operating Ratios illustrating the fifth article in this series (page 58 of "Eastern Economist" dated July 12, 1963). The thick line relates to India and the dotted line to the United States.
—Editor

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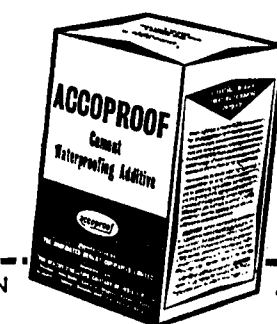
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WINDOW ON THE WORLD

Europe and the U.S. Deficit

From Our Special Correspondent

PARIS:

EUROPEAN financiers are expecting for the near future a more determined effort by the USA to correct its balance of payments. This may have been foreshadowed in President Kennedy's statement in West Germany the other week, to the effect that "the great nations of the free world must get control of their monetary problems if we do not want those problems to overwhelm us." Those who tried to read between the lines of this utterance began forecasting resort to some more or less heroic remedy. So there was a feeling of relief when Mr. Douglas Dillon's testimony before a joint Congressional committee on Monday of last week was published, for the Treasury Secretary firmly ruled out drastic measures and "visionary schemes". This still leaves open to possibility of a sharp rise in short-term interest rates in the USA, which is the counter-measure that the Europeans expect and would approve.

While approving any orthodox steps to correct the US payments balance, it is natural that the Europeans are in two minds about the consequences for themselves. The American deficit has gone on so long that Europe has learned to live with it, while recognising that it contains dangers as well as advantages. The disappearance of that deficit similarly would bring advantages and dangers of a new sort. However great the uncertainties (and a world in which the USA was not pumping vast liquidities into international circulation would be a disturbingly unfamiliar novelty), there is no doubt that the European Finance Ministers want to see the dollar restored to health. This banal fact requires mention because of fantastic rumours to the effect that Paris was considering demanding conversion of all its dollars into gold, which it is entitled to do but which would touch off a global panic and a run on the dollar.

Bursting the Bubble

Any such intention is so far from the mood of the French Finance Ministry (and, also, from that of the West German monetary authorities who would have to be consulted in the matter by Paris, according to the terms of the Franco-German co-operation treaty) that one casts about for reasons why the possibility should have been reported by serious papers in the USA. As far as monetary reasoning comes into the affair, it must be a misunderstanding of M. Jacques Rueff's persistent campaign against the gold-exchange standard, to which the Finance Minister, M. Giscard d'Estaing, has to reply almost every week. First of all, note that he does reply to it, in fact rejects it: M. Rueff's opinions, for all their plausibility, are not official doctrine. But even if they were, even if officials accepted the notion that the gold-exchange standard (the holding of dollars as a reserve currency "as good as gold") is causing dangerous global inflation, it would not follow that Paris would seek unilaterally to convert all its dollars into metal. M. Rueff has never suggested that the way to avoid shipwreck is to sink the vessel immediately and drown everybody. He says that what was created by an international conference after the first world war can be undone by another similar conference today, and should be if world-wide inflation is not to be followed by an inevitable bursting of the bubble and consequent slump.

Yet monetary reasoning is not alone involved. The vision of General de Gaulle slamming his wads of dollars down on the counter of the US Treasury and saying "Give me gold!"

(the way a Rothschild once did in the Bank of England after being insulted by the Governor of the Bank) looks like a diplomat's idea of how the monetary system works. And of course the diplomats are correct in feeling uneasy about the current contradiction in US policy: it is unusual for nations or individuals to go seeking gratuitous quarrels with other nations or individuals who, in theory, have the power to bankrupt them overnight. This power the General has, in pure theory, but it is no use to him unless he never uses it, since France would have nothing to gain and as much to lose as everyone else by ruination of the present unsatisfactory monetary system.

Disregarding these rumours, then, it is clear that European financiers would welcome a successful attack on the American deficit by way of higher interest-rates in New York. This solution would nevertheless have its risks. The first is that dearer money would further slow down, or even reverse, the modest expansion of the American economy, with a resultant contraction of world trade that would gravely incommode West Europe. It is hoped that this could be avoided by combining dearer money with tax concessions and a bigger budget deficit in the USA. The second risk therefore seems graver: that a recovery of the dollar would be at the expense of sterling, precipitating a devaluation of the pound which would be scarcely less embarrassing for the Common Market countries.

Eliminating U.S. Deficit

While keeping their fingers crossed on these risks, Continental financiers point out the gains that would flow from a gradual elimination of the American deficit. In the first place (and to this extent M. Rueff's case is generally accepted) a double source of inflation would be stopped: the growth of domestic liquidities in the USA would cease, and the Continental countries would stop creating domestic liquidities inside their borders by way of the payments surplus they are scoring with the USA. It is not believed that present inflation in West Europe is entirely monetary in origin; in France for example, there are other causes of spiralling prices than the payments surplus. But a powerful contributory factor would have been removed.

Secondly, the accumulation of American deficits has other consequences that are as unwelcome to some European countries as inflation. Their surpluses remain blocked, for a large part, in the form of dollars in American banks where they earn little interest — while American firms and capitalists go on investing in Europe at much more profitable rates. It is as though the creditor nations of West Europe were organising inflation at home (by creating money to match their payments surpluses) in order to raise funds which they hand over to the Americans for next to nothing, so that American firms can buy up European firms. Fears of the "dollar invasion" and of the "domination" of European business by American corporations might be exaggerated, but it is obviously paradoxical that European nations should finance this invasion themselves, which is what they do when they support the dollar (leave their surpluses in dollar balances instead of taking gold, repay debts to the US, etc.) while Americans use these dollars to invest in Europe.

Higher interest-rates in the USA would encourage American firms to invest at home rather than in Europe and this would slow down the invasion of capital that has caused anxiety in at least some quarters in Europe. It would also

stimulate the American economy to faster growth, which would be welcome news to European exporters. Faster growth in the USA, incidentally, would disarm many of the fears about the unilateral American gains from tariff reductions. At present, many Europeans think that tariff cuts (especially if they were more generous in Europe than in the USA) would lead to dumping on this side of the Atlantic by over-equipped US corporations. Finally, dearer money in New York would make it less attractive to foreigners to borrow there and would encourage them to lend there so that a reversal of the tides of capital might occur more speedily than is sometimes imagined.

Of course, such a reversal would impinge at once on the European moneys but the Common Market countries consider that they are strong enough to stand the strain. Their anxiety relates to Britain, who is patently not strong enough, especially at a time of rising raw material prices. If the prices of commodities continue to firm up, it is calculated that Britain's annual import bill could grow by £100 million. With elections in the offing, an effort will be made to stir the economy from its long stagnation, with further consequent strain on the import bill. If to this is added a reflux of funds, drawn back to the New York market by higher interest-rates, another and more serious sterling crisis seems very possible. True, there are numerous expedients to hand, thanks to inter-

national co-operation, to meet a challenge to sterling but they all entail increased Continental assistance at a moment when the flow of funds back to the USA will make that assistance more costly. So the eventuality of a devaluation of sterling, dismissed as unthinkable in London, is taken seriously on the Continent.

In any event, a period of painful adjustment is foreseen in the international monetary order for the months ahead. Whatever its inconveniences, it will be preferable to continuation of the present situation which is becoming intolerably ambiguous for the creditor nations (let alone the problems it sets for the debtor, the USA). They are accumulating surpluses that they could well do without, they are obliged to hold them in a currency that inspires little confidence but they cannot demonstrate their lack of confidence (e.g. by demanding conversion of their dollars into gold) without bringing down the whole system—and yet they know that the USA cannot go on incurring deficits, so that it becomes less and less defensible each month to treat dollars as though they were as good as gold. There is still time to extricate the world from this vicious circle without resort to heroic remedies such as reversion to a pure gold standard, a revaluation of gold or transformation of the IMF into a manipulator of a world paper-money. But time is running out and decisive action is awaited from Washington this year.

Strains on Gold Exchange Standard

By PAUL BAREAU

LONDON:

FOR THE MOMENT everything seems to be going well in the foreign exchange market and on the international payments front. The two reserve currencies, sterling and the dollar, are standing up to the heavy responsibilities they bear. Sterling has emerged almost unscathed from the recent political flurries in Great Britain. Its strength in the exchange market has been such that during June the British Treasury was able to pay back the £89 million which had been borrowed from foreign central banks last February and March in order to provide ammunition with which to repel the speculative attack on sterling which was then unleashed.

The dollar, too, remains steady in the foreign exchange market. It is supported by a welter of bilateral arrangements between the United States and the other principal financial and commercial countries of the world. Under these arrangements mutual credit facilities are available. They can be drawn on to the extent of nearly \$1,500 million. The most sensitive of all thermometers measuring confidence in the dollar is that of the price of gold in the free markets of the world and for many weeks past this has registered a temperature of normal.

Deceptive Appearance

These appearances may, however, prove deceptive. The present calm is not an indication that the fundamental position of the key currencies is in every way beyond reproach and doubt. The pound sterling has yet to face the impact of the announcement of the date on which the next General Election will be fought. With the increasingly confident prospect that Labour will be victorious, the resulting strain on sterling is likely to be considerable. There are abundant means of defence but it would be well to anticipate a period of considerable stress and strain in the market in the pre-election days.

As for the United States, the major feature of the situation is the balance of payments which shows a tendency to drift into larger deficit. The deficit in 1961 was \$2,360 mil-

lion. In 1962 it jumped to \$2,900 million if we allow for the prepayment of foreign debts of nearly \$700 million. In the first quarter of this year the deficit appeared to be running at a rate slightly greater than that for 1962. This state of affairs raises some questions. Will the various devices which are propping up the dollar hold out indefinitely? Can an international payments system be run on the principle of inducing other countries to hold their reserves in currencies they do not really want to hold?

Economic Chaos

Together with these doubts and uncertainties of the market place we have to look at the intellectual, rational revolt against the principle of the gold exchange standard, of which the two reserve currencies are the essential feature. That revolt is led first and foremost by the eminent French economist, M. Jacques Rueff, who has long intoned warnings against the gold exchange standard, the system by which countries are prepared to hold their reserves not only in gold but in currencies convertible into gold. This, he argues, is a system which is automatically calculated to create world inflation. Under this system, he says, the key currency countries can run a permanent deficit without being called upon to remedy the faults which are creating that deficit. This they can do because the deficits they incur and the amounts that they have to pay to the monetary authorities of other countries are automatically lent back to them because the creditors do not take their payment in gold but are prepared to hold the currencies of the debtors. M. Rueff is convinced that the great depression of the 1930s was caused by the imbalance created by the invention of the gold exchange standard after the First World War. He is equally convinced that the return to this form of international standard after the Second World War will inevitably lead the world to another and perhaps greater economic collapse.

If, however, the world is to abandon the gold exchange standard and if the reserves now maintained in key currencies are to be converted into gold, it is self-evident that there will not be enough gold to go round, assuming gold to remain

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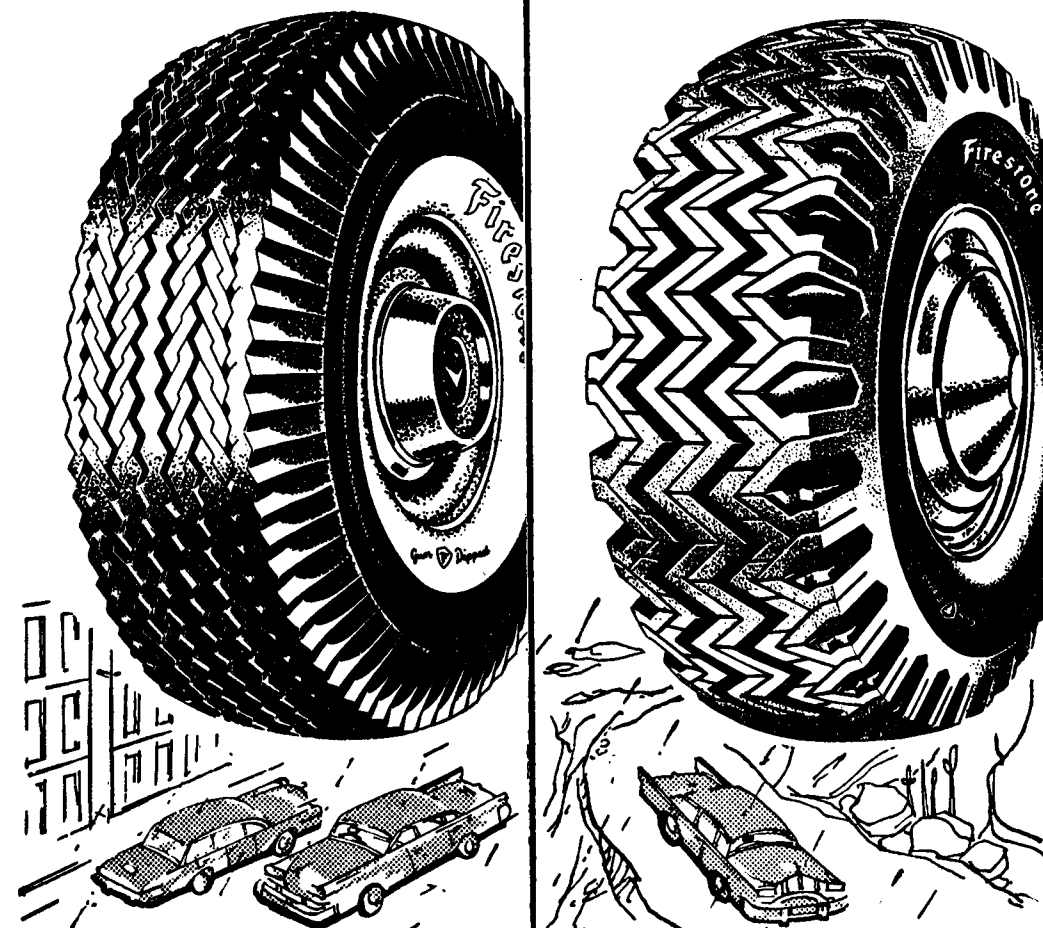
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at its present price. M. Rueff does not follow his argument to its logical conclusion; but this is done by Professor Heilperin of the Graduate Institute of International Studies at Geneva, in an article he has recently contributed to the quarterly review of the Anglo-American Corporation of South Africa. He also wanted the world to go back to a genuine gold standard. The first step would be that countries would undertake to pay in gold all new balance of payments deficits. The second step would be an increase in the price of gold to a level which would enable the United States to pay off in gold its current liabilities to foreign central banks and which would, in addition, provide a sufficient increase in international reserves to forestall a move towards deflation in the world economy. These various operations, he says, need have no effect on the existing pattern of exchange rates, since all currencies would become fully convertible into gold at rates which would maintain the relation of their present exchange rates.

A third, and somewhat unexpected, voice raised in favour of the same cause is that of Dr. Schweizer, the chairman of the Board of the Swiss Bank Corporation. He, too, stresses

the weaknesses of the present monetary system and urges a return to a genuine gold standard. He advances a subtle argument to convince the Americans by suggesting that the United States, who are now losing and exporting gold at the price of \$35 fixed in 1933, are in fact selling this gold for a fraction of what it cost them in terms of goods and services. Dr. Schweizer is also in favour of an increase in the price of gold, but he fears the inflationary effect of a sudden and sharp marking up of the price and suggests that it should be raised very gradually, year by year, each increase being so small in relation to the rate of interest that no one would be tempted to hoard gold as an investment operation in anticipation of the increase in its price.

There is a common thread running through these three theses. It is that gold is better than paper—any paper. After the experience of the last two decades, who will gainsay this view? About 40 years ago the late Lord Keynes described gold and the gold standard as "relics of a barbarous age." In spite of that disparagement, gold is still going strong and its role as the great monetary metal of the world looks assured for many decades to come.

Economic Growth, Employment and Civil Rights

By GUY SIMS FITCH

WASHINGTON:

THE AMERICAN economy clearly is in good shape. Activity is at an all-time high and rising, and no real difficulty is anticipated in adjusting to changing short-term influences.

There is a nagging domestic problem of a more fundamental nature, however, which is detracting from the general aura of satisfaction. Ironically, it is in an area in which the economy has just reached a new and dramatic peak—the employment situation.

Total employment in the United States rose by 1.3 million last month and passed the 70 million mark for the first time in history—a milestone which in other days might have occasioned much self-congratulation. Yet today, perhaps reflecting a growing economic sophistication, the nation's cheer is tempered by an awareness that unemployment still is high enough to account for 5.7 per cent of the labour force on a seasonally adjusted basis.

Food for Thought

Aside from the obvious implication that total demand has not been rising fast enough for the economy to absorb more of the jobless, the make-up of the 4.8 million in the ranks of the unemployed offers additional food for thought.

Teenage unemployment is running at about 16 per cent of the labour force. Admittedly, many youngsters, particularly in these summer months of school vacations, are looking for part-time or temporary work. But this cannot explain away the persistent high rate of unemployment among teenagers, or the fact that the entire rise of 800,000 in the June jobless total was accounted for by the teenage jobseekers, who numbered some 1.9 million. A significant contrast is the unemployment rate among married men, which dropped last month to 3.1 per cent, well below the 1962 level.

Compounding the problem are the nation's demographic trends. Young people in increasing numbers will be entering the labour force in the years ahead. This year, for instance, one million more youngsters will be reaching age 16 than last year, and it can be expected that a number of

these will not be continuing their schooling but will be looking for permanent jobs.

A related problem with strong social as well as economic overtones, is the status of the Negro worker. Unemployment among Negroes stands at about twice the national average, and it is especially high among Negro teenagers.

Socio-Economic Unrest

It would be too much to say that the boiling up of racial tensions in the United States and the intensification of the civil rights struggle is tied solely to a lack of employment opportunities. On the other hand, it cannot be denied that unemployment, especially among Negroes, is aggravating socio-economic dissatisfactions, no matter how well the economy is doing over-all. Concentrated efforts to cope with these related employment and civil rights issues are in keeping with the prevailing national mood.

The Kennedy Administration has been taking strong steps to deal with them in a number of ways, culminating in the dramatic civil rights legislation the President recently recommended to Congress.

Significantly, much of the President's proposed civil rights legislation is in the sphere of economics, complementing other measures designed to accelerate the nation's long-term growth and to make fuller and more effective use of its manpower resources—vocational training, broadening of job hiring, special youth employment programmes, and many more.

Potentially, the most effective of the administration's economic proposals could be the recommended tax reduction, months. The tax programme, which would help speed the nation's economic expansion over the long term, shapes up as an essential counterpart to other efforts—educational, job-creating and anti-discriminatory—to cure unemployment in general and among Negroes in particular. As U.S. Secretary of Labour, Mr. Wirtz, has pointed out, it would do little good to train people for productive positions or to wipe out discrimi-

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minatory employment requirements if there were not enough jobs to go around.

In this sense, it would be unfortunate if preoccupation with civil rights proposals were to relegate to a secondary place, to delay inordinately or block completely, effective Congressional action on tax reduction. Both are important, and both have the highest administration priority.

Battle Over Air Fares

By GILLIS GOODMAN

MONTREAL:

A FEW WEEKS after they had ended a heated debate over raising international airline fares, the world's carriers prepared for another over reducing them. At the heart of the matter was a proposal by two U.S. airlines to drop transatlantic fares by some 39 per cent below present economy-class levels, and what happens on transatlantic fares is more than not soon felt in other international air travel, as well.

The growing tension over the prices of international flight has grown out of the different methods of arriving at the same goal—the lowest possible costs for the maximum efficiency in communications among the various parts of the world. And although the present discussion is over transatlantic air fares, the problem is a universal one. The disagreement is making itself felt at the International Air Transport Association headquarters here.

Fringe Economies

What Pan American and Trans World Airlines propose to do is to introduce a new class of transportation, eliminating all food and beverages in flight and doing away with two-class aircraft, such as are operated at present. The two airlines, among the world's major carriers, argue that such an arrangement makes economic sense and that it will attract more passengers.

Not so, say many non-U.S. airlines. Despite the fact that early-summer vacation travellers were only using 51.6 per cent of capacity on the 17 main transatlantic airlines, fares should stay where they are and other means of attracting more passengers should be found.

Economy-class fares were recently raised by 5.5 per cent on transatlantic flights after a stormy controversy. Non-U.S. carriers, faced with mounting deficits and with summer reservations disappointingly low, believe, in many cases, that marginal services, such as increased food and beverage service, will bring more passengers. They say that improving conditions in economy-class accommodations will bring an upswing in reservations. Besides, they point out, in many countries these services are cheaper than in the U.S. and represent one of their competitive mainstays.

The U.S. carriers say that expense is the main barrier to larger payloads on transatlantic aircraft. The present New York-London round trip ticket is \$499.70 on all airlines which are members of IATA. The U.S. proposal is to drop this to \$320 by using aircraft space more efficiently. The argument behind this is that because of the relatively short time a jet airliner takes to fly the Atlantic, many amenities are not necessary and that a 39 per cent drop would bring transatlantic vacations within the reach of thousands more middle-income families annually.

The strength and durability of the current economic expansion, essentially devoid of inflationary pressures, indicates that the United States can sustain a stable and respectable economic growth. But economists, by and large, join with the Kennedy administration in a realization that in the final analysis demand economic activity in general must be further stimulated if related problems of employment and social justice are to receive adequate treatment.

Other airlines, especially the European ones, say that vacations abroad are becoming more expensive with increased prosperity anyway, and that the fare reduction would do little to help boost it. They prefer to concentrate on "package" tours and on extended-flight tickets. Under the latter system, a passenger may buy a round-trip ticket to one European city and may fly, under certain conditions, to other European cities for the same price.

The present status of the argument is that the non-U.S. carriers are, in the polite language of competitive business, "studying" the Pan Am and TWA proposals. But the battle will really be joined in September at IATA's meeting in Salzburg, Austria. The U.S. will press its proposals there, and the non-U.S. members are likely to resist them with all vigour. But since IATA's decisions must be unanimous, it was likely that a compromise was in the offing, probably instituting a "thrifty class" but with a smaller reduction in fares.—FNS.

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J. RITCHIE,
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AB-21

LISTENING POSTS

Subdued Optimism on Consortium Aid

By Our Correspondent

A SENSE of subdued optimism pervades in the official circles here about the outcome of the current round of Aid-India Club's deliberations. The postponement of the Consortium's meeting from July 24 to July 30, it is hoped, will be final, the intervening period of six days being utilised for ironing out the differences between the member countries.

The postponement of the July 24 meeting, according to Washington reports, was occasioned by the United States' stress that the other member countries of the Consortium, particularly West Germany, should liberalise their terms of aid by lowering their interest rates and increasing the period of repayment. As a quid pro quo, West Germany is reported to be wanting the US contribution to match not only the assistance from the other member countries but also from the World Bank and IDA, as has been done by her in the case of Pakistan.

Britain, West Germany and Japan, it is understood, have evinced their inclination to step up their contributions from the levels agreed to at the June meeting of the Consortium. How much? It is not revealed as yet. Expectations, however, are that the total aid that may be available from this source during the current financial year may be around \$1000 million. This is on the presumption that the United States may not be able to agree to the West German point of view, since the upper limit set by her for her contribution this year is \$450 million. Of this, assistance to the tune of \$375 million has already been pledged by the USA at the June meeting. The World Bank and IDA commitments have been of the order of \$220 million.

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The Union Ministry of Mines and Fuel is deeply distressed over the unsatisfactory working of the Rumanian-built Noonmati Refinery and the delay in the completion of the first stage of the Russian-aided Barauni Refinery.

Despite its being commissioned into production over 18 months ago, the Noonmati Refinery has not been able to overcome its teething troubles. At no time during this period has it worked at more than 50 per cent capacity, with the result that it is suffering a heavy loss on overheads and other expenses. The teething troubles of this Refinery have been unusually prolonged by frequent breakdowns in its kerosene unit.

Mr. P. R. Nayak, Managing Director, Indian Refineries Ltd., is understood to have had detailed discussions last week with the Rumanian Ambassador here in which he exchanged views with the Ambassador on what steps should be taken to rectify the defects in the Noonmati kerosene unit. The matter is also stated to be engaging the attention of the new Minister for Mines and Fuel, Mr. O. V. Alagesan.

Official sources are reticent and decline to throw any light on the measures contemplated to put the matters at Noonmati right. Negotiations with the Rumanian Government, they say, are at a delicate stage. It is, however, believed that the main cause of the trouble is the defective "Rotary compressors" of Swiss make. The present compressors may in the first instance be replaced by new ones, also of Swiss make. If the trouble is not overcome, American compressors might be tried. As an ultimate resort, the necessity of replacing the entire kerosene unit at Noonmati is not ruled out. Under the technical collaboration agreement on this project, the Rumanians are required to hand over this Refinery to Indian Refineries Ltd., in a satis-

factory working order. All replacements of equipment not found suitable are to be done by them at their expense.

The Barauni Refinery's first stage is now expected to be commissioned into production in January next, instead of October. This three months' further delay has been caused by two factors: (i) the labour trouble which has hindered construction work since January last, and (ii) some delay in the receipt of equipment from Russia. The Indian Refineries Ltd., is currently holding talks with the contractors engaged on the construction job with a view to resolving the differences between them and their labour force. Some of the outstanding construction work, it is understood, may have to be taken up by the Refinery management itself in order not to delay its completion further. All these matters, it is learnt, will be sorted out by Monday next.

Despite the delay in the commissioning of its first stage, attempts are said to be made to complete the Barauni Refinery's second and third stages according to the present schedule—the second stage by April-May next year and the third one in another four or five months. No upward revision of the cost of the Refinery from the recently revised figure of Rs. 37 crores is also considered necessary.

Benefiting from Experience

Gaining from the experience of the Noonmati Refinery, suitable adjustments have already been made in the kerosene unit to be installed at the Barauni Refinery. American compressors are favoured to be used in this plant.

The lubricating oils plant to be set up at this Refinery during its third stage is now envisaged to produce only 50,000 metric tons of medium and low viscosity index lubricants. High viscosity index lubes, it is pointed out, can be produced from the Assam crude only to a very limited extent due to the high aromatic and wax content in it. If the Assam crude is mixed with other suitable reduced crudes, either from the Vizag Refinery of Caltex or from elsewhere, the capacity of this lubricating oils plant, however, may be increased to about 80,000 metric tons per annum. Originally, this plant was planned to produce jute bleaching oil. In view of the comfortable supply position of this petroleum product, it had been decided before drawing up the detailed project report for it to go in for the production of industrial and automotive lubricants which command a better price. The cost of setting up this plant is estimated at Rs. 4.5 crores.

★★

The European Economic Community's postponing the decision on suspension of its tariff on tea imports till the end of the current year has caused a good deal of disappointment here. According to an understanding reached between the EEC and Britain during the latter's negotiations on her entry into the Common Market, the nil tariff on tea imports by the EEC was to be brought into force with effect from July 1, 1963.

The disappointment caused is not so much over the fact that this tariff has not been reduced to zero as over its wider implications. The postponement of the application by the EEC of nil tariff to tea is said to have been prompted by some surcharges which Ceylon levied recently on the customs duties on her imports from Europe. If this is true, it is feared, it represents a change in the EEC's attitude towards trade with the under-developed countries. At the recent Ministerial level meeting of the GATT, the consensus of opinion was stated to have been that in scaling down of tariff rates, the

developed countries should not insist on reciprocal steps being taken by the under-developed ones.

New Delhi, however, is gratified at Britain's acceding to its request not to abolish unilaterally duty on her tea imports from African countries and to synchronise it with the institution of nil tariff by the EEC. A unilateral decision by Britain, it was felt, would place Indian tea in a disadvantageous position at a time when India faces an acute foreign exchange shortage.

The Indian Ambassador at Brussels, Mr. K. B. Lall, it is understood, has been asked to take up the question of abolition of tariff on tea with the EEC authorities.

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The two Ministries—the Ministry of Industry and the Ministry of International Trade—created out of the erstwhile Union Ministry of Commerce and Industry, have been assigned the work to be handled by them.

A Presidential Order, issued on July 20, states that the Ministry of Industry will have two departments, one for industry and the other for Company Law Administration. The Department of Industry will deal with the general industrial policy; administration of the Industries (Development & Regulation) Act, 1951; industrial management and productivity; and planning, development and control of and assistance to all industries except those falling under the Ministries of Steel & Heavy Industries and Food & Agriculture. The specific industries listed to be handled by this Department are: cables; light engineering industries; optical glass project; light industries such as plywood, stationery, matches, cigarettes, etc.; light engineering electrical industries; chemical industries; insecticides; antibiotics; salt; power alcohol and small-scale and village industries excluding handlooms. It will also deal with industrial co-operation (excepting in regard to sugar), patents, designs and all matters relating to the Indian Standards Institution, the Khadi & Village Indus-

tries Board, the Central Silk Board, the All-India Handicrafts Board and the Salt Commissioner's establishment.

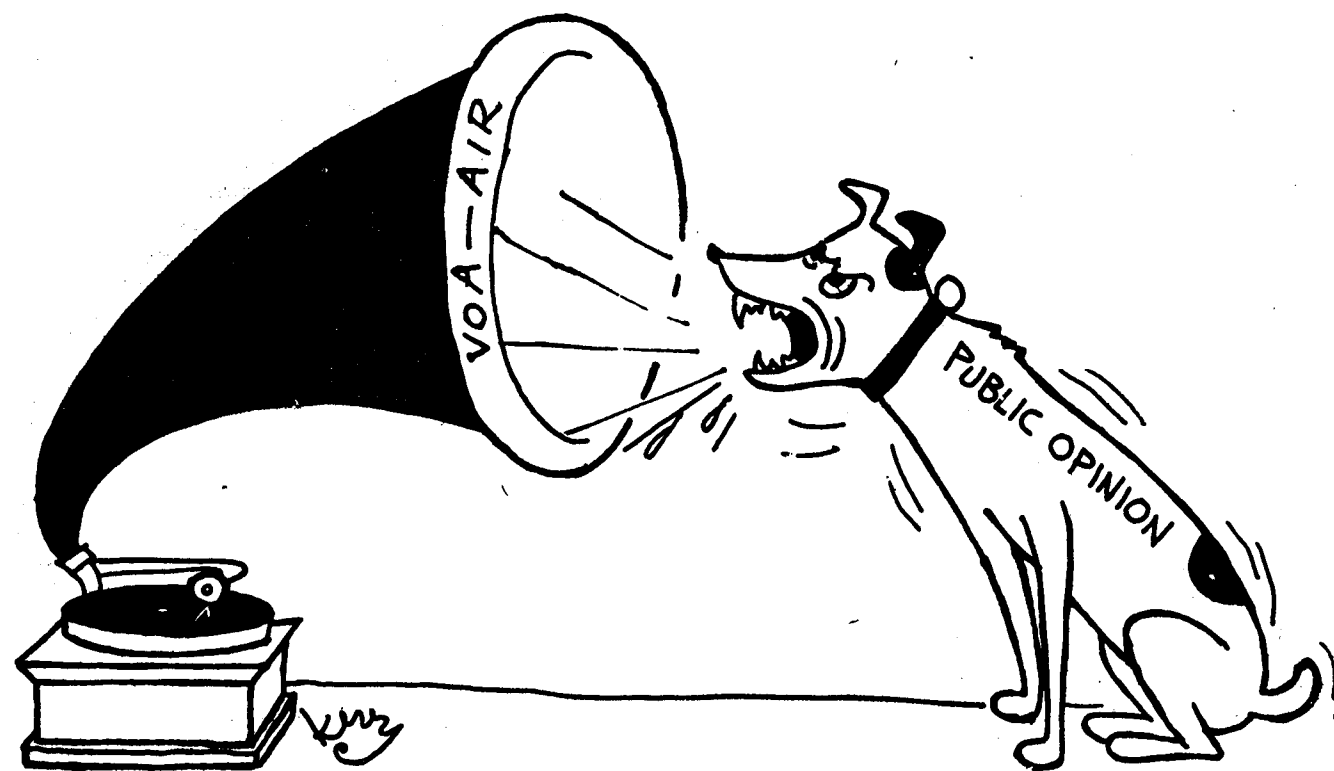
The Department of Company Law Administration will look after the work it is handling at present. There was a proposal to transfer it to the Ministry of Finance but it apparently did not find favour.

The Ministry of International Trade will deal with all matters relating to foreign and internal trade; commercial intelligence; trade marks; enemy property; plantation industries—tea, rubber & coffee; textiles and handloom industries; tariffs and customs. Matters relating to the Forward Market Commission, the Tariff Commission; the Jute and Textile Commissioners' organisations; the Rubber, Tea, Coffee, Coir and Handloom Boards, the State Trading Corporation and the Export Risks Insurance Corporation will be within the purview of this Ministry as also the Indian trade representations abroad.

The position of Mr. S. Ranganathan, Secretary to the erstwhile Ministry of Commerce and Industry, has not yet been clarified. Although he was formerly looking after mostly the work in the Department of Industry, he was Secretary to the overall Ministry and acted as a useful link with the Department of International Trade.

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A meeting under the chairmanship of Professor M. S. Thacker will shortly be convened here to review the principles to be adopted to govern approvals to the establishment in India of consultancy, design and related services by foreign firms in the light of experience gained and in particular with reference to the following:— 1. What are the fields in which scope exists for the setting up of technical consultancy organisation? 2. What should be the scope of activities of the organisation, namely, whether they should be limited to technical consultancy/design only or whether it should extend to undertaking turn-key jobs also? 3. What are the safeguards to be observed to see that foreign exchange is not spent abroad



WITH APOLOGIES TO "HIS MASTER'S VOICE"

on jobs that can be undertaken in India by Indian organisations?

In 1961, a number of applications were received from reputed foreign firms for the establishment of technical consultancy organisations in India in various engineering fields. In a series of discussions, in which the representatives of the economic ministries participated, the basic principles to be taken into account while considering the grant of approval to such firms were evolved. These principles were also given wide publicity by the Indian Investment Centre.

On this basis, 9 cases have so far been approved. It is learned that with the exception of Messrs. Simon Carves and Messrs. Hydrotherm, in all the other cases the approval is limited to the firm undertaking consultancy/design services only.

Some of the firms which have already been licensed as well as other firms whose applications are pending have represented that unless they are permitted to undertake turn-key jobs, their ventures, besides being uneconomic, will not permit them to offer the best service to their customers, hence the review.

★★

The question of foreign brand names is under reappraisal here. It is felt that the policy so far followed has been too rigid and needs a revision. A foreign brand name may not be permitted, if it were to be detrimental to an old and established Indian industry. It should, however, be allowed, if it were to accord with a larger consumer acceptance.

Government is also committed to discourage monopolies. Competition, incidentally also improves efficiency of an undertaking and or quality of goods. The case of the lamp industry should illustrate the point. What are called S.L.S. Lamps have been in short supplies and even the essential requirements have not been adequately met. To introduce competition and increase the capacity, the Government recently approved the scheme of Mysore Lamp Company to increase its output by installing additional equipment in collaboration with International General Electrics. The foreign collaborator however wanted to manufacture lamps under its own brand name. This has also been agreed to by the Government.

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One of the latest reports of the National Productivity Council on Machine Building Industry in the U.S.S.R. and Czechoslovakia is a useful compendium relating to machine building industry in India as also in the two countries visited by the productivity team. Some of the recommendations made by the team are not endorsed by the representatives of workers. They relate the linking of wages to production and productivity, suggestion that the workers should not get automatic annual increments and that trade unions should not be allowed to fall into the hands of irresponsible leadership.

In regard to linking the wages to productivity, the workers' representatives in a minute of dissent state as under:—

"In the conditions obtaining in India, this recommendation is unacceptable to the trade union movement. In the U.S.S.R. and Czechoslovakia, the socialist system of production ensures that the product will be utilised for the common good of all, and wages are only one part of return which workers get. Constant reduction in prices, elaborate and cheap housing facilities, medical aid, educational facilities, recreational and holiday arrangements, provisions for cultural activities, etc. all contribute to the well-being of the workers and ensure a real wage which increases much more rapidly than nominal wages. In India, at present, all these facilities

are either totally or practically non-existent. Available data show that in the past years, productivity has outstripped real wages by as much as double.

"Apart from this in the prevalent conditions in industry in which there is no standardisation of jobs, or wages, where patterns, tools, machines and materials are also not standardised and where piece-rates are often changed arbitrarily by the employer, the real meaning of linking wages to productivity will be only to increase the exploitation of the workers. There is no minimum fall back wage in India, no unemployment insurance, no old age pension, and retrenchment benefits are meagre. This contrasts sharply with conditions in U.S.S.R. and Czechoslovakia.

"In view of this we feel that this recommendation is not warranted by the prevailing conditions in India. All trade union organisations are opposed to it and, in fact, if an attempt is made to enforce it, the workers will be forced to resist it."

In Workers' Interest

As against this, the majority has cited the observations of the Russian team, which visited India in 1961. It had suggested that wages should be linked with productivity. "This is in the interest of the workers themselves inasmuch as they can earn money according to their skill and output. This principle has been established all over the world, specially in Russia and Czechoslovakia where workers earn more money by producing more norms which are periodically revised with the change of techniques. It is also in the national interest that wages are linked with productivity in order to curb inflation. In India it is found that wage increase without linking it with production gives rise to increase in costs resulting in inflation of prices. With the increase in wages the cost of living also increases with the result that no benefit accrues to the working class."

The majority has added that the so-called exploitation of workers by employers is not a fact now due to various legislations provided to safeguard the working class and a few small employers who may disregard these laws, cannot be taken as representing whole industry.

The unanimous recommendations are as under:— (1) A central agency should be set up to translate into English the technical literature already available and published from time to time in other languages. (2) For effective maintenance of machines, each industrial unit should have a maintenance section adequately staffed and equipped to foster maintenance consciousness. (3) Similarly each unit should have a design office adequately staffed and equipped for preparation of designs. For this purpose, a machine building section, either as part of tool room or as a separate unit, should be set up in each plant for making its own special purpose machines. (4) A continuous supply of skilled operatives and technicians is essential and properly organised apprenticeship training schemes and educational and training facilities for adult workers should be provided throughout the country.

★★

Two representatives of the U.S. A.I.D. have arrived here to undertake a survey of the raw material potential required for the Bokaro Steel Mill. This is in modification of an earlier plan to send out a full team for this appraisal.

★★

Owing to shortage of foreign exchange, no import of tractors is allowed at present except from the U.S.S.R. and East European countries. Arrangements have been made for the import of 1,800 tractors from the Soviet Union during 1963 and the possibilities of arranging imports from some East European countries are being explored. Five firms in India have been given licences for the manufacture of larger types

of tractors in 12-45 D.B.H.P., the demand for which is expected to rise to about 10,000 a year by 1965-66. Three firms have been licensed to manufacture smaller tractors of 10 D.B.H.P. Three other firms have already started production of wheel tractors. The number of wheel tractors so far produced in the country is placed at 2,461 and at 3,600 by the end

Shipping Target Unambitious

By R. V. MURTHY

BOMBAY:

THE FIRST meeting of the re-constituted National Shipping Board (NSB) under the chairmanship of Mr. C. H. Bhabha has begun well by taking stock of "the unusual rapidity with which maritime countries of the world have built up and are building up, their navies of supply and commerce" in contrast to the unusual complacency of our Planning Commission, which, it may be recalled, actually reduced the target of 14.22 lakh GRT (to be reached by the end of the third Plan as recommended by the NSB) to 11 lakh GRT and also stipulated that ships should be acquired on deferred payment terms. As though this was not enough, the Government of India followed this up with an announcement of its inability to release any foreign exchange for acquisition of ships. All credit must, therefore, go to Indian shipowners who have been able to place orders, or will soon do so, to raise the Indian tonnage to over 15 lakh GRT by the end of the third Plan. This clearly suggests that it is not so much the calculations, if any, of the Planning Commission as the enterprise and resourcefulness of our shipowners that have contributed to this modest increase of our shipping. In spite of this increase, not only are we nowhere near the overall national target of 20 lakh GRT worked out by the Government of India in 1947 (vide their Shipping Policy) but we are also lagging behind even countries without previous maritime record like Brazil and Argentina.

"Guestimates"

It seems to me, in retrospect, that the basis for the Planning Commission's target for shipping in the third five-year Plan was the principle accepted by the Government of India in 1947 regarding the respective shares in overseas, adjacent and coastal trades of this country. I draw this conclusion from the figures in this respect given by Mr. Bhabha, which are 50 per cent of overseas, 75 per cent of adjacent and 100 per cent of coastal trades. Only, instead of applying these percentages to the latest trade position, the Planning Commission probably adopted the same (pre-war) figures of 120 lakh tons overseas, 47 lakh tons adjacent and 24 lakh tons coastal trades, on which basis the application of the principle adopted by the Government of India gives 11.9 lakh tons. This naturally inadequate estimate of the figures of our coastal, adjacent and overseas trades by the Planning Commission is highlighted by the approximate figures of cargo handled by our major ports ("in the absence of official statistics or data, it would be difficult to give any exact figures, said Mr. Bhabha). According to him, the total cargo handled by all the ports, including Marmugao, in 1961-62 was of the order of 46.5 million tons, of which 32 million tons represented cargoes in the overseas trade. Mr. Bhabha estimated that, by the end of the present Plan, about 50 million tons of cargo would be handled by all the ports of India. All these, however, are at best what we may call "guestimates", and it is just as well, therefore, that the NSB lost no time in appointing a committee to evaluate the rate of growth of India's foreign trade and assess the extent to which Indian shipping could participate in the increased trade, with particular reference to the tramp and tanker sectors. The reference to tanker and tramp tonnage here is significant, because, as Mr. Bhabha underlined, when we are thinking of raising

of 1963. By 1966 indigenous production it is hoped will meet the demand for agricultural tractors in full.

The Defence Department has already taken up production of the "Komatsu" type high horse-power crawlers with the collaboration of a Japanese firm.

our tonnage in a big way, due care and attention must be paid to the acquisition of different types of ships so as to ensure a balanced fleet. So far, the expansion of Indian tonnage has been mostly in liner services, so that we continue to be short of tankers and tramps, especially bulk carriers. It is heartening to note that, latterly, every effort is being made to encourage these types of ships. But, as the leeway to be made up is still considerable, more positive inducements such as advance of loans at reduced rates of interest (even lower than 3 per cent, as suggested by Mr. Bhabha) should be offered to shipowners desirous of acquiring bulk carriers.

Higher Targets

Laying down a higher target may not present a problem, except perhaps to our wise men in the Planning Commission. The really important question is that of finding the finance for acquiring the tonnage as per the determined target. As the new Chairman of the NSB observed, this should be carefully thought out. For, in the first place, owing to our slender foreign exchange resources, we cannot expect the Government to provide very much for this purpose. In other words, to quote Mr. Bhabha, "the policy of securing cent per cent credit for obtaining tonnage is one that is now cast on shipowners". In view of the strain that such a policy imposes, e.g. competitive capacity of Indian tonnage, failure or inability to contribute to the foreign exchange pool, as debts due to shipyards have to be cleared first, Mr. Bhabha welcomed the 40 per cent foreign participation policy decision taken by the Government recently. With such participation, he hoped, it might be possible to raise credits abroad. In this connection, Mr. Bhabha drew pointed attention to the fact (not so well known at all) that Indian shipping has not succeeded in getting the World Bank and the IDA to give substantial credits as they have done to several wings of transport in other countries. One really fails to understand why this should be so, if, as Mr. Bhabha said, as early as in 1948, the World Bank made a loan of 12 million dollars to four shipping companies in the Netherlands. Both the NSB and the Government of India should lose no time, therefore, in taking up this question with the World Bank. This is absolutely necessary to re-establish Indian shipping in its proper position in the maritime world.

Another important question pinpointed by Mr. Bhabha relates to the large cargoes at the disposal of our Government. While welcoming the preference given to the Indian Flag for carrying these Government-controlled cargoes, he called for accurate data about the total of such cargoes, freights paid on such cargoes, freight on such cargoes taken away by non-Indian bottoms and other similar vital statistics of shipping. In insisting on this, he said: "the carriage of cargoes by Indian ships is an active instrument of shipping policy of assisting the development of the merchant navy and, therefore, it is of prime importance to find out periodically what the real position is about the total cargo under the control of the Government and how much of that cargo is available to the Indian Flag and how much of that cargo has been made available to the Non-Indian Flag." It should not be very difficult for the Government to provide this information, especially now that a Chartering Wing has been established specifically to be in charge of this work, which has hitherto been handled by the India Stores Department, in London, and

the India Supply Mission, in Washington. The information, when made available, would surely be revealing.

★★

The interim margins on the Bombay Stock Exchange on forward deals in shares were unrealistic and hampered the normal working of the market mechanism. This was the impression of Mr. Dhirajlal Manganlal, Vice-President of the Indian Merchants' Chamber and a Member of the Governing Board of the Bombay Stock Exchange. Instead of imposing margins on a broker irrespective of the 'bull and bear' positions the correct way would be to impose a margin against a bull in a rising market and against a bear in a falling market. The daily margin of 40 per cent payable by a broker on his business over Rs. 10 lakhs was excessive. The State of the capital market was described by him as 'lamentable'. The heavy dose of corporate taxation, the insistence on issuing shares by the CCI at premium by established companies, the RBI credit policy and the Government's insistence that new companies should be formed for undertaking new business are some of the factors at the root of the trouble. The paid-up capital of 1348 securities listed on the nation's seven stock exchanges was Rs. 1,059 crores in 1961; the market value of these shares was around Rs. 1,900 crores in 1962. It had declined by about Rs. 350 crores in recent months. The new issue activity came to a complete standstill since the declaration of the Emergency.

Equities on the Bombay Stock Exchange, after opening lower, staged a smart rally. A majority of the counters recorded handsome gains. Encouraging corporate news was the main bullish factor; the easy money conditions and absence of untoward political developments aided the sentiment. The rumours that the margin system might be revised assisted the situation favourably.

★★

Thanks to the energetic measures taken by the State Government, adequate stocks of rice have been built up. The Maharashtra Government has promised of 2,20,000 tons of rice; further stocks, if necessary, will be provided from Andhra Pradesh account. Since last October, the State Government has succeeded in doubling the stock position of rice. The off-take of rice in fair price shops in Greater Bombay works out to an average of 7,500 tons per month; in the districts, monthly off-take is 12,500 tons. The total off-take of rice in Maharashtra is therefore around 20,000 tons per month. The State being deficit in the production of rice, it has to depend mainly on Madhya Pradesh for its open market rice. The State received 2.68 lakh tons from Madhya Pradesh during 1962 season; so far, this year, it has received 90,000 tons. The short-fall in rice production in Madhya Pradesh sent up the rice prices in Maharashtra. Hence the new arrangements. The wheat position is extremely comfortable since October.

Kirloskar

BOMBAY the LARGEST LATHE

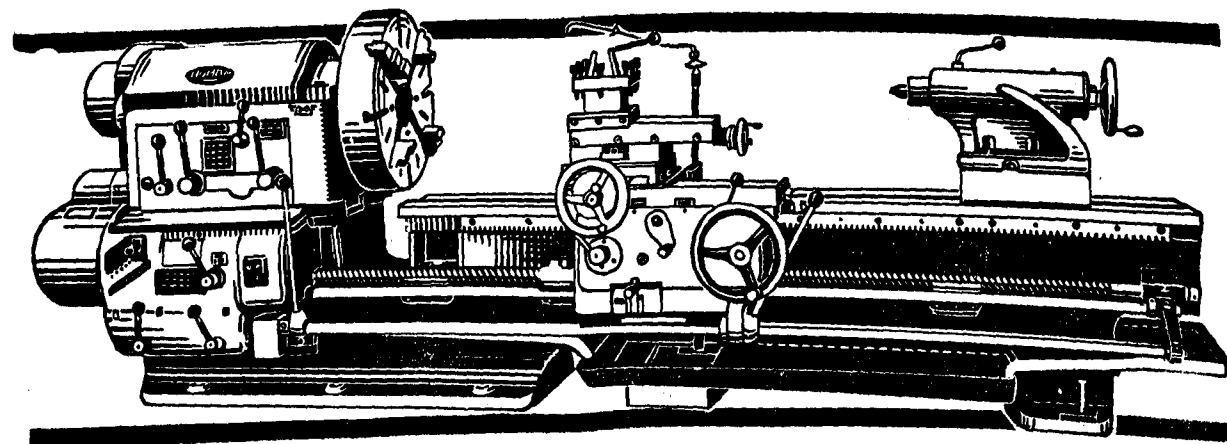
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1962. It has been found that the highest expenditure incurred by an individual in Maharashtra is on food group. The middle classes in Bombay City spend 42 per cent of the income on food and the city's working class spends 57 per cent. In Poona City, 60 per cent of income is spent on food by the working class. In the rural areas of the State the proportion is as high as 73 per cent. The expenditure on clothing and footwear comes to 3 per cent for middle classes, 9 per cent for labour classes in Bombay City and 11 per cent in the rural areas. The importance of holding food prices cannot be under-emphasized. Speaking to a Study Group during the week-end, the Finance Minister, Mr. S. G. Barve, expressed the opinion that full-scale rationing of essential commodities was no trouble-free solution to the present problems. A much more practicable alternative was the fair-price shop system. Those who advocated introduction of full rationing of essential commodities did not appreciate the administrative difficulties and abuses to which such rationing was likely to give rise.

★★

The Maharashtra Housing Board has been contemplating to evict several hundreds of Housing Board tenants in industrial workers' colonies with incomes exceeding Rs. 350 per month. These tenements are heavily subsidized and it is the contention of the Board that such workers belong to low income group and do not come under the category of industrial workers. Those in the higher income bracket in the Housing colonies would be given 18 months' time to vacate. Although this rule was in the original Agreement, the Housing Board has chosen to enforce it now. If the rule is enforced, nearly 50 per cent of the tenants in industrial workers' colonies in Bombay will have to vacate their premises. The representatives of tenants are meeting the Housing Minister next week. Why not declare

the industrial workers' colonies into low income group colonies and charge them additional rent? The Government would do well to consider this alternative and avoid large-scale misery in the context of acute housing shortage in the city.

★★

There was a further spurt in deposits and sizable contraction in bank credit during the week ended July 12. Deposits increased by Rs. 14 crores and credit contracted by Rs. 16 crores. The investments went up by an equivalent amount (Rs. 30 crores). The slack season (1963) contraction in credit so far has amounted to Rs. 77 crores as against Rs. 18 crores in the corresponding period of last year. The deposit growth in the period too has been satisfactory because it amounted to Rs. 68 crores as compared to Rs. 46 crores in the corresponding period of 1962. It is evident that the loan floatations are coming at the right moment. The Deputy Governor, Mr. M. V. Rangachari, summoned the leading bankers to discuss the support for the loan programme. It is understood that they promised to do their best but requested that liberal facilities at the Bank rate should be given to banks against Government securities in the next busy season. The bankers seem to stipulate relaxation of credit control for supporting the Government loan programme.

The results of important banking institutions in the first half of 1963 published so far clearly indicate that the impact of the super profits tax has not been heavy and that on account of a higher level of earnings the disposable profits have been well maintained more or less at the same level as in the corresponding period of 1962. With a larger capital ranking for dividends in many cases, the transfers to reserves may not be probably on the same scale as before. All the banks which declared results so far, Dena, Bank of India, Bank of Baroda and Central, maintained dividends on higher capital.

Lyons Range Regains Confidence

From Our Correspondent

CALCUTTA:

IT IS A MEASURE of the revival of confidence in the stock market that Lyons Range has continued to look cheerful despite the fact that two of its important guesses were proved wrong. Enthusiasm had been whipped up following the higher dividend announced by TISCO and bulls on Lyons Range took it for granted that equally good news awaited the shareholders from the other private sector steel company. But before long the authoritative news of the IISCO dividend was announced and it falsified expectations. It was announced by the company that it had decided to recommend to the general meeting of shareholders a dividend of Rs. 1.60 per share subject to tax for the year ended 31 March, 1963, same as last year. According to a brief report issued by the company, net profit for the accounting year ended March 1963 after providing for depreciation, taxation and allocations to reserves amounted to Rs. 1,91,87,975 as compared with Rs. 2,24,90,390 in the previous year. Provision for depreciation is higher at Rs. 3,40,18,269 against Rs. 3,35,24,699 while allocations to reserves have also been increased to Rs. 3,64,01,226 from Rs. 2,98,38,206. Taxation gets a smaller provision at Rs. 3,56,00,000 as against Rs. 3,95,50,000 last year. As is to be expected the news caused some disappointment and consequent marking down of the price of the scrip. Even so bulls were not deterred and continued to maintain their hold on the market presumably encouraged by the assumption that the high reserves and lower allocation to taxation were favourable factors that augured well for some good news to the shareholders, if not now, at least in the immediate future. Similar disappointment awaited the market two days later in the shape of a cut in the dividend by Hindustan

Motors, another active forward scrip about which there had been much speculation immediately prior to the announcement of the dividend. A dividend of Rs. 1.15 per share subject to tax has been recommended by Hindustan Motors as against Rs. 1.25 paid last year. This again failed to diminish bullish fervour to any appreciable extent and after the initial disappointment had been overcome the stock market was found to resume its twice interrupted onward march.

Bright Outlook

It is evident that operators at least believe that the outlook for stock market has brightened in the past few weeks mainly in view of the interest evinced by Authority to revive the capital market. It is confidently believed that before long institutional investors may be persuaded to lend active support to the stock market, while on its part Government may think it necessary to relax the present restrictions governing trading. It is also believed that the working of industries will receive much more attention than hitherto by the increasing availability of raw materials. The fact that more of untied foreign aid will be available for the current year has encouraged optimism in this regard. The comparatively minor changes in the Central Cabinet have also helped the revival of confidence. A significant feature of trading during the past few days when speculative activity has been gathering momentum, is that the genuine investor has been by and large a passive spectator. There are too few incentives still for him to make purchases worthwhile and he can ill afford to withstand another landslide if it should come. The investment situation is too nebulous what with the emergency on and the corporate sector reeling under the weight of this

year's taxation to enter the stock market with the confidence that his investments will bring him an equitable return in the near future. And it is doubtful if the present steadiness of the stock market can last long if the investor continues to remain unresponsive.

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The overall statistical position of jute goods seems to be fairly satisfactory. Production during June was placed at 100,300 tonnes comprising 41,500 tonnes hessian, 40,000 tonnes sacking and 18,800 tonnes other categories as compared with 104,900 tonnes in the previous month. The decline in production last month is mainly due to the fact that it was a short working month when mills worked for 194 hours as against 216 hours worked in the previous month. The decline in production has been shared by both the main categories while the output of other categories has been maintained at the previous month's level, indicating the growing demand for carpet backing hessian etc. That the outgo during June has been at a satisfactory level is borne out by the figures for despatches. Despatches of jute goods in June amounted to 99,000 tonnes and these are only 1,300 tonnes lower than the month's production. A closer look at the figures for despatches will show that while hessian and other goods continue to be in good demand the position of sacking is getting weaker on the export markets. The total despatches of 99,000 tonnes are made up of 75,300 tonnes for export abroad and 23,700 tonnes for local purposes. Hessian despatches for export have been higher at 39,100 tonnes but those of sacking at 19,500 tonnes are 3,700 tonnes lower than in the previous month. The growing importance of new products in the export trade of jute goods is shown in the rising trend of offtake in other goods the despatches of which for export abroad during June totalled 16,700 tonnes.

Barlap Consumption Falls

For the current month however the indications so far have not been very encouraging. Foreign enquiries have not been many and even hessian has come to be neglected. The apprehension that buyers in US may slow down purchases has been heightened by the decline in burlap consumption in that country during last month. Consumers in US absorbed only 68.8 million yards in June as compared with their offtake of 76.2 million yards in the previous month, while the stocks at the end of the month declined only slightly to 259.9 million yards. The decline in burlap consumption in US has been interpreted to mean that buying in that country is being influenced by the large availability of jute this season. During the past few days trading in the jute goods market in Calcutta had been governed by various rumours. At one time rumour had it that Argentina would be placing a sizable order but nothing came out of that. The market is however

still entertaining the hope that prospects for exports to the UK would improve in view of the reported move in that country to substantially reduce the mark-up on jute goods. It has been reported that following the representation made both by the Indian Jute Mills Association and the Jute goods trade in UK, the Board of Trade has under consideration a proposal to cut the mark-up from the prevailing level of 20 per cent to as low as 5 per cent. At present consumers of jute goods in UK are obliged to pay a high price for their requirements as imports are marked up in price to accommodate the domestic jute industry whose cost of production is high. This at once puts the domestic consumers at a disadvantage and the exporting countries like India are also not able to expand their despatches to UK.

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It is just as well that the recent meeting between Government representatives and the steel manufacturers both in the private and public sectors has not come to any hasty decision over the removal of control over distribution and price of steel. For a change in the present system of steel distribution should have decided advantages and should also ensure that the reasonable requirements of all consumers, big and small are satisfied. That the present system of distribution needs revision is now the opinion of experts also. How the present arrangement militates against the effective use of even available supplies has been explained last week in Calcutta by Mr. D. K. Moondhra when he presided over the annual meeting of the Steel Importers Association of India. It is the experience of consumers that they do not either receive supplies in time from the main producers or if received such supplies are not balanced so that the job on hand is delayed in its execution. Mr Moondhra says that the reason for this state of affairs will be found to be the undue emphasis on production figures by the steel producers without paying much heed to the actual requirements. In their anxiety to show high levels of output, sections for which there are heavy orders and which give them a large production in comparison with other sections are preferred while scant attention is paid to sections for which the demand is not so heavy. The question of decontrol has therefore to be very carefully examined for its repercussions on various consumers. Some of the safeguards that should obtain even when control is lifted are indicated by Mr Moondhra and will bear repetition: prices should not be increased to an unreasonable level as otherwise consumers who have pending orders would be adversely affected; regular supplies to medium and small scale industries should be assured; sections which are in short supply should be regularly planned for rolling and equitable distribution to the different parts of the country should be assured.

Will Lignite, Oil Infuse Greater Hope?

From Our Correspondent

MADRAS:

THE DISCLOSURE by Mr. R. Venkataraman, the Madras Minister for Industries and Power, at the Industrial Seminar held at Karaikudi in Ramanathapuram District last week that efforts are being made to locate lignite deposits in the district has raised hopes that the Madras State may be able to overcome its deficiencies in regard to coal and water power resources and develop into an even more important industrialised area. What lignite can achieve is now being clearly demonstrated by the developments in the Neyveli area where, even under difficult conditions, lignite or brown coal is being mined and thermal power is being generated using this mineral as fuel. From 1965, chemical fertilizers, briquettes and various by-products will begin to be available. Extensive drilling operations are being carried out in Ramanathapuram

District which is the most backward area in the State and the quality of lignite drilled so far has been found satisfactory. In fact, it is claimed that it is even superior to Neyveli lignite and, if sufficient reserves are available, there will not be any serious problem of mining because there would be no water below the lignite seam. For quite sometime, the authorities at Neyveli had to contend with the problem of keeping down the pressure of under-water aquifers and there were doubting Thomases who were sceptical of lignite being mined successfully in the Neyveli area. As thermal power, fertilizers and various by-products from briquettes can result in the industrialization of a large area, the availability of lignite in another part of the State in fairly large quantities would be helpful to generate more thermal power besides enabling the establishment of fertilizer units or such other industries as could be based on lignite as fuel or raw material. Pending

the completion of the drilling operations and a reliable estimate of available reserves, it would be incorrect to draw up plans for industrialization of this area. But the positive manner in which Mr. R. Venkataraman made the disclosure has given rise to the expectation that lignite in sizable quantities would be located in the Karaikudi-Devakottai area and Ramanathapuram District can expect to develop in a better manner on account of this discovery.

This backward region can hope to benefit from the efforts made to locate also oil reserves. Already, some exploration parties of the Oil & Natural Gas Commission are working in this area. There is a feeling that the oil belt may extend from Pattukottai in Thanjavur District to Tiruvadanai in Ramanathapuram District. It is premature to say that oil reserves in commercial quantities would become available in the Cauvery Basin. But the Russian geologists who have been very successful in the Ankleshwar and Cambay region seem to be optimistic about a similar success in their exploration for oil in the South. It is needless to say that the discovery of lignite and oil in exploitable quantities can make all the difference to the economy of the districts concerned not to speak of the State as a whole.

Utilizing Known Resources

It is, however, pointed out that even if oil and lignite were found, it may take a number of years to make the necessary arrangements for their exploitation. In the meantime, it was, therefore, agreed at the Seminar, which was sponsored by the State Government and attended by a large number of industrialists belonging to the District, that immediate steps should be taken to utilize known resources and ancillary light engineering industries, which would feed the Central projects at Tiruchirappalli and Bangalore, should be promoted. Besides, the large deposits of high-grade limestone could be used for manufacturing cement and soda ash. There is already a cement unit (the first stage of expansion for installing a kiln having a capacity of 350 tons daily has just been completed taking the total to the licensed capacity in existence) while there are plans for promoting another unit based on limestone deposits in the coastal area in the same district. The State Government has also suggested that a large-sized unit for manufacturing soda ash can be located while there are proposals for establishing a number of spinning units to supply the yarn required by the handloom weavers in the area. A steel rolling mill is in operation in Virudhunagar while there are numerous spinning units at Rajapalayam and elsewhere. The Chief Minister, who hails from this district, is naturally anxious that arrangements should also be made to provide irrigation facilities for the parched areas with the help of Kerala. The course of developments in the next few years is sure to be watched with keen interest.

But what is noteworthy is the alertness of the State's Industries Minister to achieve balanced industrial development in all the districts and put to maximum use available resources. It is intended that similar seminars should be held in every district and Madurai will be the next venue.

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The need for increasing agricultural production by using to the maximum extent the newly created irrigation facilities has been latterly emphasised. The Planning Commission is naturally upset over the waste of new resources in West Bengal, Orissa and Andhra Pradesh. In the traditionally rain-fed areas the ryot has not been keen to use water from the new projects on payment though it is clear that the value of additional output would be very much more. However, in Andhra Pradesh and Mysore, the former State particularly, the problems that have to be confronted are different. The large arid areas served by the Tungabhadra project require heavy capital expenditure and farm labour in large numbers. As the population in the district served by this project is sparse, for quite a long time, the cultivated

area was only a fraction of the potential area. Latterly, good progress has been made and in the next three years the Rs. 108-crore Tungabhadra project would be irrigating over a million acres and the value of additional output of paddy and commercial crops would be easily Rs. 20 crores. The power generated from the units having an installed capacity of 172 MW. ultimately would also help the promotion of many industries besides relieving considerably the shortage now being experienced in Andhra Pradesh.

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Two South Indian banks have published their results for the first half of 1963. Following the experience of bigger institutions in Northern India, it is gratifying to note that both Indian Bank and Indian Overseas Bank have been able to report an increase in their earnings notwithstanding a higher level of working expenses. The performance of Indian Bank, however, should be considered more gratifying as, after the setback suffered by this institution sometime back, deposits have been growing in volume and now stand at the highest level in the history of the institution. In the past twelve months particularly there has been an increase of over Rs. 4 crores taking the total to over Rs. 49 crores. The net profit for the six months under reference, after providing for income-tax and super profits tax, was higher at Rs. 8.96 lakhs against Rs. 8.29 lakhs for the corresponding period of 1962. It is learnt that the liability towards super profits tax was roughly about Rs. 1.8 lakhs. The addition to working funds has therefore, enabled the bank to earn larger profits though the shareholders have not derived any benefit on account of the better working results. After transferring to general reserves Rs. 1.80 lakhs, a dividend and bonus of 7 per cent, taxable, is to be paid which is half the distribution for the whole of 1962. In the first half of 1963, the distribution was 7½ per cent, taxable, but it was found necessary to reduce the final payment to 6½ per cent making a total payment of 14 per cent, taxable. Actually, prior to the announcement of the new tax measures, the Directors had declared a final dividend of 7½ per cent making the total for the year 15 per cent, taxable. The distribution had to be reduced because of the need to provide an additional amount towards SPT. This bank has recently been authorised to collect deposits under the Compulsory Deposit Scheme.

Indian Overseas Bank has also earned a larger profit, before taxation, of Rs. 20.76 lakhs for the first six months of 1963 against Rs. 19.33 lakhs in the corresponding period of 1962. This bank has also been adding to its deposits and it is expected that when its programme to open a large number of branches during the year is completed the increase in working funds would be quite sizable. No interim dividend has been declared as this bank usually makes annual payments.

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In the Madras Stock Market there has been continued activity especially as Bombay advices have been encouraging. It was also felt that there would be a suitable revision of selling prices for Rayon Yarn and Travancore Rayon and South India Viscose would, consequently, be able to report better results during 1963. But there was brisk buying of plantation issues and the three counters belonging to the Peirce Leslie group were very active. Calcutta interests are still reported to be keen on absorbing large parcels. As other interests also got active, there was a sharp rise in the rates for Chembra Peak, Ouchterlony Valley and Periakaramalai. At one stage, there was a rise of nearly Re. 1 in less than a fortnight to Rs. 3.90 for Periakaramalai while OV were done up to Rs. 4.60 and Chembra Peak to Rs. 4.50. At the higher levels, the main buyers withdrew from the market, perhaps temporarily. With offerings from holders, prices were marked down. The cornering operations, have still to be completed and the three scrips may continue to be in favour for some time yet.

1788
THE E.I.D.-PARRY GROUP
1963

INDIAN SUGAR

FOR CANADA

"The State Trading Corporation has concluded a contract for the supply of one lakh tons of sugar to Canada, during 1963. Half of the estimated sale proceeds of Rupees Four Crores will be utilised for importing fertilisers, newsprint and wood pulp. The other half will be a nett foreign exchange saving."

—News Item.

The five sugar factories of the E. I. D.—Parry Group, located at Nellikuppam, Pugalur, Pettaivaythalai, Samalkot and Tiruvalla, produce 90,000 tons of sugar every year—the largest production from a single group in South India, representing one-fifth of the annual consumption in South India. In addition, 3000 tons of confectionery are also produced.

Both sugar and confectionery are exported, earning foreign exchange for the country.

The E.I.D.—Parry Group is also concerned with the production and distribution of substantial quantities of fertilisers and in 1963 the Group expects to supply about 200,000 tons.

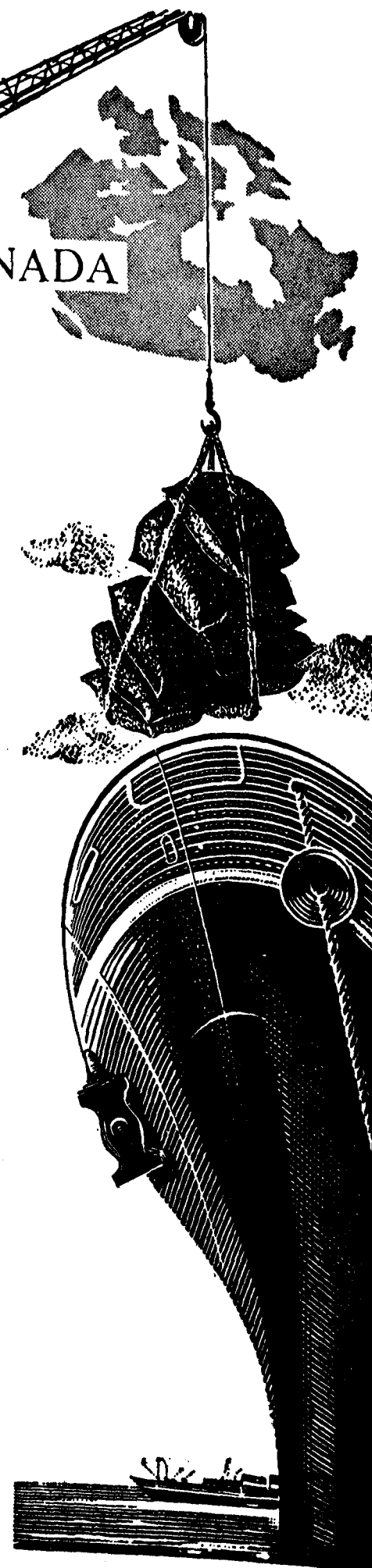
This significant contribution is expected to be further increased when expansion programmes are realised.

Other manufactures of the Group include sanitary-ware, light railway equipment, acids, chemicals, carbonic acid gas and industrial and potable alcohol.

Started as a small trading concern in 1788, the Group today comprises nine companies of substance, offering employment to more than 10,000 people, and keeps on expanding its activities in pace with the nation's march to economic independence.

THE E.I.D.—PARRY GROUP, MADRAS

PLAY YOUR PART IN THE NATIONAL DEFENCE EFFORT



The moving fingerprints

WHAT I LIKE most about the changes in the Government announced by Mr. Nehru last week is that they have been so successfully kept secret. If I am not mistaken "The Hindu" alone among the national newspapers was able to anticipate—and this it did the day before the announcement—the induction of Dr. K. L. Rao, but even "The Hindu" correspondent went wrong in the matter of portfolios; he indicated that Dr. Rao was to be given the Ministry of Mines and Fuel. It is, of course, true that most papers agreed that Mr. K. C. Reddy would be out, but Mr. Reddy's exit, I would point out, was in the nature of a foregone conclusion and no sleuthing was, therefore, involved. It is possible, of course, that the changes could be kept secret only because they were a few and that, had Mr. Nehru decided to add to or subtract from the Cabinet on a more substantial scale, news would certainly have leaked out. It would have been difficult also to keep his intentions secret had he put through a plan of considerable reshuffling of portfolios. It is largely because Mr. Nehru did so little that not much was known in advance of what he was going to do. In this sense, embarrassed newsmen in the Capital, who have been "foxed" by the Prime Minister, need not perhaps entertain as poor a view of themselves as newspaper readers, recalling some of the front-page stories on impending Cabinet changes which appeared in the earlier part of last week, might be inclined to adopt.

About the recruitment of Dr. Rao, there are two views in Government and political circles here. One view of course is that the selection of a technical expert for a portfolio which is, in its day-to-day administration, largely of a technical nature, is an appropriate decision. But I have also heard a different opinion expressed. I have heard it said that, while Dr. Rao may be wise about high dams and all that, the Ministry of Irrigation and Power is being frequently called upon to consider high policy issues of which disputes over inter-State rivers are only one. Those who hold this view doubt that Dr. Rao has sufficient background or will have enough political authority to play effectively the role of mediator or co-ordinator at a national level. There is also a suggestion that the elevation to ministerial rank of an ex-official, who had only recently retired from a post rather in the middle ranks of Government service, is likely to cause embarrassment to senior Civil Servants. Incidentally, it appears that Dr. Rao's name was considered in April, 1962, for a Deputy Ministership in the Irrigation and Power Ministry. His present appointment seems to have been sponsored by the President, Dr Radhakrishnan.

I had always thought that news is made when man bites dog, not when dog bites man. I am, therefore, rather amused by the fuss which the columnists in the daily Press have been making over the Voice of America deal not having been discussed in the Cabinet before the agreement was signed. I could have understood the excitement had the Cabinet been consulted, for is it not one of the established conventions of the Nehru Government that important issues of policy are not as a rule, brought on the agenda for Cabinet meetings? There has also been a complaint that our Ministers lack a sense of collective responsibility and one explanation perhaps is that Mr. Nehru in fact has no use for collective responsibility. It has been complained again that our Ministers tend to talk behind one another's back about policy matters as well as personal affairs. But is it not only natural that they should do so, seeing that they have no legitimate opportunity for discussing policy questions among themselves? It is, of course, true that, while Mr. Nehru may be the principal sinner, he is surely not the only sinner in respect of the state

of affairs. It does seem to suit many Ministers that collective responsibility should not be enforced through adequate consultations and discussions at Cabinet meetings. Some of them certainly seem to want to enjoy the privilege of detached observation and criticism of colleagues' policies — a privilege which they cannot lay claim to with an easy conscience if policy matters are properly discussed at the Cabinet level before decisions are taken in the name of the Government.

I learn with great interest—which I have no doubt that my readers will share—that for Mr. J. R. D. Tata, who joined Tata Sons as an Assistant in July, 1922, today marks his silver jubilee as Chairman of that organization. The 'Tata Monthly Bulletin' notes: "The years of Mr. Tata's stewardship have been years of dynamic growth. Leafing through our records, we find that in the last 25 years most of our older companies have expanded rapidly and a large number of new enterprises have been born. These include the Tata Engineering and Locomotive Company, Tata Chemicals, Voltas, National-Ekco Radio, Investa Machine Tools, Indian Tube Company, Tata-Fison and Tata Finlay. Into this family was also born Air-India International, now no longer with us, yet maintaining its proud position under the Chairmanship of Mr. Tata. In other fields, the Tata Memorial Hospital for Cancer, now gifted to the nation, the Tata Institute of Fundamental Research, which has grown into one of the most advanced institutions of its kind, and the Tata Institute of Social Sciences, an acknowledged leader in its field, all bear testimony to Mr. Tata's contribution to the growth and vitality of our organization."

As one of our most dynamic business leaders for over 41 years now, Mr J. R. D. Tata, I am sure, may look forward to opportunities even more spacious, as India's industrialisation progresses and makes increasingly important demands on entrepreneurs of high character and calibre.

V.B.



A HARE OF SORTS

Trade Winds

INDIAN EXHIBITION IN MOSCOW

THE FIRST Indian national exhibition, the biggest ever organised by India abroad, was opened by Mr. Khrushchev, the Soviet Premier, July 20, 1963. The main object of the exhibition is to further strengthen the friendship and co-operation between India and the USSR. No exhibition ever held abroad has been more representative of India's trade and industry than the present one. About 850 units, representing different industries in public and private sectors are participating in the exhibition. The exhibition has been so conceived as to give the visitor a fairly comprehensive and integrated picture of the economic and industrial development of India since independence as also the progress made in the social and cultural spheres.

The atomic energy appliances, iron and steel products, heavy engineering goods, machine tools and steel forgings, agricultural machinery and diesel engines, electrical appliances, radios, chemicals and pharmaceuticals are all well displayed in the engineering section. Indian textiles, transport services and agricultural products have each a section to themselves and depict the progress attained in their respective fields.

Stress is laid on small and medium industries and consumer goods. The bronze and wood sculptures, several centuries old, bring to life the masterly workmanship of India's famed artists and sculptors. Kashmiri handicrafts, carpets and woollen and leather products take one whole wing to show the Kashmiri craftsman's artistry. Bhilai takes pride of place with huge pictures showing molten steel pouring out of this plant to help industrialisation of India. There are pictorial sections of heavy machine building plant and other ventures being undertaken with the collaboration of the Soviet Union. There are also innumerable charts, photographs etc., showing one aspect of India or the other. One can see in them Bhakra, Damodar Valley, Hirakud, Chittaranjan, Rourkela, Sindri etc.

The organisers of the exhibition have taken pains to display as attractively as possible all the commodities that India sells or would sell in the Soviet Union and have taken every care to see that the Soviet trade organisations are able to have a close and comprehensive view of a wide variety of goods produced by India's growing industry. For this purpose, the first two hours of every day are set aside exclusively for representatives of import and export agencies and other trade officials. The exhibition is bound to give a further boost to Indo-Soviet trade which has been rising steadily ever since the first trade agreement was signed in December, 1953 between the two countries.

FOREIGN TRADE INSTITUTE

The Board of Trade had recommended last year the establishment of the Indian Institute of Foreign Trade in order to conduct market and area surveys so as to locate the potential consumer areas for our exports all over the world in an effort to raise India's export earnings. On August 5, 1963, the Governing Body of the Institute will meet at New Delhi to formulate and adopt the Memorandum and the Articles of the new body. It will be an autonomous organization and will have the support of the Government, trade and industry, university and educational and research institutions. Broadly, the Institute will take within the domain of its activities all those functions which have a direct or indirect bearing on India's external trade. In addition to conducting market surveys, the Institute will undertake specialized documentation and publicity on all the facets of foreign trade. It will also collect and disseminate information on foreign trade and will attempt to imbibe all that is useful from its counterparts in the U.K. and the Soviet Union. It may be stated that in the United Kingdom the

"Institute of Exports" plays a very important part in the foreign trade of the country and in the Soviet Union the "Academy of Foreign Trade" and the "Marketing Research Institute"—which function as apex bodies—assist in a large measure in the foreign trade of the country.

The management of the Institute will be in the hands of a Governing Body; the Chairman of the Body will be nominated by the Government and the Governing Body will function through a Director-General having overall executive responsibilities for the day-to-day functioning of the Institute. It is proposed to appoint Directors for Marketing Research, Commodity Research, Commercial Intelligence and Training for the assistance of the Director-General; all the necessary staff will be recruited for the achievement of the objectives outlined above.

A special feature of the Institute is that the membership of the General Body of the Institute has been thrown open to all persons, companies or other institutions who are willing to pay a sum of Rs. 2,000 per annum or Rs. 20,000 lump-sum. It will ensure the participation of all those who are interested in India's foreign trade and will go a long way in establishing a liaison between the Institute and the exporters.

While the broad objective of the Institute is to increase India's exports, the Institute will also conduct commodity surveys within the country in order to determine the export potential of the various commodities. These surveys will assist in formulating long-term plans for the export of particular commodities and processed goods. The Institute proposes to have a comprehensive training programme also for all persons engaged in foreign trade whether in the Government or in the private sector. The basic course for training will be organised once in a year and will train 25 students. A refresher course will also be organised.

The thinking behind the setting up of the Institute is a good one and needs all support, but, unfortunately, the pace at which it is progressing is a depressing one. The Institute, at the present rate, may not start functioning by the end of the year. It means the fruits of work of the Institute will be available some time at the end of the third Plan and can be of avail in formulating export targets for the fourth and the fifth five-year Plans only.

EXPORT OF LAMBRETTA SCOOTERS

S.S. "Flying Trader" sailed away to Bangkok (Thailand) last Wednesday (24th July) with 76 Lambrettas. This is the first consignment of India-built scooters to be exported so far. The order, which will fetch a little over a lakh of rupees of foreign exchange, was from the Police Department of the Government of Thailand and could well be the first of such orders from South-East Asia, provided the Italian principals (Messrs. Innocent) of the producers of Lambretta in India raise no objection. It is not clear whether such approval would be always and readily forthcoming. Even in the present instance, India got the order by open global tenders—there were 23 bidders from all over the world—because Italy was prevented from quoting, as the deal happens to be part of a US aid programme which stipulates that the purchases should be only from underdeveloped countries.

The Automobile Products of India Ltd., who are the manufacturers in India of Lambrettas, have a capacity to produce, only 40 units per day, with the result that there is a large backlog of unfulfilled orders. On the basis of their present capacity, it is said, they are fully booked for the next ten years! Meanwhile, of the other five units or so licensed, only two have been commissioned and one more is on the way to start, but unable to do so, being stalled for some parts and raw materials, consequent on the emergency. Notwith-

standing all this fortuitous advantage, it does not seem API has made any profit on its first export deal, even after making allowances for the drawback of import and excise duties on the exported units and the benefit of import licences for goods permitted to be imported accruing therefrom. If this is the case when the API is producing only 68 per cent—this will rise to 90 per cent by next year — of the components of a scooter, it is obvious that the authorities must offer far better inducements than now to enable the industry to build up an export market for our scooters.

CENTRAL MECHANISED FARM AT JETSAR

The Government of India have accepted the recommendations of the Damle Committee in regard to the setting up of a second central mechanised farm at Jetsar. To begin with, the farm will be of 10,000 acres. By marginal adjustment in operating costs, the area may be expanded to 12,500 acres. The land required for setting up the farm is proposed to be taken from the Rajasthan Government on lease for a period of thirty years in the first instance under the same terms and conditions as for the land under the Suratgarh farm. Machinery and equipment for the farm such as tractors, agricultural implements etc., will be obtained from the Soviet Union against rupee payment. In the initial stages the Jetsar farm will be run as an extension of the Suratgarh farm. The cropping pattern in the Jetsar farm will have a greater bias in favour of cash crops like oilseeds and cotton. Under perennial irrigation conditions the farm is expected to be self-financing. Perennial irrigation supplies for the entire area of the Jetsar farm are expected to be provided from the Rajasthan Canal by 1970.

SWISS CREDIT FOR INDIA

Switzerland has agreed to extend long-term credits to India by another 30 million Swiss francs. The credits are to enable India to continue to buy Swiss equipment for her development projects. Since July, 1960, Swiss banks have loaned to India 110 million francs under federal guarantee. The additional credits bring the amount to 140 million francs, all payable in 10 years.

GOLD REFINERY FOR MADRAS

For the supply of 14-carat gold to goldsmiths, a gold refinery is proposed to be set up in Madras on a co-operative basis early next month. The refinery, which is being organised by the industrial co-operative wing of the Industries Department at the initiative of the State Industries Minister to provide employment for goldsmiths and to rehabilitate them, will convert daily 5 kgs. of pure gold into 14-carat gold of weighing nearly 9 kgs. by alloying it with copper, silver and a small quantity of zinc. About Rs. 1.80 crores worth of 14-carat gold is expected to be turned out annually at the refinery and supplied to over 450 goldsmiths for the manufacture of 14-carat jewellery.

BRITISH AID FOR DEVELOPING COUNTRIES

That the British aid to India and Pakistan has been growing over the last few years is evident from the report of the Bank of England published in London recently. This aid has not only increased for India and Pakistan but for many other countries as well which have achieved political independence more recently. To cite the figures, British aid for developing countries expanded over the last five years by 83 per cent. Development aid by the countries of the Organisation for Economic Co-operation and Development (of which Britain is a member) rose by about 80 per cent during the same period. In the financial year 1962-63 assistance by the British Government amounted to £143 million—an 83 per cent increase over the figure of £81 million in 1957-58.

MANUFACTURE OF PRINTING MACHINERY

The Government of India have accepted the recommendations of the Panel appointed in June, 1962 to investigate and

report on the printing machinery industry in the country. The terms of reference of the Panel were to assess the requirements of various kinds of printing machinery, to review the existing capacity for the manufacture of printing machinery and to recommend to the Government measures for making the country self-sufficient in regard to printing machinery.

The Panel has recommended that collaboration with reliable foreign manufacturers should be encouraged while approving the schemes for indigenous manufacture. The Panel feels that steps should also be taken to ensure that only the latest successful models are approved for indigenous production. The sizes of printing machines to be developed in the country should be such as to conform to the international sizes of paper, with adequate margin. Other considerations in determining the types of machines to be developed are the raw materials used in the manufacture of paper, the increase in the demand for colour printing, the wide variations in the circulation demands of newspapers arising out of the use of a large number of regional languages and the lack of power in the rural areas. The Panel favours the manufacture of platen presses (other than the cylindrical inking type), cylinder machines, rotary machines and proof presses.

The output of printing machinery in the country in 1961 was worth Rs. 10 lakhs. The demand has now been assessed at Rs. 7.5 crores per year by the end of the third Plan and Rs. 12 crores per year by the end of fourth Plan.

FREIGHT RATES FOR CARGOES

Under an agreement signed with the United Kingdom-Continent/India-Pakistan Conference in September, 1962, the quantum of rebate accruing on governmental cargoes imported from the United Kingdom and north continent was enhanced from 10 per cent to 15 per cent, resulting in foreign exchange saving of about Rs. 50 lakhs per annum. A three-man delegation led by the Chief Controller of Chartering has now gone to the USA to negotiate concessions in freight rates for governmental cargoes.

With the encouraging response from the Union Ministries, State Governments and over two hundred public sector undertakings concerned in making purchases on f.o.b. basis and sales on c.i.f. basis, and with better liaison and co-ordination with the shipping lines, it has been possible to allocate a substantial proportion of cargoes to Indian vessels. The tonnage of government cargoes allocated to Indian shipping has increased from 158,974 tons (13.3 per cent) in 1960 to 329,260 tons (38.2 per cent) in 1962, against corresponding tonnage of cargoes lifted by foreign shipping totalling 10,34,337 tons and 5,32,775 tons respectively.

EXPORT OF MANGANESE ORE

A six-member committee has been appointed by the Government of India to examine measures to step up exports of manganese ore. The committee will be headed by Mr. M. Butt, Joint-Secretary, Union Ministry of Mines and Fuel. Its other members will be Mr. T. V. Rama Rao, Divisional Manager, State Trading Corporation, Mr. S. Rajagopalan, Director (Transport), Ministry of Commerce and Industry, Mr. R. S. Stead, Managing Director, Manganese Ore (India) Ltd., Mr. S. Lal of S. Lal & Co. (Private) Ltd., Mr. J. C. Gandhi, Western Indian Trading Company and Mr. A. M. Hussain, Assistant Mineral Economist, Indian Bureau of Mines.

The terms of reference of the committee are to review and report on the present state of affairs of the manganese mining industry in all sectors and examine the projected developmental measures that are being contemplated and the extent of competition being faced by the industry in some principal markets such as the USA, Japan and the UK. It will recommend appropriate measures for the rationalisation and modernisation of the manganese mining industry in its various sectors such as labour, management of mines, blending and beneficiation and transportation, including facilities at ports.

Company Affairs

OIL INDIA: AN EVENTFUL YEAR

MR. KHANDUBHAI K. DESAI, M.P., Chairman of Oil India Limited, highlighted some important events which marked the progress of the company, while addressing the shareholders at the annual general meeting held recently. The Chinese aggression, he stressed, has inspired Oil India to be more productive because oil is a vital commodity for the country's defence. With a view to achieving maximum output, steps are being taken to expand the capacity of Barauni and Gauhati refineries by 1966 so that the total production of refined products in this area including also the Digboi refinery could be increased to over 4.50 million tons. With that end in view Oil India obtained its prospecting licence for 1,291 square miles in area 'A' during the year. Another application for exploration licence of 595 square miles is now pending before the Government. Further survey work is being pursued and the company has obtained the services of the seismic team from the Oil & Natural Gas Commission. Considerable work has been done by this survey and hopeful results are expected.

The Chairman indicated that during the year 25 wells were drilled of which 19 were oil producers, 2 dry and 4 await further testing. The company also claims credit for being the first to adopt the new technique of "dual completion" which would enable simultaneous production from two horizons in the same well. Another new technique which it adopted is directional drilling in order to tap oil resources under the bed of Burhi Dihing river. These techniques are being implemented for the first time in India. Another major achievement was the completion of the crude conditioning plant in Nahorkatiya. The 16" sector of the company's pipeline was put into commission in March 1962, and it has been supplying crude continuously to the Gauhati Refinery. The 720-mile long pipeline connecting the oilfields in Nahorkatiya and Moran with the Government refineries is now ready and supplies to the Barauni refinery can start as soon as necessary. The final tele-communication facilities are expected to be completed by October, 1963. A special sub-committee set up with the representatives of the Assam Government has made a study of the problems connected with production and supply of gas from the company's oil fields to potential consumers. The Chairman hopes that actual demand for gas will develop in two years, when the State Electricity Supply Board and the fertilizer factory at Namrup start production.

HIND MOTORS

The Board of Directors of Hindustan Motors Ltd. has decided to pay a taxable dividend of Rs. 1.15 per equity share for the year ended March 31, 1963, as against Rs. 1.25 per equity share taxable paid previously. This excludes those preference shares converted into ordinary shares on and after April 1, 1963. In order to pay this dividend, a dividend reserve is created to the extent of Rs. 93.13 lakhs. A dividend of 8.57 per cent is recommended on the preference shares. According to a short report, the net profit after providing for depreciation, development rebate and taxation works out to Rs. 1.19 crores as against Rs. 152.45 lakhs last year. A sum of Rs. 25 lakhs has been provided for general reserve and Rs. 3,043 have been carried forward.

TATA OIL

The Chairman of the Tata Oil Mills Company Ltd. has given indication of a long-term view of the company's modernisation and expansion programme in the statement appended to the annual results of the company. He indicates that the company is enjoying an incentive against its exports as a part

of the foreign exchange is available to it for import of machinery and spare parts. The company is taking special advantage of this situation and has imported machinery to modernise its plants. The laundry soap plant in Bombay has been completely reorganized and partly the plant at Calcutta too. The factory at Ghaziabad will have the modern laundry soap plant from the start. Steps are also being taken to reorganise the oil refinery and deodourisation units of the vanaspati plant at Tatapuram which are more than 30 years old. The company has been granted a licence to manufacture synthetic detergents and the Government has approved of the company's taking a foreign exchange loan from ICICI for the import of plant from Europe for which orders have already been placed.

Another venture in which Tata Oil along with other Tata concerns is participating is manufacture of instant tea and packaged tea to be undertaken by Tata-Finlay Private Ltd. This project has made good progress and has been approved by the Government. The Tata-Finlay instant tea will be manufactured under licence from a wholly-owned subsidiary of James Finlay and Company who have developed the process and patented it. The instant tea factory is being built at Munnar and is expected to be ready for operation in about a year's time. This tea will be made available, in the first instance, for export to European and American markets. The additional capital expenditure involved in the instant tea project is expected to be around Rs. 90 lakhs and the total capital of Tata Finlay Ltd. will be about Rs. 150 lakhs of which Tata Oil will take about Rs. 37.50 lakhs.

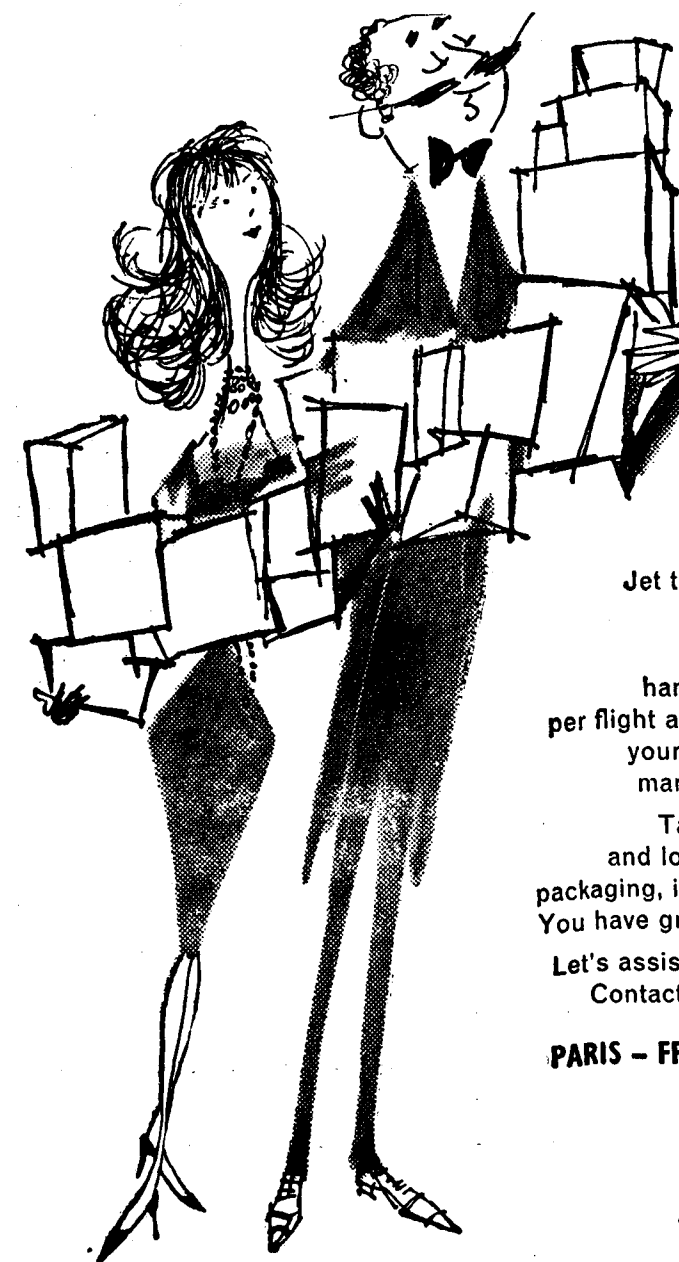
ELECTRIC CONSTRUCTION'S ISSUE

Electric Construction and Equipment Company Ltd., propose to raise additional capital shortly by the issue of preference shares to finance a part of its programme for expansion of the existing units and the execution of new development schemes. The company's authorised capital is Rs. 3 crores made up of 50,000 preference shares of Rs. 100 each and 25,00,000 equity shares of Rs. 10 each. The issued and paid-up capital is Rs. 60.93 lakhs, all in equity shares.

It has proposed to issue 15,500 redeemable cumulative preference shares (9.3 per cent) of Rs. 100 each repayable in 12 years. Of these, 3003 shares have already been subscribed by the existing shareholders and the balance of 12,497 shares will be offered for public subscription. The company was incorporated in West Bengal with the object of repairing and servicing electrical equipment. Later on, it started manufacturing electrical equipment after considerable expansion programme and is now one of the leading manufacturers of power and distribution transformers, switchgears, electric motors and starters with foreign technical collaboration. It is also manufacturing Schindler lifts with the collaboration of Schindler and Company Ltd., of Switzerland. The company has a chain of factories. A new unit for the manufacture of power and distribution transformers commenced production in March, 1962 under the name of Andhra Pradesh Electrical Equipment Corporation at Visakhapatnam. The company proposes to increase the transformer capacity of this unit and also undertake the manufacture of switchgears.

A new unit for the manufacture of energy meters is under construction at Hyderabad in technical collaboration with an East German firm. The licensed capacity is 60,000 single phase meters and 18,000 polyphase meters per year. The

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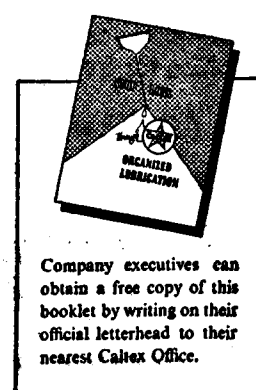
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SAVE FOR SECURITY

required plant and machinery have been imported and production is expected to commence shortly.

KEYTUO CHEMICAL PROJECT

Keytuo Chemicals Ltd. proposes to undertake the manufacture of styrene emulsions, plastisol from PVC for coating and foam and basic inorganic chemicals like potassium chloride, magnesium carbonate, sodium sulphate and table salt. The first two items, styrene emulsions and plastisol are relatively new industrial items to be manufactured in the country for the first time and offer a variety of uses. The capital outlay on this project is estimated at Rs. 10 lakhs of which 51 per cent will be held by the directors and their friends, while 49 per cent is to be offered for public subscriptions. The factory will be located at Andheri near Bombay.

KIRLOSKAR PNEUMATIC

The Kirloskar Pneumatic Company Ltd. continued to record steady growth. After making usual provisions, it showed a net profit of Rs. 8.86 lakhs against Rs. 6.52 lakhs during the previous year. A sum of Rs. 4.60 lakhs has been provided or depreciation, Rs. 10.22 lakhs for taxation, Rs. 1.86 lakhs for statutory development rebate reserve and Rs. 2.34 lakhs for managing agents. The ordinary dividend has been cut from 12½ per cent to 10 per cent, both subject to taxation. Holders of equity shares converted from preference shares are entitled to preference dividend up to effective date of conversion and the equity dividend after that date.

KIRLOSKAR OIL ENGINES

The Kirloskar Oil Engines Ltd. has shown higher gross profit of Rs. 109.76 lakhs for the year to March 31, 1963, against Rs. 95.73 lakhs in the previous year. The net profit, however, is lower at Rs. 28.85 lakhs against Rs. 40.58 lakhs. This decline is essentially due to heavy provision for taxation at Rs. 61 lakhs as against Rs. 37 lakhs last year. Other provisions include Rs. 13.49 lakhs for depreciation, Rs. 3.86 lakhs for development rebate reserve, Rs. 10 lakhs for general reserve and Rs. 4 lakhs for rehabilitation reserve. It may be noticed that sales during the year had moved up from Rs. 3.95 crores last year to Rs. 4.72 crores during the year under review. The ordinary dividend has been reduced from 16 per cent to 12 per cent, subject to tax, but it is on increased capital.

CENTRAL BANK

The Directors of the Central Bank of India Ltd. have maintained the interim dividend distribution at Rs. 2.40 a share, subject to tax for the half year ended June 30, 1963, absorbing Rs. 30.28 lakhs. The net profit for the period is slightly better at Rs. 89.88 lakhs compared with Rs. 88.33 lakhs in the corresponding period last year. The carry forward from last year's account is only Rs. 93,249 against a substantial sum of Rs. 23.36 lakhs brought in during the period last year with the result that the carry-over in next account is substantially lower at Rs. 60.53 lakhs, subject to taxation, against Rs. 81.45 lakhs carried forward at this time last year.

BANK OF INDIA

The Bank of India Ltd. has reported a lower gross profit of Rs. 47.01 lakhs for the half-year ended June 30, 1963, as compared to Rs. 47.50 lakhs in the corresponding period of 1962. The Directors have, however, proposed to maintain the ad-interim dividend at Rs. 4 per share, subject to tax, on the increased capital of Rs. 4.05 crores. The dividend will absorb Rs. 32.40 lakhs as against Rs. 24 lakhs. A sum of Rs. 27.71 lakhs, subject to tax, has been carried forward against Rs. 13.10 lakhs brought in.

BANK OF BARODA

The Bank of Baroda Ltd. has shown a higher profit of Rs. 26.10 lakhs for the half-year ended June 30, 1963, as com-

pared to Rs. 25.40 lakhs for the corresponding period of 1962, after providing for taxation inclusive of super-profits tax for 1962 and for the first half of 1963. The Directors have proposed to pay an ad-interim dividend of Rs. 4 per share, subject to tax, on the increased capital which will absorb Rs. 16 lakhs. A sum of Rs. 13.57 lakhs has been carried forward against Rs. 3.47 lakhs brought in.

RUBY GENERAL INSURANCE

The Ruby General Insurance Company Ltd. has shown considerable progress in its working for the year 1962. The next premium income in respect of fire, marine and miscellaneous accident departments has increased from Rs. 181.80 lakhs last year to Rs. 185.12 lakhs during the year under review. All the three departments have shown underwritten profits which amounted to Rs. 21.91 lakhs. The reserves for the unexpired risks at the end of the year stand at Rs. 99.48 lakhs and the funds of the company have increased by Rs. 10.77 lakhs to Rs. 167.75 lakhs. The profit, including interest and dividend income and after meeting other expenses amounts to Rs. 30.36 lakhs. The net profit, after transferring Rs. 17 lakhs to reserve for taxation and including the carry-over of Rs. 4.95 lakhs from the previous year is Rs. 18.31 lakhs. The Directors have proposed to provide Rs. 3.5 lakhs towards general reserve, Rs. 5.00 lakhs towards dividend equalisation reserve, Rs. 4.70 lakhs towards investment reserve and Rs. 5.11 lakhs towards dividend reserve. The Directors have recommended the payment of a dividend at the rate of Rs. 1.25 nP. per share subject to deduction of tax (against Rs. 1.05 including Silver Jubilee bonus of 25 nP. a share paid last year) from the dividend reserve, which will absorb Rs. 5 lakhs. It is indicated that general reserve has been further strengthened by transfer of Rs. 50,000 and Rs. 1,00,000 respectively from doubtful debts reserve and forfeited dividends respectively and now stands around Rs. 10 lakhs. The Company has purchased a plot of land in Calcutta to erect a multi-storeyed office building.

ORIENTAL INSURANCE

During the first quarter of 1963, the Oriental Fire and General Insurance Company Ltd. has received over 2,50,000 applications under the Emergency Risks (Goods) Insurance Act and the Emergency Risks (Factories) Insurance Act and dealt with various enquiries from the public relating to these schemes. This was disclosed by Mr. B. K. Kaul at the annual general meeting of the company held recently in Bombay. The year 1962 may be termed as the full year of the working of the company as an integrated unit after the passing of the Bombay High Court orders in December 1961 regarding the amalgamation of the National Fire and General Insurance Company Ltd. and the Asiatic Government Security Fire and General Insurance Company Ltd. with this company. The process of amalgamation has been smooth both in India and abroad. The company is exploring the possibility of further expansion.

During 1962 the total net premium written was to the extent of Rs. 492.29 lakhs against Rs. 434.30 lakhs in 1961. Net claims were Rs. 276.16 lakhs and Rs. 213.04 lakhs respectively for 1962 and 1961. The Directors have recommended the payment of a dividend of Rs. 6 (six per cent), subject to deduction of tax, on the paid-up value of shares for the year under review.

CAPITAL ISSUES

The Controller of Capital Issues has authorized the following six companies to issue capital totalling Rs. 3.55 crores. The consent is valid for 12 months.

Bharat Auto Parts Manufacturers (Private) Ltd., Gujarat, is to issue Rs. 50 lakhs capital. It is divided into 4,000 equity and 1,000 preference shares, of Rs. 1,000 each,

Shares of the value of Rs. 45 lakhs will be issued to Indian nationals resident in Africa.

East India Pharmaceutical Works Ltd., Calcutta is raising fresh capital of Rs. 11 lakhs divided into 1,10,000 equity (bonus) shares of Rs. 10 each on capitalization of the general reserves.

International Tractor Company of India Ltd., is raising Rs. 1.50 crores equity capital in shares of Rs. 10 each. This is in supersession of the previous consent dated November 20, 1962, for Rs. 1 crore capital. Shares of the value of Rs. 25.50 lakhs will be issued to International Harvester Co. of Chicago, against capital goods.

Assam Coke Oven & Briquette Co. Ltd., has been given consent to issue capital of Rs. 20 lakhs, divided into 2 lakh equity shares of Rs. 10 each, for cash at par.

Industrial Plants Ltd., Calcutta will issue capital of Rs. 75 lakhs for cash at par. The capital is divided into Rs. 55 lakhs in equity and Rs. 20 lakhs in 9.3 per cent preference shares.

Modi Sugar Mills Ltd., Modinagar, is to issue capital of Rs. 50 lakhs divided into 5,000 7 per cent debenture units of Rs. 1,000 each for cash at par.

LICENCES ISSUED

The following firms have been granted licences under the Industries (Development and Regulation) Act, 1951, during the week ending 13th July, 1963. The list contains the names and places of the licensees, articles of manufacture and annual installed capacity:

IRON & STEEL

Miss Sarojini Nanavaty Sannidhi, Rajghat, New Delhi, Proposed name: M.S. and Alloy Electrodes (Pvt.) Ltd., (Punjab)—Mild Steel and Alloy welding electrodes 60 million R.Ft.

OTHER METALS

Shri R. Venkataswamy Naidu, The Madras Aluminium Co. Ltd., Race Course, Coimbatore (Mettur, Madras)—(1) Aluminium Rods for the manufacture of ACSR/AAC—3000 Metric tons. (2) Aluminium rolled products (including about 1500 Metric tons of Aluminium strips) — 3500 Metric tons. (3) Aluminium extrusions 1000 Metric tons.

COAL

East Jamuria Coal Co., 135, Canning Street, Calcutta (West Bengal)—Coal 6,000 tonnes.

INTERNAL COMBUSTION ENGINES

Mercantile & Industrial Development Co. Pvt. Ltd., National House, 6, Tulloch Road, Appollo Bunder, Bombay-1 (Maharashtra)—Micro-Filters 470 Nos. per annum. Water Separators/Filters—250 Nos.

GENERATION EQUIPMENT

W.S. Insulators of India Ltd., 33, Errabalu Chetty St., Madras-1 (Madras)—Porcelain fuse cutouts of all types, Enclosed, open & distribution by pass switches and of all voltages—1200 Nos.

ELECTRONIC EQUIPMENT

Permanent Magnets Ltd. Janmabhoomi Bhavan, Ghogha St., Fort, Bombay-1 (Maharashtra)—Hard Ferrite (Ceramic Magnets)—180 tons.

AUTOMOBILES

Punj Sons (Pvt.) Ltd., Punj House, M-13, Connaught Circus, New Delhi-1 (Delhi)—Bodies for Trucks 3000 Nos.

CONVEYING EQUIPMENT

Shri A. K. Sen, P.7, Belegghata Main Road, Calcutta-10. Name of the Undertaking: M/s. Conveyor Equipments Ltd.

(24 - Parganas, West Bengal). Different kinds of roller conveyors, overhead trolley conveyors, for bulk and package handling—Rs. 70 lakhs.

POWER DRIVEN PUMPS

S.L.M. Maneklal Industries Ltd., Bank of India Building, Baroda, Ahmedabad-1 (Vatwa, Ahmedabad, Gujarat)—Root blowers and watering pumps shifting from Maharashtra to Vatwa, Ahmedabad, Gujarat.

MACHINE TOOLS

Pioneer Equipment Co. (Pvt.) Ltd., 139, Meadows Street, P.B. No. 1909, Bombay-1 (Gujarat). Grarity die casting Machine—25 Nos. per annum. Presme die casting machine 10 Nos. per annum. Dies for the above Rs. 10 lacs worth.

COTTON TEXTILES

The Kaleeswarar Mills Ltd., 10/8, Annupperpalayam Road, Coimbatore (Kalayar Koil, Madras)—Cotton yarn 16,000 spindles. Change of location of part of the capacity within the same state from Coimbatore to Kalayar Koil. The South India Co-operative Spg. Mills Ltd., Pethai Post, Tirunelveli-4 (Pettai P.O., Madras)—Cotton yarn 12,000 spindles. Shri M. B. Kadadi, Chief Promoter Sholapur Co-operative Spg. Mills Ltd., Ganga Niwas Railway Lines, Sholapur (Sholapur, Maharashtra)—Cotton yarn 12,000 spindles.

WOOLLEN TEXTILES

Oswal Woollen Mills, Millerganj, Ludhiana (Ludhiana, Punjab)—Woollen fabrics 16 power-loom.

SYNTHETIC FIBRES

Samridhi Spg. Mills, Agra Road, Ghatkopar, Bombay-77 (Maharashtra)—Staple fibre yarn 12,000 spindles after expansion.

VEGETABLE OILS

Shri Navin Chandra Chandulal Parikh, Petlad, Distt. Kaira (Petlad, Gujarat)—Cotton seed oil by solvent extraction process—100 tons of cotton seed per day or 20,000 tons of cotton seed.

LICENCES REVOKED

(During the week ending 13th July, 1963)

M/s. Mehrotra Bros., Calcutta—Steel forgings. M/s. Tata Chemicals Ltd., Bombay—Lindane. M/s. Ullas Oil & Chemical Industries Private Ltd., Bombay—Tamarind seed oil and oil free tamarind seed powder.

CHANGES IN NAMES

(During the week ending 13th July, 1963)

From M/s. Mohanwi Corporation Private Ltd., New Delhi to M/s. Allied International Products Ltd., New Delhi. From Shri L. G. Ramamurthi, Coimbatore, to Name of the Undertaking: M/s. Festo Elgi Private Ltd., Coimbatore. From M/s. Bombay Oxygen Co., Bombay, to M/s. Industrial Oxygen Company Private Ltd., Bombay. From Name of the original undertaking: M/s. Hind Mills Ltd., Ahmedabad, to (1) Name of the new undertaking: M/s. The Ahmedabad Jupiter Spinning Weaving and Manufacturing Co. Ltd., Jupiter Mills No. 2, Ahmedabad. (2) Name of the new owner: M/s. M. Parakash and Co. Private Ltd., Ahmedabad-1. From name of the undertaking: The Calicut Modern Spinning and Weaving Mills Ltd., Bombay. From name of the Licensee: Shri K. N. Ananthasivan, Kottayam, to M/s. Kottayam Textiles Ltd., Kottayam. From M/s. Shri Arwind Cotton Mills Ltd., Calcutta, to M/s. Dumraon Textiles Ltd., Calcutta. From M/s. National Magaldi Private Ltd., Calcutta, to M/s. the National Tannery Co. Ltd., Calcutta.

BOOKS BRIEFLY

Some Unorthodox Verdicts

British Statesmen in India: By V. B. Kulkarni; Published by Orient Longmans, Bombay; Pages 550; Price Rs. 20.

THIS IS by no means a collection merely of the biographical sketches of a cross-section of Governors-General and Vice-roys who ruled this country during the British regime. It is a frank attempt to trace and interpret historical currents during the British period in the context of the personalities that were deputed to preside over their course and occasionally to determine their direction. About half of the Governors-General have been selected in this volume as representing the different aspects of British rule in India. But the central thesis on which this book rests is that the historical forces are far more important than the personalities who were themselves propelled by them, that the events in which these statesmen participated were far more momentous than their contribution to them.

They were subject to a positive limitation which restricted whatever freedom would have been otherwise available to them to produce their personal impact on the events and developments during their tenures — barring, of course, exceptional cases of domineering personalities. They had to function as agents to execute policies framed in London and certainly they were not clothed with the authority of plenipotentiaries. The author has effectively dispelled the impression that they were allowed to exercise any substantial discretion in shaping or modifying the policies. Those who attempted to act on such an assumption or who opposed authority at home had to quit office. Lord Wellesley was overbearing and arrogant in his attitude to the Board of Directors whom he openly held in contempt. It was more for this insufferable attitude than on account of the defeat of Monsoon and Lake at the hands of Indian forces that he invited recall. Lord Northbrook refused to yield to the pressure of Lancashire, exerted through Lord Salisbury, the Secretary of State for India, and vehemently upheld the policy of non-intervention in Afghanistan, besides making no secret of his radical differences with his chief. His inept handling of the Gaekwar affair served as an occasion to make resignation an

honourable way of departure. More instances of this kind can be picked up.

A change in our appreciation of British rule is bound to come, leading to a more objective view. It is a question of time only before the lapses and excesses committed during the period are forgotten. This process has already started—earlier than expected—because of the voluntary transfer of power by India's erstwhile rulers. The author firmly believes in a more rational appraisal of British rule and is, on that account, rather unconventional in his verdict. Warren Hastings, for instance, is adjudged to be a statesman devoted to promoting the cause of friendship and understanding between the two countries. Lord Dalhousie is assessed in an altogether unorthodox light. It is asserted that he was "by no means an innovator either in initiating the doctrine of lapse or in chastising misgovernment by annexation." If he really had an insatiable expansionist lust, as is generally believed, "free India would not have inherited the problem of States in such heart-breaking complexity. Expediency rather than a well-considered and consistent policy guided his relations with the States". A high tribute is paid to him, when he is acclaimed as the maker of modern India and in corroboration it is emphasised that the "political settlements which he made endured in all their essentials till the country's partition in 1947"—for nearly a full century. Both these assessments are not altogether devoid of an element of exaggeration.

Among the other outstanding personalities, Bentinck and Curzon attract attention in his book. Bentinck's unique contribution was his bold policy of social reform born out of his faith in the philosophy of liberalism. Reference to the abolition of the practice of 'sati' is appropriately accompanied by the amplification that, on the highest authority, self-immolation of widows was practised among the ancient Scythians and Thracians as well as, much later, among the Greeks, Germans, Slavs and other continental races. Time has falsified Curzon's dogmatic belief in the impracticability of self-rule for India. But recognition has been made frankly for his one contribution of survival value—the preservation of our ancient monuments and the stimulus given to historical research.

Readers' Roundtable

WHERE THE BLAME LIES

Sir, — The rise in prices in recent months has affected apparently everyone and everything except the cost of living index. The index is based on a pattern of consumption which no longer obtains in the country, and hence does not give a correct picture of the price situation.

Various explanations have been given by the planning authorities for the rise in prices. It is said that agriculture has failed to develop sufficiently; that the administration has failed to develop sufficiently; that the administration has failed to develop sufficiently; that taxes have increased cost of production and prices; that profiteers and hoarders are active, etc. It is surprising that the main culprit responsible for this price rise, the Planning Commission itself, has escaped all attention.

The current price rise is the direct result of the Soviet model of planning adopted by the Planning Commission and implemented through the second and third five-year Plans. The emphasis on heavy industry to the neglect of our basic asset, viz. agriculture, and of consumer goods industries; the attempt to invest beyond the saving capacity of the country, thus occasioning inflationary deficit financing; the creation of a large Public Sector of industries wherein investment of about

Rs. 1,200 crores is fetching a negligible return of barely 4 per cent; the setting up of intricate controls and creation of a huge bureaucracy (about 75 lakhs at all levels) to implement them, leading to frustration of the productive enterprise of private citizens; the evolution of a class of professional politicians who thrive on public funds; and heavy direct and indirect taxes on productive enterprise with a view to levelling down all people in the name of equality — all these have led over a period of time to a steep rise in prices. Unless the Soviet model of planning is given up and more realistic planning is adopted, the crisis will persist and deepen. Moreover, the curious position of the Planning Commission, possessing unlimited powers over the economy, without any accountability to the public or Parliament, has increased the scope for irresponsible experiments. The anomaly needs to be rectified.

The Government has to revert to its primary functions of defence, of maintaining law and order, and providing the institutional framework (law of contract etc.) and the infrastructure (good roads, education, communications etc.) of economic development. The productive energies of private citizens should be allowed to produce more wealth for the country unhampered by ideological measures.

BOMBAY

"ARISTIDES"

COMPANY MEETING

OIL INDIA LIMITED

(A 50:50 Cooperative Enterprise of the Government of India and the Burmah Oil Company for Prospecting, Drilling, Production and Transport of Crude Oil from Upper Assam to Refineries in Gauhati, Assam and Barauni, Bihar)

Statement of the Chairman, Shri Khandubhai K. Desai, M.P., to the shareholders on the occasion of the fourth annual general meeting of the Company held on Friday, 21st June 1963, at Duliagan, Upper Assam.

GENTLEMEN: I have pleasure in presenting to you the Report of the Directors, and the Annual Accounts of the Company for the year 1962. Owing to certain restrictions imposed under the emergency, I regret that it has not been possible to circulate these Reports as usual.

GENERAL: The past year has been a most eventful one for our country due to the Chinese aggression and their attacks on our NEFA border in October. This event has had its repercussions, both directly and indirectly on Oil India. Our oilfields are situated in the North-East corner of Assam. At the height of the emergency last year it became necessary to make arrangements for evacuation of the families of our personnel from the oilfields. I am glad to say that this was done smoothly and efficiently and within the shortest possible time. Subsequently, it has been possible to allow the families to return to their homes. Our staff, however, stuck to their posts through the period, and carried on with the motto "business as usual". I would like to pay here my tribute to the staff—labour, clerical and executive for the spirit of constancy they showed throughout.

Security precautions due to the emergency required, however, a certain diversion of our resources, and this has resulted in some slowing down of operations and of our construction works.

In a wider sphere the Chinese Aggression has highlighted the need to maximise our production of petroleum products both to save foreign exchange and as a vital necessity of our defence effort. As far as the Eastern area is concerned, steps are being taken by the Government of India to expand the capacity of Barauni and Gauhati Refineries by 1966 so that the total production of refined products in this area including also the Digboi Refinery could be increased to over 4½ million tons. Naturally Oil India would have to make every effort to increase the production potential of crude oil both in our existing oilfields as well as in the new areas for which we have been granted exploration licences in order to meet as much as possible of these increased requirements. The Oil and Natural Gas Commission will be making a similar effort in their own areas in Assam.

I would now like to refer particularly to some of the highlights which marked our activities during the past year.

ROYALTY & EXPLORATION: I am happy to say that the dispute regarding Royalty has been satisfactorily settled with the Prime Minister's award last November, which fixed this at a rate of Rs. 7.50 per ton and Oil India is now paying royalty on this basis. Soon after, we also obtained our prospecting licence for 1291 sq. miles in Area 'A'. Another application for exploration licence

of 595 sq. miles is now pending before the authorities concerned. Arrangements for starting a seismic survey in the former area were taken in hand immediately, but this had to be postponed due to the Emergency. However, early in 1963, we decided to speed up the survey work and for this purpose, we were fortunate in obtaining the services of a seismic team from the Oil & Natural Gas Commission. The seismic survey started in March, 1963 and a considerable amount of work has already been done. Needless to say in the light of the latest requirements, these operations including drilling of test wells will have to be carried out on the most intensive scale possible and this question is now engaging the Management's attention. I would like here to express my thanks to the Oil & Natural Gas Commission and the Ministry of Mines & Fuel for their assistance in making this survey party available and also express our appreciation of the very good work done by the seismic team in this relatively short period.

OILFIELD OPERATIONS: Last year, 25 wells were drilled of which 19 were oil producers, 2 dry and 4 await further testing. Our progress in drilling was somewhat delayed, partly because of troubles in land acquisition during the middle of the year and later on with the slowing down of certain operations necessitated by the emergency. Owing largely to the assistance and co-operation given to us by the Assam Government and the local authorities, we were able to overcome the difficulties in regard to land acquisition and the work is now going on unhampered.

Oil India can claim credit for two 'firsts' in our drilling programme. Recently we adopted the new technique of "Dual Completion" which would enable simultaneous production from two horizons in the same well. This is still more or less in an experimental stage though we have successfully drilled one dual well and the second one is in progress. Another new technique which OIL adopted is directional (deviated) drilling in order to tap oil resources under the bed of the Burhi Dihing river; and up to date we have successfully completed three wells through this method. This is the first time these techniques in oil drilling are being employed in India.

CRUDE CONDITIONING PLANT: Another major achievement of this year was the completion of the Crude Conditioning Plant in Nahorkatiya, the first one of its kind in any part of the world. The plant has been brought into commission from February, 1963, and conditioned crude is now being supplied to the Gauhati Refinery. A similar plant is under construction in Moran.

PIPELINES: The 16" sector of our pipeline was put into commission in March, 1962, and has been supplying crude continuously to the Gauhati Refinery. I am glad to say that the 14" sector is also now ready for commissioning with the completion of hydraulic testing in February, 1963. Actually this testing would have been completed even earlier, but was delayed due to a number of pipe failures which had to be rectified.

The 720 mile long pipeline connecting the oilfields in Nahorkatiya and Moran with the Government Refineries is now ready and supplies to the Barauni Refinery can start as soon as required. The final telecommunication facilities are expected to be completed by October, 1963, but sufficient facilities have been installed already to enable the pipeline to be commissioned and operated manually. The Burmah Oil Company (Pipe lines) Limited, which superintended the design and construction of the work and the contractors who participated in this effort deserve to be congratulated on a difficult job well done.

FINANCE: In the financial sphere the outstanding event was the floatation of our Rs. 30 crores debenture issue to finance the rupee cost of the pipeline. This is the largest single debenture stock so far put on the Indian Market and I would like to take this opportunity of placing on record our deep appreciation for the keen interest and invaluable guidance given by the Reserve Bank of India and the State Bank of India in making this debenture issue a success. In addition, I would also like to thank all the many other financial and banking institutions who also gave assistance in the issue.

A second major event related to the conversion of our Sterling overdraft of £10 million with the Bank of Scotland to a medium-term loan. Arrangements have now been finalised for raising these funds partly by loan from banking institutions; and partly by debentures floated in London by The Burmah Oil Company Limited, and this amount will now be granted as a direct loan from the Bank of Scotland to Oil India repayable over a period of 15 years.

I should like to refer briefly to our Profit and Loss Account for this year. Owing to certain recurrent troubles in the Refinery the offtake of crude by Gauhati was much less than anticipated. The commissioning of Barauni Refinery has also been delayed and it is now expected that the first stage will go on stream only in October-December, 1963. The result has been a corresponding curtailment in our sales of crude oil, the total being only 5,50,000 tons. Our unit costs of production excluding drilling and development costs have improved, the figures being Rs. 8 per ton in 1962 as compared to Rs. 13 per ton in 1961. On the other hand with the commissioning of the first stage of our pipeline and the creation of further assets in our oilfields, we have to make a much larger provision for depreciation than last year. After taking into account the price adjustment under the Second Supplemental Agreement, providing for full depreciation for assessed properties and transferring last year's surplus to the profit and loss account, we have recommended a final dividend of Rs. 90 per share for the year 1962. An interim dividend of Rs. 40 was declared and paid in December 1962, and the remaining Rs. 50 is now being paid. The net return on equity for 1962 will thus be 6½ per cent after deducting dividend tax.

GAS: A Special Sub-Committee set up for this purpose, with the representatives of the Assam Government has made a study of the problems connected with the production and supply of gas from our oilfields to potential consumers and has made certain recommendations which are now being considered by your Board. It is expected, however, that the actual demand for gas will only develop in

about 2 years time when the State Electricity Supply Board, and the Fertilizer Factory at Namrup commence production, along with the development of other industries in this area. Meanwhile we have begun to supply gas requirements to some of the surrounding tea gardens in Assam and we are also continuing to sell our gas to meet the requirements of the Assam Oil Company.

STAFF: The year 1962 was the first year in which Oil India directly employed its own staff and became a distinct and separate organisation. As from January 1st 1962, we had taken on our own pay rolls all the staff required who were hitherto employees of the Assam Oil Company Limited although the Assam Oil Company will continue to render certain residuary services under a new services agreement which we have concluded with them. As you would gather from what I have said, the year has been marked for Oil India by some notable achievements and I would like to record here my appreciation to all the staff for the loyal services rendered and the good work done by all the employees of the Company, during the year. I would also like to thank my colleagues in the Board for their active assistance and cooperation on all occasions. In particular, I would like to mention Mr J. C. Finlay, Managing Director and Shri P. Govindan Nair, Financial Director, who have worked most closely together to make this year a successful year for Oil India Limited. I also take this opportunity of expressing my thanks to the Ministry of Mines & Fuel and the Government of Assam for their valuable assistance.

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Twentieth Anniversary Number

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RECORDS AND STATISTICS

Export Finance

THE MINISTRY of Commerce and Industry appointed in May last year a Study Group to review the credit facilities available in the country for developing export trade and to suggest measures which would be necessary to strengthen and supplement the existing financial export institutions. The eight-member Study Group was headed by Mr. K. P. Mathrani, chairman of the Industrial Finance Corporation of India. The Study Group has released its Report and a summary of their findings and recommendations is given below:

Since the end of the last war, there have been significant changes in the character and composition of world trade. New methods have been employed to capture overseas markets; and international competition has become intense. For countries like India the task of increasing export trade is rendered all the more difficult by import restrictions, tariff barriers, and the formation of economic communities.

The overseas buyer now dictates terms in regard to price, quality and dates of delivery; and, above all, insists, more than ever before, on credit terms. The difficult balance of payments position in many countries makes it imperative for importers to ask—and sometimes to hold out—for credits of varying duration. Indeed in some countries the source of external finance and payment terms are often reckoned, by the import and exchange control authorities, nearly as important a deciding factor as price and quality, and official regulations have been aimed, for understandable reasons, at influencing payment terms.

Export credit—its supply and cost—has thus assumed a new significance in international trade. In consequence, the leading exporting countries of the world have had to develop their own systems and institutions of export finance with a view to fostering their external trade. It is against this background that an attempt is made here to analyse the problem of supply and cost of credit, in its broad perspective, in the light of the country's needs. An export drive designed to attain, in the next seven to eight years, the targets of our Plans will require, inter alia, credit facilities over a wide range of our export trade.

Short-Term Finance

Essentially, the problem of export credit boils down to its: (a) availability and (b) cost. The question of availability of pre-shipment credit needs to be viewed from the standpoint of both the manufacturer-exporter as well as the trader engaged in export business. Whereas the well established exporters are largely able to secure their credit requirements from the banks, the 'second line' borrowers have some special problems and difficulties in obtaining pre-shipment credit which tend to stifle their export effort. Several instances have been cited.

The experience of banks in the 'new' markets has not been altogether satisfactory; and they are somewhat hesitant to grant credit for exports to these areas. The problem is not merely of adequate security but of assessing the risk on the basis of information about the markets and overseas buyers. Firstly, the representatives of exporters and Indian banks should be encouraged to go abroad to explore markets, estab-

lish connections with the banking institutions and importing agencies at the receiving end. Secondly, the machinery for providing continuous information regarding the pattern of trade, market conditions and business links for Indian exporters with local buyers should be strengthened. This will enable the Indian banks to liberalise their credit facilities to Indian exporters in respect of these new areas.

An important problem which faces a large number of exporters is the financing of the 'gap' between the domestic prices and the f.o.b. value of the exported goods. No doubt various incentives compensate the exporter, to an extent, for the 'difference' in the two sets of prices. But the issue of incentive licences takes some time. Meanwhile, the commercial banks make their advances on the basis of the f.o.b. values. In consequence, if the f.o.b. values are lower than the domestic prices, say, by 25 per cent, the amount of credit which the exporters can get would be of the order of about 60-70 per cent in terms of the domestic prices. When credit is provided subject to such a large margin, the exporter finds it difficult to finance the balance of 40 per cent. It would greatly enhance the effectiveness of the scheme of incentives, if some arrangement could be devised whereby the exporters are able to obtain credit, as far as practicable, on the basis of domestic prices, with due regard to the schemes of incentives and not merely on the basis of the f.o.b. value of the exported goods.

Post-Shipment Credit

Post-shipment credit may take the form of either 'negotiation' of export bills (demand and usance) or 'acceptance' of export bills for collection. According to an estimate of the Reserve Bank, the proportion of export bills for 'collection' was 19.8 per cent in 1961. The ratio is rather high, considering that from the viewpoint of banks' earnings, as well as the availability of funds to exporters, 'negotiation' of bills should be preferable to their 'collection'. It is understood that about 71 per cent of the total volume of bills accepted by them for 'collection' in 1961 was from the big exporters (i.e. exporters with an annual export turnover of Rs. 10 lakhs and more). As the bulk of the exporters whose bills are accepted for 'collection' are predominantly big exporters, it should be presumed that they would have been able to secure their advances from the banks; and it is predominantly the small and medium exporters who seem unable to get from banks their full requirements.

Suggestions

(i) **Pre-shipment credit facilities.** Banks, no doubt, give 'packing credit' — i.e. finance at the pre-shipment stage for the purpose of purchasing, processing and packing goods for the export market. These facilities are normally available to persons of undoubted means and standing; but banks are somewhat hesitant in making such advances to the second line exporters. To meet the difficulty ERIC is now offering a cover — "the packing credit policy" — which is designed to assist exporters to secure credits somewhat above the line of the banks' normal rating of their capacity. ERIC indemnifies the lending institution against exporter's default to the extent of 50 per cent of the loss. Some banks have represented that if ERIC could raise the limit of its indemnity to them, it will be possible for them to liberalise their pre-shipment advances to exporters. As ERIC's experience in regard to its packing

credit policy has been satisfactory, it seems to us that it could improve its guarantee to banks from the present limit of 50 per cent to 66-2/3 per cent, without incurring undue risk and with considerable advantage to exporters. If the proposed measure is taken, some of the difficulties of the exporters at the pre-shipment stage would be resolved.

We recommend that the Reserve Bank should obtain, periodically, information on packing credit advanced by banks and exercise its moral suasion with them to follow a more liberal policy.

(ii) **Post-shipment Credit Facilities.** Whenever a bank grants packing credit facilities to exporters, it normally gives them also the facility to discount their bills. When, on the basis of the proposed improved guarantees to banks by ERIC, packing credit facilities become available in a more liberal measure, exporters will also be eligible for the discounting facilities, which, at the moment, are not readily available to them. Thus their problem of post-shipment export credit will be considerably facilitated, the more so if exporters partaking of the benefits of packing credit facilities also obtain ERIC's 'Shipments Risks Policies' which will give them complete protection against commercial and political risks arising from the default or insolvency of the buyer or hazards of political upheavals, embargoes on exchange remittances, import restrictions etc. ERIC's policies are a useful collateral acceptable to banks; and if the knowledge about their benefits spreads more widely among exporters and full use is made of them, the banks will be more forthcoming in discounting the exporters' bills which are now accepted only for collection.

(iii) **Facilities in respect of Exports on Consignments.** The main items sent on consignment are tea, mica iron and manganese ores, handicrafts and tobacco. These goods accounted for nearly 64 per cent of the total bills accepted by leading banks for 'collection' in 1961. As far as tea is concerned, the drawers, in the main, are the producers themselves; and so the need of export credit, by and large, does not arise. On the other hand, in the case of mica, mineral ores and handicrafts lack of standardization and wide price fluctuations render the task of banks somewhat difficult. Banks can do little to help these exporters, unless steps are taken by Government to provide suitable pre-shipment inspection and grading facilities; and, if necessary, suitable guarantee to them against losses, based on pre-shipment inspection, grading and standardization of goods.

(iv) **Credit against the Price Gap.** Export credit is related to the value stated in the shipping documents. As the f.o.b. values are often lower than the domestic price of the goods in question, it follows that the credit which the exporter is thus able to get is considerably smaller than what he would get on the basis of hypothecation of his goods to finance his local sales. This shortfall in the bank advances available to him inhibits his export effort. To enable the banks to bring their lending to the exporter in line with their advances on the basis of domestic prices, it will be necessary to give an assurance to the banks to the effect that should the exporter default the bank will be recompensed to an agreed extent. Accordingly, a scheme of guarantee should be evolved, in consultation with the Reserve Bank, on the basis of which banks would be covered against the loss in financing the difference between what they would normally lend on the basis of export bills and the domestic value of goods destined for the export market.

ERIC's guarantee might cover up to 25 per cent of the f.o.b. value of the goods exported, the size of the price gap or the amount to be covered being left to the lending bank to determine.

We recommend that the administration of the scheme be entrusted to ERIC. Should any loss occur, ERIC could have recourse to the Guarantee Scheme, much in the same way as do the Reserve Bank and the Refinance Corporation. Separate proforma account of these transactions should be maintained. When ERIC is merged in the new institution, this activity inter alia would be transferred to it.

ERIC's indemnity to the banks should be 75 per cent of the possible loss, and the amount should be reimbursed to the banks six months after the due date of payment.

We also recommend that the Reserve Bank should give additional borrowing facilities to the banks to enable them to finance transactions arising from the price gap mentioned above.

The scheme should ordinarily apply only in respect of such exporters, as come within the purview of the export incentive schemes. This would make it possible to deal with defaulters departmentally.

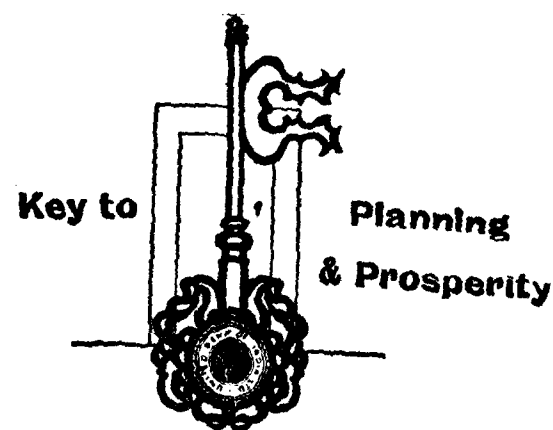
If ERIC's export risks insurance covers and its 'non-acceptance' policy are more widely used, the banks will have at their disposal a useful collateral; and this should enable them to liberalise their lending policies in respect of exports to new markets.

Medium and Long-term Credit

The problem of medium-and long-term credit has not yet assumed any large dimensions in India. But our assessment is that the problem will arise in the near future.

Indian exporters will, necessarily, have to offer credit facilities in line with their competitors. If India does not get ready to meet these credit needs, some valuable opportunities may be lost. Of course, the risks flowing from the extension should not be under-estimated and proper safeguards should be undertaken.

Connected with the problem of medium and long-term export credit is the question of providing suitable performance



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Banks do not readily provide such guarantees, though it is understood that one or two general insurance companies in India do undertake such work. Some arrangement needs to be made to enable the insurance companies to go into this business and provide suitable guarantees.

A plentiful supply of raw materials is an essential prerequisite of a dynamic export industry. In this connection the Mudaliar Committee have recommended the creation of an 'Import-Export Stabilisation Fund' through which imports of essential commodities could be financed on a revolving basis. The matter has been discussed by us and the Department of International Trade with the Reserve Bank and the Associations of Indian and Exchange Banks. It is felt that the proposed revolving arrangements will be an important measure of export promotion and be of general benefit to the economy.

In view of the many facets of the task which have been explained at some length, it can best be handled through a central or co-ordinating agency which should have, as indeed was suggested by the Mudaliar Committee, "all the authority of the Government to ensure high priority to these activities". However, as the banks will be the main springs of foreign exchange, it will be necessary to keep their interest alive and to enlist their co-operation and support.

Govt.-to-Govt. Credit

Several developing countries are much in the same situation as India has been in the recent past. They require massive foreign exchange assistance to finance their development programmes. India is vitally interested in their economic progress. If their economic growth is to be assisted, and intra-regional trade is to be fostered, it will be necessary to make arrangements to enable these countries to buy their requirements on credit terms in India. The provision of credit on Government-to-Government basis, or through a governmental institution, has the advantage of leaving the foreign buyer free to choose his Indian suppliers; and this makes the credit arrangement more attractive and flexible from the business point of view. When Government decides to grant such credit, under its techno-economic co-operation agreements, to other developing countries, it may be an advantage to have an agency other than the Government itself to handle the procedural and administrative matters relating to disbursement and recovery of credits.

The representatives of the export trade have stressed that as they have to meet keen competition in the world market the rates of interest charged by banks on their pre-shipment as well as post-shipment advances should be reduced and brought in line with the rates of interest current in the industrially advanced countries. The promotion of India's export trade is no less important than the development of our agriculture or small-scale industry. In advanced countries aid to exports is given in diverse ways; and among them, preferential rates of interest is not the least important.

We have been in consultation with the Reserve Bank and are gratified to note that it has agreed, inter alia, to exclude export credits from the purview of its system of slab rates so that the banks, in their turn, can pass on the benefit to ex-

porters to enable them to meet effectively international "non-price" competition.

Pre-shipment Rates

The Reserve Bank should examine the structure of rates charged by banks on export bills. We are inclined to think that the rates charged by banks for demand or sight bills are reasonable and in accordance with international practice. As regards the discount rates, which form an element in the usance bill rates charged by banks, we feel that the discount element of the sterling usance bills should have a basic relationship with the Bank Rate in India. The Reserve Bank may, therefore, fix a ceiling in respect of the discount element of the rupee, sterling and dollar usance bills at such levels as are competitive with similar rates abroad. The ceiling rates so fixed by the Reserve Bank should continue to apply, notwithstanding any rise in the structure of interest rates in India; and whenever the discount rates in the UK and in other major countries fall below the base level with reference to which the discount rates are fixed by the Reserve Bank on foreign currency bills, the ceiling should be so modified as to minimise or eliminate the disadvantages, if any, to the Indian exporters.

The Reserve Bank has recently introduced an 'Export Bill Credit Scheme' under which the banks will have the facility of an additional quota for borrowing from the Reserve Bank at the bank rate in respect of their holdings of eligible usance export bills drawn in Indian rupees. This is a step in the right direction; but even so the Indian short-term rate of interest will be higher than the rate charged in some of the important countries. We recommend that on the analogy of its preferential rates of advances for agriculture and small-scale industries, the Reserve Bank may consider the feasibility of making available short-term pre-shipment export finance to the banks, say, 1½ per cent below its Bank Rate. If the banks were to charge their clients up to 1½ per cent it would follow that the Indian exporters would be in a position to secure their credit lines at about 4½ per cent, and be at no disadvantage in relation to their competitors abroad.

It might be argued that it may not be easy to identify the exact measure of credit that goes to produce specifically the goods for the export market. But this is a problem by no means peculiar to India; and it should be possible to evolve a suitable drill in this behalf.

Post-shipment Rates

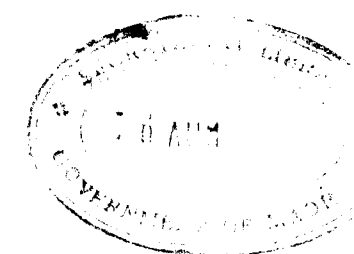
A similar policy could be followed in respect of post-shipment of export credits, namely, that the Reserve Bank may advance the requisite sums to the lending banks at, say, 1½ per cent below its Bank Rate. The banks, in their turn, would add to this rate up to 1½ per cent on all post-shipment borrowings required for export purposes.

We have also considered the question whether the preferential rates of interest should be given on all exports or be limited to any specified commodities. Having regard to all circumstances, we are of the view that preferential rates should be applicable to all the non-traditional items and such other items as Government finds to be deserving of assistance in this form.

The Refinance Corporation has decided to make available to the banks its funds at 5 per cent to which the banks will add about 1½ per cent as their own margin. Thus the lending rate of the banks would become 6½ per cent which is still on the high side. We suggest that the Refinance Corporation

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The Sino-Soviet Rift

DURING the brief span of the conference held at Moscow between China and the Soviet Union, there were too many suspensions of the talks which were described as recesses. Their frequency gave a foretaste of the final outcome. On July 20 the Conference was adjourned *sine die* and in this context it would mean postponement for an inordinately indefinite period. The Chinese statement explains that the talks would be resumed at a convenient time agreeable to both the parties, but this cannot be taken as anything more than a mere white-wash for the haste with which the termination of the conference was brought about. Whether this conference really yielded any fruit in the discussion of ideological issues will always remain a mystery because of the thick veil of secrecy purposefully thrown around it.

One conclusion which can be safely drawn is that the talks have proved inconclusive and failed to repair the serious breach in the Sino-Soviet alliance. This state of affairs in the relationship between the two leading countries of the Communist world may drag on, according to present reckoning, for an unexpectedly long time. The issues which have caused the great schism cannot be resolved by experts in the Communist doctrine; they spread over a much wider area of power politics. The beginning of the rift is traced by many, who have acquired an insight into the internal working of world communism, to the upsets caused in the balance of nuclear power. The Soviet Union and China took radically different views on the eventual consequences of the race for nuclear power. China has insisted with all the revolutionary passion on racing ahead with the struggle to achieve world revolution, while the Soviet Union's attitude is clear-headed and realistic. It has recognised the inevitability of caution and ultimate compromise with the Western nuclear powers. China's dream of forging ahead and precipitating a nuclear clash, thereby opening the way for the Communist powers to inherit the world is characterised by the Soviet Union as patently amateurish. The Soviet Union fully realises that an unmitigated nuclear race would admit of no alternative to co-destruction.

The background to the ascent to power of the Communist Party of China explains the over-confidence of Mao Tse-tung and his lieutenants. The CPC carried out the revolution in China independently with its own theory and technique and in open defiance of stern warnings from Stalin. Success created a sense of supreme self-confidence. But there are other factors which explain why the Communist leadership in China simply refuses to accept dictates from the Soviet Union in matters of internal policy or strategy on world communism. China has not only charted an independent and revolutionary course for herself but she is too big, populous and hyper-sensitive to tolerate anything savouring of the status of a satellite. But while that has been her stiff-necked attitude from the start, economic compulsions have made it expedient for her to bide her time during the interregnum in which technical and economic collaboration from Russia would be indispensable for rapid progress in arms and economic prosperity — a goal on which she would not prefer to yield.

But here precisely lay the weak spot in her strength. The rift really began to deepen and widen in 1960, when Mr. Khrushchev abruptly decided to turn the screw to 'induce' China to take a realistic view of her relationship with the Soviet Union and to appreciate the wisdom of some practical measure of compromise. The 1,300 and odd Soviet experts and technicians, who were feverishly busy helping build China's industrial economy, were withdrawn in August, 1960. Other economic aid in funds and materials as well as equipment was either seriously interrupted or stopped, with

the result that practically all the agreements of collaboration were reduced to a dead letter. In her indignation, China let out the truth that this calculated Soviet policy to inflict something like a temporary paralysis on her struggle for progress has caused incalculable losses and difficulties to her economy, scientific research and, be it noted, the offensive arms build-up, which she euphemistically described as "national defence". This first open clash removed the parties far apart. The frustration and bitterness with which China openly threw to the winds the code of secret diplomacy and hurled charges of deviationism against the Soviet Union are to be traced mainly to this great economic injury.

China's letter of June 14, enumerating the 25 points at issue between the two countries, need not necessarily be taken as a historic document on ideological differences. Ideological issues were no doubt stated there explicitly. But equally, or perhaps more, important was the emphasis on issues of national interest and the bid for the leadership of the Communist world. Being a young revolutionary country, China still retains far more of the dogmatic fervour and zeal for doctrinaire communism of the orthodox type than the Soviet Union is capable of due to the passage of time. China's letter has a ring of the original dogmatism of Marx which makes an appeal to many a communist thinker in spite of the radical change in the world set-up which has knocked the bottom out of many of the Marxist assumptions.

If issues of ideology are involved in this conflict, they have been stressed in the China letter with ample emphasis. They relate to the leadership at the Centre of world communism and, by implication, China means to contest the right of the Soviet Union to that position any longer. There is again highlighted the question of the theoretically correct view that ought to be taken for carrying out the revolution in the underdeveloped countries. Then also comes the issue of co-existence between the two blocs. As if to forestall the charge of narrow nationalism, China avers that fidelity to the Soviet Union cannot be regarded as a touchstone of true faith in communism. Fidelity must be owed to the Marxist-Leninist line and it is the open accusation brought by China against Mr. Khrushchev personally that his leadership constitutes a definite departure from that line. Further charges of revisionism and reformism against the Khrushchev regime were but a logical outcome of this first accusation. In Kremlin's policy of reconciliation with Marshal Tito, China has found ammunition for launching an attack on "revisionism" which is anathema to Communist dogma.

For a time it looked as if the initiative was wrested by China and Western analysts, who followed the course

of the Sino-Soviet talks, were inclined to take the view that the rift was essentially caused by differences on ideology. But, on second and sober thoughts, it would seem, they have positively veered round to the view that issues of national interest and struggle for power were the really dominating factors in China's contentions. The China letter makes much of the interference by the Soviet Union with the internal affairs of the Communist parties of other countries, and, going a step ahead, it charges Mr. Khrushchev with inter-meddling in the affairs of the CPC. Precisely this is the subject of a strong counter-accusation by the Kremlin in its famous letter of July 14 which has been given conspicuous publicity in *Pravda*. Whether Mao Tse-tung demanded the removal of Mr. Khrushchev from power as a pre-condition to amicable settlement of the dispute can be anybody's guess and no evidence to substantiate it may be available for a long time to come. But there can be no doubt that the CPC too is intent on interfering in the internal affairs of the Soviet Union. In this acrimonious debate charges and countercharges were made with marked vehemence.

The issue of struggle for power inside the Communist bloc could not be suppressed in spite of China's ingenuity to raise the smoke-screen of ideological differences. In the recent past, China has made calculated attempts to draw within her orbit the Communist parties in the several countries of Asia, Africa and Latin America. In this bid to "wean away" the Communist parties of the underdeveloped countries from Soviet influence, China has gone to the extreme length of importing racialism and regionalism in international communism.

Available indications leave no doubt that the two countries have not been brought any the nearer as a result of the talks. The simple reason was that, while neither of the parties was prepared to yield ground on the basic issue of leadership, neither of them could entertain the idea of assuming responsibility for wrecking the conference. This negative attitude has brought forth the only outcome that was possible — the two countries remain in estrangement as before. The continuance of the deadlock has its own moral. China's bid for leadership is in vain for a considerable time to come. The Communist countries of Europe will not conceivably oblige her. And she cannot create the necessary surpluses in money, materials, machinery, equipment and technicians to attract the underdeveloped world to her. The deadlock is not without its significance to India. It promises no likely change or interruption in the Soviet Union's policy of aid to this country (which China resents bitterly) and non-intervention in the Sino-Indian dispute.

Sabha have pleaded the case of their own constituencies which, according to them, were relatively backward and needed greater attention in the matter of investment. The third five-year Plan contains a special dis-

cussion on this subject in a separate chapter and indicates the various steps which were being taken to carry all the regions of the country on the onward march to economic prosperity. It was conceded in the third Plan that certain parts of the country, for reasons of economic and geographical pressures, tended to grow at a faster rate than others and that this trend was likely to continue in the future. However, in the larger interest of the country, the third five-year Plan had clearly laid a greater stress on dispersion of resources to areas which had remained relatively underdeveloped. One of the most ticklish problems facing the planners was to define the degree of backwardness of particular States or regions. It was believed that the "State income" estimates could be of considerable use in studying the economic development of the various States and regions. The Central Statistical Organization, the State Statistical Bureaus and the Indian Statistical Institute had been called upon to furnish these estimates.

The National Council of Applied Economic Research has released this week its own estimates of "Inter-District and Inter-State Income Differentials" for the year 1955-56. The estimates of the Council will be read with interest in view of the fact that it has been engaged during the last four years in the preparation of techno-economic surveys of the States; in its investigations regarding the potential for growth of different areas, it had gathered a considerable amount of statistical material which has now been processed so as to yield not only State incomes but also district incomes. Even though the conclusions of the Council are based upon the results of a single year, the Director-General, Dr. P. S. Lokanathan, has held out the assurance that similar estimates of State incomes and district incomes will be released soon in regard to the year 1960-61. Surely, when these figures are made available, it will be possible to test if planning in India has been an instrument in accentuating disparities between the various regions or it has eliminated some of the disparities.

Before passing on to a discussion of the estimates released by the Council, it is necessary to state that district-wise and State-wise estimates of income are of great interest to the business community and to industry because they reveal the trends in the increase in the purchasing power of the various parts of the country. Those business firms which are planning to double and treble their production can, on a scrutiny of these figures, find out the areas where new pools of purchasing power are developing and where their goods will have a ready market. Accurate estimates of regional incomes are, therefore, of great importance not only to the planners, but also to all the new and old industries which are raising their production levels and are keen to capture the expanding market within the country.

The Council had set before itself the broad objec-

tive of analysing "the inter-district and inter-State income differentials", so as to spotlight the geographical distribution of the backward districts. The concept of regional income adopted by the Council is the one relating to income originating from current production of goods and services within the geographical boundaries of a State or a district, i.e., the concept of *net domestic product* at factor cost has been pressed into service even though for an analytical purpose it is desirable to calculate the district income estimate corresponding to the concept of *net national product* at factor cost. Because figures in regard to the inflow or outflow of incomes from the districts or from the States were not available, the Council had no alternative but to restrict its definition to the income originating within a region. It may not amount precisely to the purchasing power of the region, but it does indicate the level of economic development of a particular region in relation to others. Broadly, the method of calculation follows the technique employed in the National Income Committee Report. The product method is used for computing income from the primary and the secondary (organised industry only) sectors of the economy, while the income approach is used in the case of the tertiary sector including small-scale industries, com-

Eastern Economist 20 Years Ago

JULY 30, 1943

No new promise or assurance came from the Finance Member in answer to the many interpellations addressed to him. Today he was asked by Mr. Neogy about the representation from Indian Life Assurance Companies, praying for the fixation of a maximum limit for the taxation of the income of such companies for the duration of the present war, but Sir Jeremy would not commit himself to anything more than the assurance that the matter was engaging his attention. He was also not prepared to give the amount of Lease-Lend goods received in India, for he said that the Government of India were still engaged in the task of completing their records of Lease-Lend aid and reconciling them with those which the Indian Supply Mission had been asked to maintain in America. One of the first questions addressed to him related to the anti-inflationary measures taken by him but he merely referred to his September answer and added: "More recent measures in the Central sphere apart from taxation and borrowing taken with this end in view are— (1) summary provisional assessment of Excess Profits Tax, (2) compulsory deposits of Excess Profits, (3) restriction of the extent to which purchase of raw materials and bonuses to employers will be allowed to count for Excess Profits Tax purposes, (4) control over new capital issues, (5) prohibition of forward contracts and options of certain commodities including bullion and (6) cloth and yarn control. Lobby comment is, however, sceptical about the actual effect of these measures. Particularly the Government's measures for controlling capital issues has aroused a good deal of uneasiness in Assembly circles. Later on in the session when opportunities for discussing the question occur, there is likely to be sharp criticism."

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munications, construction, railways, organized banking and insurance, other commerce and transport, professions, liberal arts, domestic services, Government and miscellaneous services and house property.

In computing income originating from the primary and secondary (organised industry only) sectors at the district level, the set of prices used are the same for the different districts within a State on the broad assumption that they do not vary violently between different districts of a State. In regard to the tertiary sector, the differentials in net value added or net earnings per person employed being unknown for the various districts and even for the various States, all-India averages have been utilized which is, indeed, a very sweeping assumption and tends to blunt the degree of sharpness of the estimates; because of the non-availability of the required data at the State level, the Council had, however, no option but to fall upon this expediency. The oddity of the last assumption may be brought out by stating that the annual income of a carpenter in Kerala is assumed to be the same as that of his counterpart in the Punjab. In view of the assumption made in estimating the State-wise and district-wise incomes, it is obvious that they broadly follow the levels of output of the primary and the secondary sectors and not the tertiary sector which constitutes nearly one-third of the total economy and whose share in certain districts is more than half of the total district income.

Table I below lists the per capita income estimates of the Council along with the estimates of the State Statistical Bureaus and the estimates which appeared in the November, 1961, issue of the Monthly Abstract of Statistics of the Central Statistical Organization for 1958-59 based on the income approach and the expenditure approach for the various States. The degree of variation between some of them is of a high order. Between the estimate of the Central Statistical Organization based on the income approach and the National Council's estimate for Andhra Pradesh, the variance is of the order of 33 per cent; whereas the Central Statistical Organization had estimated that the consumer expenditure per person in Andhra Pradesh was Rs. 172 in 1958-59, the National Council's estimate for 1955-56 was Rs. 229. In part, the explanation of this big difference lies in the fact that the estimates pertain to different years. Again, the difference between the per capita income estimates prepared by the State Statistical Bureau and the Council in the case of Uttar Pradesh is as high as 50 per cent. As against the figure of Rs. 112 given by the U.P. State Statistical Bureau as the per capita income of the State in 1955-56, the Council has estimated the same at Rs. 178. Whatever the reason for this wide divergence, it is essential that the Council should iron out these differences after consultation with the State Statistical Bureau. The table also highlights vast differentials in the case of some other States, but there are others for which there is

close proximity between the National Council's estimates and of the other units. The case of Orissa needs a special mention because the estimate prepared by the State Statistical Bureau is almost 30 per cent above the estimate of the National Council. Usually, it is believed that the State Statistical Bureaus tend to depress their figures under political pressure in order to seek a higher allocation of funds from the Centre. In the case of Orissa alone, the reverse seems to be the truth. In this particular case, the estimate of the National Council is far below the estimate prepared by the State Statistical Bureau. The C.S.O.'s estimates are lower than those of the Council and the State Statistical Bureau. One fact, however, is clear that Orissa, according to the Council, is not the poorest State in this country in so far as the standard of living of the people based on per capita income is concerned. The lowest position goes to Bihar which shows a per capita income of Rs. 149 as against Rs. 187 for Orissa and Rs. 178 for Uttar Pradesh. Among the most prosperous, West Bengal stands on top with per capita income of Rs. 295 followed by Maharashtra at Rs. 287.

One irresistible conclusion emerging from the findings of the Council is that the South Indian States of Andhra Pradesh, Madras, Kerala and Mysore are happily placed in relation to some of the North Indian States, such as Bihar, Orissa and Uttar Pradesh. The level of living in Andhra Pradesh, Madras and Kerala seems to be almost the same as their per capita

TABLE I
A COMPARISON OF STATE PER CAPITA
INCOME ESTIMATES
(At Current Prices) (Rupees)

State	NCAER Estimate 1955-56	State Statistical Bureaus Estimates 1955-56	C.S.O. Estimates*	
			Based on Income Approach 1958-59	Based on Expenditure Approach 1958-59
Andhra Pradesh	229	226	172	175
Assam	268	261	299	264
Bihar	149	..	171	174
Gujarat	270	275	..	..
Kerala	228	228	185	167
Madhya Pradesh	216	234	194	198
Madras	230	257	177	178
Maharashtra	287	292	..	..
Mysore	203	..	..	..
Orissa	187**	241**	196	198
Punjab	277	316†	138	140
Rajasthan	232	..	264	271
Uttar Pradesh	178	112	192	195
West Bengal	295	262	188	201
			324	324

* Relate to personal income; culled from an article published in November, 1961, issue of the Monthly Abstract of Statistics — a publication of the C.S.O. The article was entitled "Estimates of Personal Income by States" and was signed by K. N. C. Pillai and T. V. Grace.

† Corresponds to 1954-55. ** Refers to 1956-57.

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incomes in 1955-56 were between Rs. 228 and Rs. 230. Mysore alone had a lower per capita income of Rs. 203 and was the least prosperous of the South Indian States. In any case these figures give a lie to the D. M. K. propaganda that the South had been neglected and that the standard of living there was lower than that of the North unless for the D.M.K. North means Bengal and Maharashtra only.

The sector-wise analysis of income originating from the various States has illustrated another well-known thesis that the industrial States have a higher level of per capita income than the agricultural States (see table II). Maharashtra and West Bengal which had the highest per capita income in 1955-56, had the least share (a little over 30 per cent) in income from agriculture. Conversely, the States having the maximum percentage of income from manufacturing had the highest per capita income. Punjab alone was an exception which had a high per capita income despite a small percentage of income originating from manufactures and a considerable portion—nearly half—of the income originating in the agricultural sector. The conclusion set down by the Council that backward districts are, by and large, concentrated in three or four States (Uttar Pradesh, Bihar, Madhya Pradesh and Orissa) is broadly true because various other economic indicators also endorse this finding. (Incidentally, the variation of district per capita income is the highest in Maharashtra—one of the most pros-

perous States.) How far it will be possible for the Planning Commission to divert its resources to those areas is yet to be seen. The maximisation of national income is a basic and primary objective which cannot be dispensed with at an early stage in India's economic development; also the "iron laws" of economics demand diversion of resources to productive areas for most fruitful results.

How reliable are these district income estimates? The Council has stated that it is unable to assess the degree of reliability of the district income estimates and feels that in all probability the margin of error at the district level is much larger than at the State level or at the national level, because "the district output from agriculture, which constitutes the major source of income for most of the districts, is estimated on the basis of a much smaller number of observations than the State or national output from agriculture". It may be recalled that the National Income Committee Report had conceded, in one of its appendices, that the margin of error in the national income estimates was of the order of 10 per cent (plus or minus). At the district level and the State level, the margin of error may be much larger (around 20 to 25 per cent). In other words, the estimates of district incomes (and State incomes to a certain extent) prepared by the Council should be used as indicative of broad differentials in income between the districts and the States and should be used with caution for any other purpose.

TABLE II
SECTORAL COMPOSITION OF INCOME WITHIN STATES (1955 - 56)

Name of the State	Per cent of income originating from				Total Income (Rs. crores)	Popula- tion (d) (Lakhs)	Per Capita Income (Rs.)
	Agriculture	Manufac- turing (b)	Service (c)	All Sectors			
1. Andhra Pradesh ..	49.34	13.65	37.01	100.00	767.82	335.49	229
2. Assam ..	53.55	26.38	20.07	100.00	277.04	103.52	268
3. Bihar ..	58.78	14.78	26.44	100.00	633.76	426.20	149
4. Gujarat ..	41.96	23.94	34.10	100.00	497.58	184.48	270
5. Kerala ..	50.18	17.40	32.42	100.00	346.40	152.26	228
6. Madhya Pradesh ..	57.63	14.16	28.21	100.00	632.14	292.22	216
7. Madras ..	43.12	16.94	39.94	100.00	732.37	319.03	230
8. Maharashtra ..	31.90	26.58	41.52	100.00	1026.63	357.78	287
8.a Maharashtra excluding Greater Bombay (a) ..	42.87	18.23	38.90	100.00	760.99	..	..
9. Mysore ..	51.32	18.10	30.58	100.00	436.98	214.94	203
10. Orissa (e) ..	54.07	11.53	34.40	100.00	306.73	163.88	187
11. Punjab ..	46.82	11.37	41.81	100.00	505.56	182.21	277
12. Rajasthan ..	48.32	14.14	37.54	100.00	418.52	180.63	232
13. Uttar Pradesh ..	46.29	12.90	40.81	100.00	1221.23	684.81	178
14. West Bengal ..	31.77	29.98	38.24	100.00	836.68	283.50	295
15. West Bengal excluding Cal- cutta and 24-Parganas (a) ..	44.23	26.54	29.23	100.00	515.66	..	..
16. All-India (f) ..	45.3	18.5	36.2	100.00	..	..	255

(a) Includes income from animal husbandry, fisheries and forestry besides agriculture proper.

(b) Includes income from mining, factory establishments, small enterprises and construction.

(c) Includes income from all service industries.

(d) Population figures relate to the end of the period 1955-56 for all States except Orissa. For Orissa they relate to the end of the period 1956-57. These have been estimated on the basis of the 1951 census population, totals assuming simple average rate of growth population over this decade.

(e) Estimates relate to the year 1956-57.

(f) Estimates refer to the country as a whole including Jammu and Kashmir, and Union Territories.

Source: Estimates of National Income, 1943-49 to 1961-62, Central Statistical Organisation, Cabinet Secretariat, Government of India, 1963.

Highlights of the Week

NUCLEAR TEST BAN

THE DRAFT Treaty on the partial ban on nuclear weapons tests was initialled at Moscow on behalf of the Governments of the U.S.A., the U.K. and the U.S.S.R. on July 25. This will be hailed as a great event paving the way to eventual disarmament. Nevertheless, it would be well to appreciate that the present ban on nuclear tests is a measure of limited effectiveness, although as an initial step it is of potential value. The nuclear arms race will certainly be slowed down and international tensions will be reduced to that extent. It will be recalled that ever since active talks were started in October 1958 at the Conference on Discontinuance of the Nuclear Weapons Tests and a tentative draft treaty was put up for consideration, it was discovered that suspicion and fear blocked their course. It is a great gain that suspicion has now been replaced by trust and confidence.

The text of the Draft Treaty makes it clear in its preamble that "an agreement on general and complete disarmament under strict international control" in accordance with the objectives of the United Nations is the principal goal of the signatories. It may not be irrelevant here to point out that the Draft Treaty of April 18, 1961, which was placed for consideration before the Conference on Nuclear Tests Ban, made a specific provision for a system of international control and international inspection in doubtful cases. This proved to be a stumbling block in the way of the adoption of that treaty. The new Draft Treaty declares in the opening Article that the parties undertake to prohibit nuclear test explosions. But the sanction of an international system of control has not been incorporated in the treaty. Apparently it is left to the goodwill and good sense of the parties to carry out their solemn undertaking by coming to terms on a workable formula.

The Draft Treaty puts a ban on nuclear tests in the atmosphere, in the outer space and under water. But it leaves out explosions and tests underground. The earlier Draft Treaty of April 1961 prohibited underground tests also, except those which produced signals of less than 4.75 seismic magnitude inasmuch as detection methods below this magnitude have not been evolved. Presumably, underground tests have been left out from the present Draft Treaty provisionally, since confidence is expressed that they, too, would be brought under purview of the ban. Underground explosions present very difficult and intractable technical problems of detection since it is difficult to distinguish natural explosions due to earthquakes from manmade explosions. A successful ban on underground nuclear tests must await further intensive research to arrive at reliable methods of detection.

The door has been naturally kept open for other countries to sign the treaty, but the three sponsoring countries retain a special status as original parties. One special feature of the Treaty is that any amendment to it can be carried out by a majority of votes, but they must include the votes of all the original parties. By implication, any of the original parties may exercise its veto on an amendment. The duration of the treaty is for an unlimited period of time. But there is a clause which provides that any party may assert its national sovereign right to withdraw by a notice of three months from the treaty in case it takes the view that extraordinary events jeopardise its national interest if

it continues to be bound by its obligations. Considering the spirit in which the Draft Treaty has been drawn up, this may be treated as an enabling provision.

JOINT AIR EXERCISES

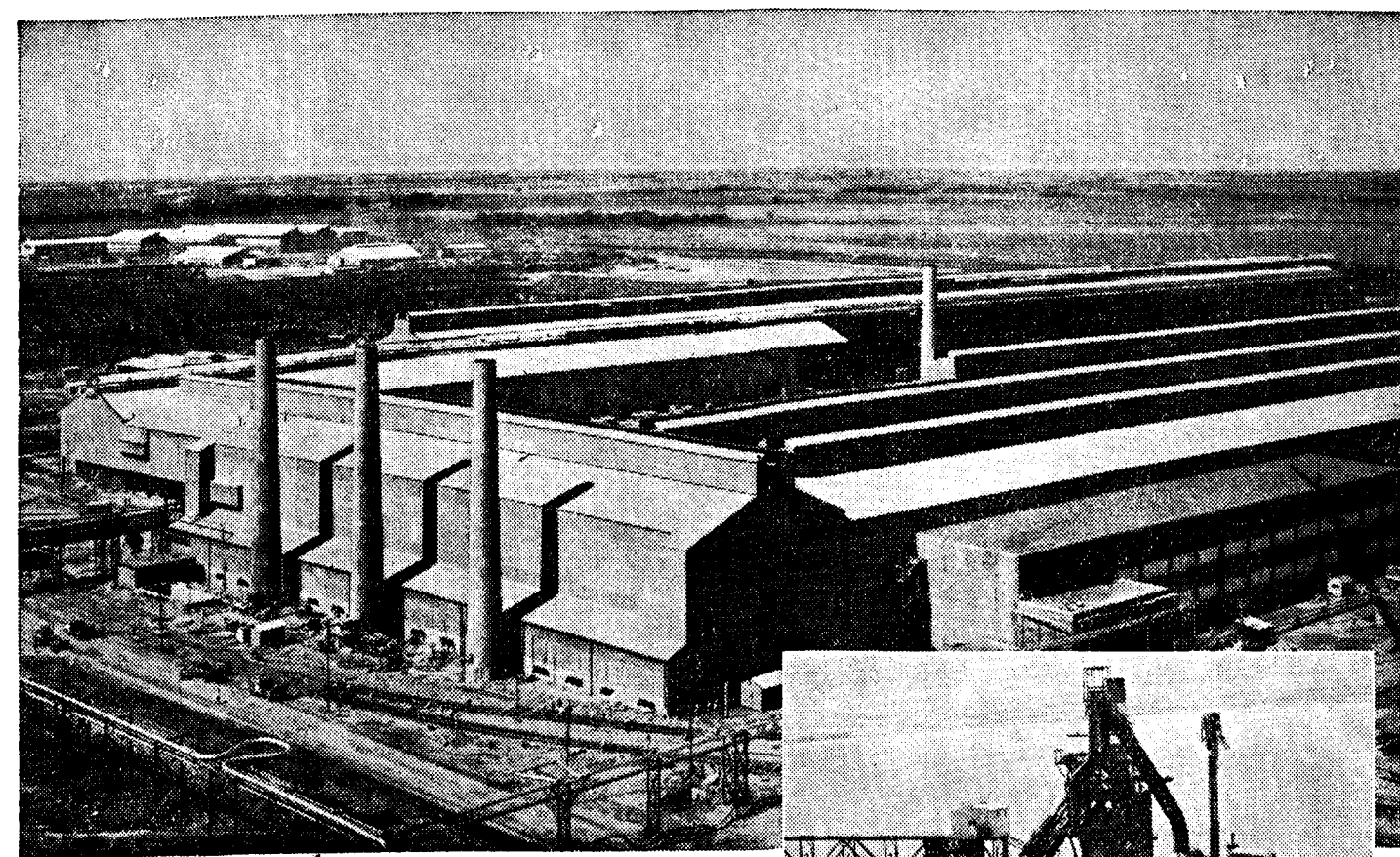
THE PROTRACTED negotiations between the U.S. and the U.K. Governments, on the one hand, and the Government of India, on the other, on the measures to strengthen the Indian Air Force so as to enable it to become an effective instrument in the defence of the country have culminated with a happy note. An announcement made in New Delhi last week revealed that American and British "high performance fighter aircraft" will be coming here shortly to participate in joint air exercises to be held under the "overall aegis of the I. A. F." These exercises will be preceded by the installation of radar and connected communications equipment which will cover almost our entire northern border. A major portion of this equipment will come from the United States. Britain is envisaged to give electronics and communications assistance. As permanent installation of a modern radar system will take time, mobile radar sets are to be used in the intervening period.

Lest the arranging of joint air exercises should create an erroneous impression that India has departed from the policy of non-alignment and is assuming an aggressive posture, a specific mention has been made in the announcement that these exercises will only be "temporary" and will not amount to a commitment on the part of the U. S. or the U. K. to assist this country in its defence should it be attacked again. In the event of such a contingency, consultations, however, will take place among the three Governments on the steps to combat aggression. A high-powered mission has also been sent to the Soviet Union to look for military equipment that is available there. For the Doubting Thomases who impatiently allege that joint exercises imply surrender of sovereignty by India, it has been clarified that the defence of the country is "wholly and solely the responsibility of the Government of India".

The proposed exercises can be carried out provided hostile clouds from across the Himalayan border do not burst in the near future—heavy concentrations of Chinese troops have been reported in the last few days all along the border from NEFA to Ladakh and the Indian Army Chief, General J. N. Chaudhuri, has been summoned back from his tour of the United States. But they should provide an invaluable experience to the I. A. F. personnel in handling the sophisticated air equipment — an essential prerequisite to acquiring of supersonic aircraft.

NON-FERROUS METALS STOCKPILE

THE RECENT decision of the U. S. Office of Emergency Planning to reduce substantially the maximum stockpile requirements for four non-ferrous metals is of quite some consequence to India. The four non-ferrous metals involved are aluminium, copper, lead, and zinc, in none of which can we claim to be comfortably placed. And, to the extent that the American stockpile of these metals is proposed to be reduced — from 1.2 million tons to 450,000 tons (—750,000 tons) in aluminium, from one million tons to 775,000 tons (—225,000 tons) in copper, from 286,000 tons to nil (—286,000 tons) in lead and from 178,000 tons to nil



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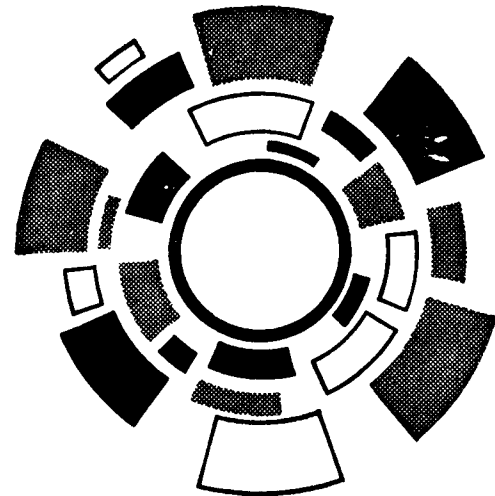


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(—178,000 tons) in zinc—and placed on the world markets, consuming countries like India which are mainly dependent on imports for their requirements of non-ferrous metals, would welcome the decision. For that would mean an increase in total supplies of these on the world markets, and consequently, also a probable fall in the international prices of these metals. There is no question, however, of any sudden dumping of the excess stocks or a sharp drop in prices, thanks to the moral and material responsibility on the part of America not to disturb abruptly the world equilibrium of demand and supply of these markets, on the one hand, and not to affect adversely the interests of the U. S. taxpayer, on the other.

Ordinarily, in the past, the practice for surplus disposal has been to route the commodity from a surplus country to a deficit country according to a mutually agreed plan. In exceptional cases, such as those caused by droughts, famines or floods, the affected countries have been enabled to draw supplies from the surplus countries without payment but, even then, only up to a point, this being determined as the point where any such philanthropic act starts impinging on the normal pattern of international trade in the commodity. This may be said to have worked with a fair measure of success. It now seems this relaxation of controlled movement of commodities may have to be extended further to accommodate countries like India which do not have the foreign exchange to pay even for some essential imports—and non-ferrous metals fall in this category. In these cases, perhaps, surplus countries may be allowed to supply, either free or for future payment, up to the normal limits of the imports of these countries over a basic period. The merit of this suggestion lies in the fact that, while economic activity in countries, which want the surplus commodities but cannot afford to go in for them for want of foreign exchange, is not impaired, the normal world markets for these commodities of underdeveloped or undeveloped countries are also not lost to them. (The loss of the Indian or any other market, for example, is not taken into account here, because, in any case, these markets would have dried up for want of the wherewithal to pay for their imports.) Also to the extent that the burden of the surplus in a given commodity is reduced by the above arrangement, the unhealthy impact on prices of an otherwise unwieldy surplus is mitigated.

MECHANISATION OF INDIAN FARMING

TWO GREAT innovations of the nineteenth century—chemical fertilizers and tractors—have revolutionised agriculture in the western countries. The economic prosperity which the peasants there enjoy today can, to a very large extent, be correlated directly to the use they make of these two modern means of farming. In India, their application on a significant scale has been, however, of only recent growth, dating back to not earlier than 1951. Even since that year, which marked the launching of the first five-year Plan, whereas application of inorganic manures has caught up well with the result that acute shortages have come to be felt in their supplies, especially those of nitrogenous fertilizers, after 1958, the use of tractors has gone up only falteringly. Between 1951 and 1961, the number of tractors in use for agricultural purposes in this country is said to have risen from 8,500 to 34,000. But it will be presumptuous to assume that all these are actually utilised to the optimum extent. Nearly 50 per cent of them are estimated to be lying idle for want of repairs.

In India, tractorisation on the scale evidenced in the U. S. A. and the other highly developed countries, obviously, has its practical limitations owing to small holdings of the majority of our agriculturists, their weak financial position

and large-scale unemployment or under-employment in the countryside. But this does not imply that mechanisation of Indian agriculture can be ruled out altogether and for all times to come. There are many an agricultural operation even today which call for urgent improvement in farm implements. For tilling on small holdings too there is a good scope for the Japanese type small tractors or power tillers. With gradual improvement in the economic position of our agriculturists and the siphoning of excess labour force from the rural areas through industrialisation, their use henceforth can be expected to grow at a faster rate. It was, therefore, just appropriate that the Union Ministry of Agriculture recently called a conference of the various interests concerned to deliberate upon the manufacture and popularisation of improved farm implements.

Casual Treatment

Many of the measures recommended by this conference for developing new farming tools and for popularising them, of course, are the same which have been talked about ad nauseam on various occasions. What is needed is more energetic action to implement them. The casual manner in which the State Governments have been dealing with this matter—the latest instance of this is to be found in the fact that during the current emergency when the cry for saving on unproductive and non-essential expenditure went up, the States' first cuts included slashing of the Plan outlay on this vital activity—is hardly warranted. Now that adequate supplies of steel have been promised for the manufacture of farm implements and an Agricultural Implements Board, consisting of one representative each of the Planning Commission, Ministries of Food and Agriculture, Community Development and Co-operation, International Trade, manufacturers of big and small tractors, dealers, fabricators, co-operative societies, and four or five farmers' representatives, is being set up, it is hoped the rate of progress will pick up soon.

There is apparently a need for urging upon the licensees for manufacture of small tractors or power tillers to implement their programmes of production at an early date. Association of progressive farmers in the task of evolving new cheap farming machines and tools will also be a step in the right direction. So also standardisation of a few implements suitable for the different parts of the country. In this regard, whereas there is need to pay greater attention to the improvement of our cattle, as pointed out by a West German team of experts sometime ago, much can be gained if research in farm implements is undertaken, keeping in view the draught capacity of the cattle.

The use of improved farm implements, of course, can be fostered at a rapid pace only if service and repair facilities are provided in an adequate measure in the rural areas. Training of village artisans and opening of service workshops at the block development headquarters should go some way in this regard. But the large-scale manufacturers also need to be asked to provide after-sales service. This is a recognised practice in all the engineering trades in the West. Why should it not be followed here?

GROW MORE

SAVE MORE

WORK MORE

A POLICY FOR RAILWAYS—VIII

Needed: Federal Railway Authority

By T. M. RAO

THE TOP-MANAGEMENT of the Indian Railways consists of men trained as railway men throughout their careers. In the Railway Board, there is only one member who is not a traditional railroad man and he is the Financial Commissioner. He is usually a senior secretary on loan from the Ministry of Finance. The rest of the Board members as well as the additional members are men trained for railway careers as soon as they have finished college. By profession they are either engineers or transportation men who served in their respective departments in various capacities for several years. Normally before going to the Board as a full member, one would have served for a term as general manager of a zonal railway system. It is rather unfortunate that none of the Board members are trained as business managers, comptrollers or economists. No one for a moment doubts the fact that they turn out to be excellent railway officers. But at the top level that is not enough. At the top there must be men who can grasp the changing needs of the economy, the role of the transportation industries and a dynamic ability to lead a vast organization to desired goals. Managers must not only manage and lead but must be able to anticipate the future. Because of rapidly changing technology, tomorrow's markets and customer needs are going to be very different from what they are today. They should be able to cut through red tape and go to the very heart of a problem. They must get things done at the least possible cost. At the same time they should realize that in a democratic set-up all this must be done not through 'diktat' but through persuasion and co-operative effort.

The Manager of tomorrow will have to be able to relate his product and industry to the total environment, to find what is significant in it and to take it into account in his decisions and actions. And increasingly the field of vision of tomorrow's manager will have to take in developments outside his own market and his own country. Increasingly he will have to learn to see economic, political and social developments on a world-wide scale and to integrate world-wide trends into his own decisions.¹

Autonomous Body

For the aforesaid reasons, there appears to be a need for vesting the control and administration of the Indian Railways in an autonomous statutory body which may be designated as "The Federal Railways Authority." It cannot, of course, be completely independent. Like the British Railway Board, it would be responsible to the Minister for Transport. In the absence of stockholders, public corporations will of necessity have to be accountable to Parliament, indirectly at any rate, through the Minister concerned.

While still accountable to the Minister and through him to Parliament, the Federal Railway Authority can function as an autonomous body and with a high degree of independence and free from political influence.

The idea of a Federal Railway Authority is nothing new. It was first recommended in the Government of India Act, 1935 which included provisions for the creation of such an authority. The idea was again revived by the Indian Railway Enquiry Committee (1936-37) which observed that "while political interference is the high road to bankruptcy, administrative interference leads to stagnation and is almost to be equally deplored."² The Committee suggested that in future the Government should confine its interest in railways to that of a debenture holder and delegate wide powers to the Railway

In this concluding article of the series Dr. Rao calls for the reorganisation of the top management of Indian Railways. He outlines a scheme for a Federal Railway Authority which would work with a high degree of autonomy and through a scientific system of decentralized administration and management. He believes that only an organisation of this kind will be capable of functioning imaginatively and efficiently in the fields of pricing and financial management, research and development, operating concepts and personnel practices.

Authority. Later the Indian Railway Enquiry Committee, 1947, while strongly criticizing the departmental set-up for the administration of railways, recommended the creation of a statutory authority responsible for developing an efficient, adequate and economical system of railways.

Some of the arguments advanced in favour of the departmental set-up of the railways as existing today are that it speeds up consultation on inter-ministerial matters and that any radical change in the central controlling authority of the railways would adversely affect the progress of the railways' five-year Plans.³

Red-tape Rampant

It would seem that both the above arguments would not hold water. Those who think that questions requiring inter-ministerial consultation are expedited now may not know that it takes months for a decision to be taken which needs inter-departmental consultation within the Railway Board itself, not to speak of those which involve other ministries. Secondly the Board members and senior officials do not have the time necessary to devote to planning and policy formulation because they are constantly distracted by work connected with parliamentary affairs such as appearance before the Estimates and Public Accounts Committees, preparation for annual budget sessions of Parliament and answering questions raised in both the Houses. To make matters worse, administrative details and close supervision exercised on the zonal railways take away the rest of the time not claimed by parliamentary work. One illustration should make this point clear. Most of the working day of the Director and Joint Director of Traffic (Transportation) in the Railway Board's office, is spent in chasing freight cars (wagons) at the major yards and between the different zonal railway systems. It would not be rash to suppose that this is characteristic of the other directorates in the Railway Board.

It is needless to emphasize that the FRA will be largely a policy-making body unlike the present Railway Board. That is to say it will lay down broad policies in such areas as allocation of resources and future investment, research and development, co-ordination between different railway units and certain financial and personnel matters.

The rest of the functions including administration and financial management of the zonal railway systems should be vested in the General Managers of the autonomous regional systems. In the matter of rates and fares they should have the power to introduce innovations without reference to the FRA or to the Railway Rates Tribunal. Each General Manager will be accountable not only for the efficient administration of his regional system, but also for running it profitably. The

net profit earned in any year should serve as a yardstick in judging his performance.

In appointing General Managers, the FRA should have complete freedom to go outside the railway organization and recruit outstanding men in business and administration. If men from private business should be attracted then the salary should be correspondingly high and this must be a matter for negotiation between the FRA and the individual concerned. It is not implied here that railway career officers cannot aspire to the General Manager's position. On the other hand an outstanding railway servant would be a natural choice for the post.

For the men to preside over the FRA the Minister for Transport should, of course, have complete freedom to select from any quarter. A good example to emulate is the appointment of Dr. Beeching, the former Technical Director of the Imperial Chemical Industries as Chairman of the British Railway Board. Another example that comes to mind is that of Mr. B. W. Heineman, Board Chairman of the Chicago and North Western Railroad. A lawyer by training, Mr. Heineman has proved successful in changing the course of the railroad, from a company going into bankruptcy to one of relative prosperity. Members of the FRA should be men who can think in terms of change, technological advance and above all innovations. For innovation is going to be the most important thing in the railways' future, if they are going to meet the demands of a growing economy effectively. It will include pricing and financial policies, research and development, rules, operating concepts and personnel policies.

Personnel Policies

Let us take personnel policies first. It would not be incorrect to say that they are highly cumbersome at present. They are guided by the Establishment Code which consists of two large volumes and innumerable correction memos. It is a sad commentary that in the field of personnel relations, Indian Railways are an example of what ought not to be. Innovation must therefore begin with the personnel policies. They should be written in clear and simple words and should be as brief as possible. The booklet on personnel policies may indicate the categories of employees, salary scales, duties and privileges of employees and lay down certain canons of propriety. The rest must be left to the supervisors and executive officials. The administration by rigid rule must give place to a more flexible approach based on an understanding of human relations.

In the modern corporation there is a great emphasis on the development of people and the training of managers. On both these points the Establishment Code does not have anything to say. That brings us to the point that nowhere does it spell out what the objectives of the railway personnel policies are. This may not be surprising because under the British Administration, the predominant concern was the maintenance of law and order. But today it should be possible to develop a set of personnel policies based on the principles of scientific management such as autonomy, performance by objectives and positive motivations.

There has been a growing realization in American industry that great untapped opportunities lie in finding ways to develop more fully our human resources — particularly the managers of our business enterprises. Technological advances and the increasing complexities of managing under today's and tomorrow's conditions have made manager development a necessity as well as an opportunity. Those who have been closest to this field believe that an opportunity exists in General Electric to increase productivity 50 per cent in the next ten years through better management alone.⁴

It is rather unfortunate that the Indian railroads have been for so long tied to the British Railway operating con-

cepts. This was to some extent a historical development; but it must also be attributed to the reluctance of the railway management to adapt the organization to the growing technological advances.

Suffice it to mention here only a few examples. Let us take the construction of freight cars. In the United States most of the freight car fleet is of the four-axle twin truck type. It has the advantage of hauling a greater payload at higher speeds than the four-wheeled freight car, which is the most predominant type on the Indian railroads. There is no reason why for instance the Indian railroads cannot think in terms of building freight cars of 100 and 150 ton capacity for hauling bulk freight.

Technological Improvements

It may not be wrong to say that the antiquated signalling and operating rules on many of the trunk routes have been responsible for the bottlenecks and capacity limitations by which the Indian Railways have been plagued. In Japan the absolute block system has been replaced by the permissive block system. It is fairly certain that with innovations in operating rules and concepts traffic could have been moved quicker on some of the heavily worked lines in India. If CTC (Centralized Traffic Control) had been introduced, double tracking could have been avoided on many sections resulting in considerable savings in capital outlay.

Mechanized track maintenance in the United States has not only helped to reduce labour costs but has also raised the standards of maintenance resulting in higher permissible speeds. In India in the context of a high rate of unemployment, labour intensive techniques may have some merit and may determine the government's policy guidelines in a welfare State. But it does not mean that it can be applied to all situations alike. If the railroads, by superior techniques, can cut costs and consequently finance higher investment expenditures through greater profits, then they would not only accelerate income generation but also add to the employment potential in the long run. It would be unwise for a developing economy to divorce itself from the broad stream of scientific and technical advances.

Here it might be worthwhile to repeat what Peter Drucker has pointed out in an article on Japan's unprecedented industrial growth.

Yet in some Japanese factories it takes six times as many employees to produce the same amount of the same goods as in a comparable American factory. The reason is Japan's traditional system of "lifetime employment" with layoffs or dismissals only for very serious misconduct. As a result most of Japanese industry is grossly overstaffed and thousands of people for whom there are no jobs are kept on doing almost nothing in the plant or office. Very few Japanese employers know (just as very few American employers know) that it costs three to five times a man's salary to have him on a job — in supervision, in space, in paper work and record keeping, in heat and light, in materials and so on. . . . As a result older industries and businesses bear the heaviest burden of overstaffing; and the coal mines and railroads, as they are everywhere else, are in the worst shape of all.⁵

If this is true of Japan which ranks fourth among all nations in total industrial production, how much more is it true of Indian Railways?

To illustrate the point, there is an employee force of 1.2 million to run a railway system consisting of about 35,000 route miles in India. This is in contrast to the labour force of about 700,000 in the United States who are engaged in running a railway network six times as large as that in India. Not all this difference could be ascribed to superior technology of the American railroads.

In Europe and in the United States teletype has suppl-

mented telegraph and telephone circuits in railroad communications. For instance teletype is used exclusively for transmission of messages, yard positions and train consists (known as train load or train formation in India). A few weeks ago there was an interesting news item in the United States about a train consist having been dispatched from one station to another via the Telstar communication satellite.

The need for innovations in pricing policies has been discussed earlier in this series. In developing accurate costs of different phases of railroad operation, it would be necessary to rely on electronic computers. A computer installed at each of the zonal headquarters can be used for a variety of tasks such as critical path scheduling for construction jobs, programming stores purchase and inventory levels and taking care of the employee payrolls.

It would be misleading, indeed, to suggest that innovations are inextricably linked with new and costly machinery. An innovation may follow the introduction of a new machine or it may not. In India the sort of innovations required are particularly those which are applicable in the field of administrative methods, organization and management.

One such innovation is making each zonal and divisional manager accountable for the profit position of the operations within his unit. A government official suffers from a "trained incapacity" to introduce innovation and adjust to change. That is why the urgent need is for creating the railway organization as an independent authority run on commercial lines. It will also help its removal from the close ambit of political influence and set it on the path of healthy growth.

Dieselisation

The most outstanding event in recent railroad development in the United States has been the introduction of the diesel engine. It is estimated that in 1946 diesel electric locomotives hauled 9.7 per cent of total freight traffic and 15.3 per cent of passenger traffic. In 1960, the corresponding figures were 97 per cent for freight and 95 per cent for passenger traffic, the remainder being electric.

UNITED STATES CLASS I RAILROADS

Year	Net ton miles per loaded car mile	Car miles per freight train mile	Freight ton miles per train hour	Gross ton miles per freight train hour
1953	32.1	63.2	18.2	51,750
1954	31.4	65.0	18.7	53,897
1955	32.1	66.2	18.6	55,770
1956	33.0	67.2	18.6	57,071
1957	33.4	69.3	18.8	59,218
1958	33.0	70.7	19.2	60,807
1959	33.3	69.6	19.5	61,924
1960	34.0	70.2	19.5	63,096
1961	34.7	71.0	19.9	65,621
1962	35.7	71.5	20.0	67,491

(9 months)

Source: Railway Age Weekly, January 7/14, 1963

In the United States the railroads have introduced many economies in operation to reduce costs and increase efficiency. With less track maintenance higher speeds have been achieved by the use of improved longer lasting ballast and crosstie sleepers. The use of Sperry car has helped in locating defects in the track without removing the track. Welded rail joints have saved many man hours of labour besides providing an improved track. Automatic freight car classification yards have helped to expedite traffic and reduce switching costs. Centralized traffic control has permitted automatic control of the flow of traffic over hundreds of miles of line from one central point. The weight of rails has increased over the years and at present 139 pound rail is the standard for most main line operation.

One of the major indicators of efficiency is the handling of freight and passengers with relatively fewer engines, cars and personnel than before. The total number of locomotives in operating service for all types combined declined from 41,719 in 1947 to under 29,000 in 1962. Notwithstanding this decline in motor power, the total number of gross freight ton miles handled by Class I railroads for 1959 exceeded that for 1946 by approximately 3.0 per cent. This accomplishment was, no doubt, made possible by many technological advances leading to increases in the average speed of trains and decline in the turn-around time of rolling stock.

On some of the railroads in the United States industrial engineering departments have been created whose function is to devise methods to cut costs, rationalize operations and strive for higher efficiency. The rise in the productivity index on the United States railroads to which reference has been made above may bear testimony to the useful role played by the industrial engineering groups. The railroads in India may well emulate this example and set up industrial engineering departments in each of their regional systems.

Operational Efficiency

Now let us look at the trend of operating statistics of the Indian Railways. The table on page 207 gives some of the more important indices of operating efficiency over the last ten years.

The figures in the table indicate that while there is no improvement in the operating statistics the average freight train speed on both gauges and wagon turn-around time on the meter gauge have generally deteriorated. (See graph). The figure "net ton miles per freight engine hour" is well-recognized as a rough index of operational efficiency. The numerator consisting of total net ton-miles gives a good measure of the revenue earnings of the railroad. The total freight engine hours in the denominator is a measure of the expenditure incurred in carrying the freight.

The quotient must provide a rough index of earning power per unit of expenditure, which in this case is an engine hour. If the numerator goes up as a result of an increase both in the volume of originating freight and in the trip distance, it is normal to expect (because of characteristics of the volume sensitive industry like the railroads) the quotient to go up even without any improvement in operational efficiency. The figures under net ton miles per freight engine hour in the table have been adjusted for variation in the average tractive effort of locomotives in different years and do not show much change. The natural conclusion to draw from this as well as the decline in average freight train speed and wagon turn-around time is that there has been a deterioration in operational efficiency on Indian Railways. It may be considered rash to make such a statement on the basis of the figures so far examined but the author has had personal experience of working on three different Divisions of the Southern Railway, where drive, organization and above all innovations have been instrumental in raising freight train speeds and efficiency indices by 50 to 75 per cent. And all this was achieved with the existing equipment and facilities and without any large capital expenditures.

The railroad plant is an admirable example where relatively minor changes and investment can yield large dividends provided there are dynamic and innovating managers. Fortunately such men are available in the railroads.

The railway organization as it exists today as a department of the Central Government, however, does not appear to be conducive to the training and development of such men. Here therefore is the *raison d'être* for the creation of a Federal Railway Authority as an independent body with broad decentralized functions.

Here we face a fundamental issue. In a free enterprise economy such as the United States, appraisal of management goes on continuously through the following media: (a) profits which reflect the

of common stock equity in particular and (b) market price of common stock shares. While the latter statement may be questioned, as the stock market fluctuations are highly capricious, it is yet undeniably true that the popularity of such stocks as IBM, GM Corp, and DuPont may be attributed to the dynamic leadership of these companies and is an expression of public confidence in their managements.

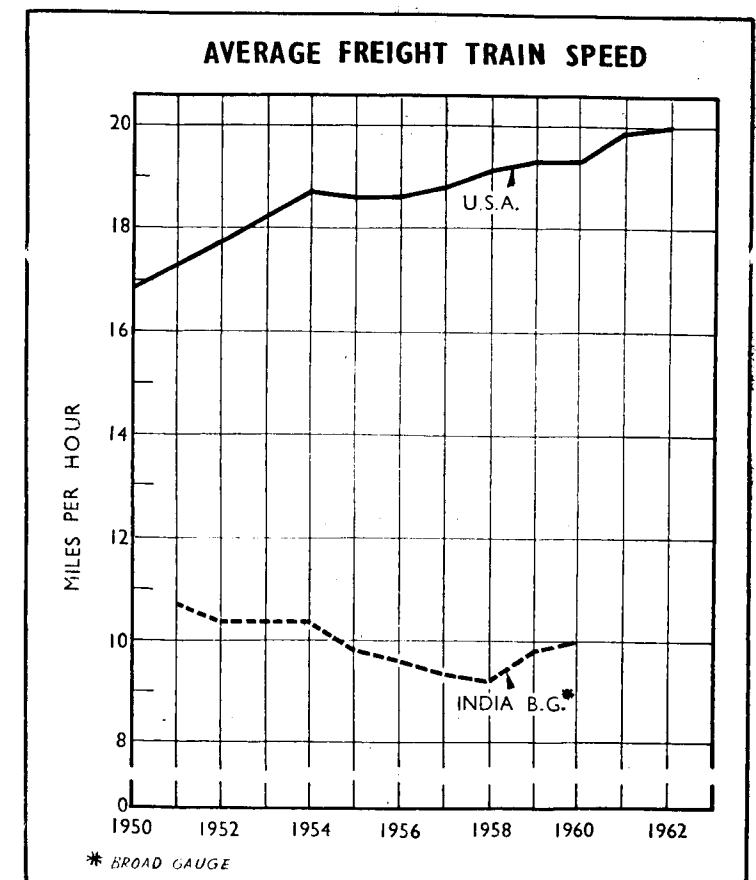
Now, what yardsticks do we have for managerial appraisal in publicly owned undertakings? This is still a difficult and fuzzy area. "The first responsibility to society is to operate at a profit, and only slightly less important is the necessity for growth. The business is the wealth-creating and wealth-producing organ of our society." These remarks of Peter Drucker apply equally to the management of public enterprises. The same problem has recently come up for a good deal of discussion in the Soviet Union, in which two questions were posed. One is, how to increase the productivity of state enterprises? The other is, how to judge the managerial efficiency of the enterprises? At the heart of the debate is a suggestion put forth by Professor Liberman of Kharkov Institute who proposed that factories be awarded their annual bonuses on the basis of their profits. At present, a bonus is granted when the factory meets and surpasses its production quota, regardless of the enterprises' profitability.

Profitability the Essence

This is, however, not startlingly new. It was reported a few years ago that "it may seem paradoxical that this responsibility of management is most clearly recognized in the Soviet Union. Profitability is the first and absolute law for Soviet management and the essence of what the Russians proudly proclaim to be their great economic discovery: 'Management by the rouble.'"

It is, of course, easy to see that profits alone are not a reliable guide. Short-sighted executives can so manipulate figures as to show good profits for a few years by letting the assets run down or by extravagant use of raw material reserves. On the other hand, a firm which has not shown profits may be just on the verge of spectacular success because years of developmental work and far-sighted management have begun to yield results.

It would, however, seem to the writer that in so far as public undertakings are modelled after business enterprises and in so far as rate of return is applied as one of the yard-



sticks in evaluating their performance, they would prove successful not only as testing ground for the managers who run them but in the ultimate analysis justify themselves as viable economic units.

[Concluded]

1. Peter F. Drucker, *The Practice of Management*, Harper & Row, New York, 1954, p. 373.
2. Quoted from Committee on Transport Policy and Co-ordination, op. cit., p. 24.
3. Estimates Committee, 19th Report, pp. 16-17.
4. Ralph J. Cordiner, quoted from *The Practice of Management*, Harper & Row, New York, 1954, p. 184.
5. Peter F. Drucker, *Japan Tries for a Second Miracle*, Harpers Magazine, March 1963.
6. Drucker, op. cit., p. 386.
7. Ibid, p. 387.

SELECTED OPERATIONAL STATISTICS RELATING TO INDIAN GOVERNMENT RAILWAYS — 1951-1959

Year	Average Lead (trip distance in miles)		Average Speed of all goods trains m.p.h.		Wagon Turn-Round Time*		Traffic Density per mile of route		Net ton miles per freight engine hour†	
	Freight	Passengers	Broad Gauge	Metre Gauge	Broad Gauge	Metre Gauge	Freight million ton miles	Passenger million passenger miles	Broad Gauge	Metre Gauge
1951-52	299	32	10.7	9.2	12.9	6.8	0.9	1.2	2,029	780
1952-53	298	32	10.4	9.1	12.7	7.5	0.9	1.1	1,933	831
1953-54	301	31	10.4	8.9	13.0	8.3	0.9	1.1	1,855	838
1954-55	302	31	10.4	8.7	12.5	8.2	0.9	1.1	1,967	843
1955-56	320	31	9.8	9.4	12.0	8.0	1.0	1.1	1,989	875
1956-57	324	31	9.6	8.3	12.3	8.8	1.1	1.2	2,005	915
1957-58	338	31	9.3	8.2	13.0	8.9	1.2	1.3	2,066	951
1958-59	346	30	9.2	8.0	13.5	8.4	1.3	1.2	2,042	893
1959-60	348	30	9.8	8.5	12.9	8.9	1.4	1.3	2,148	920

* Wagon turn-round time = total wagon pool x number of days in a year/number of wagons loaded in the year.

† These are equated figures worked out with average tractive effort of locomotives for the year 1950-51 as base.

Source: M. Dutta Chaudhuri, *A Note on Investment and Operational Efficiency in Indian Railways*, Planning Commission, 1961 p. 52.

WINDOW ON THE WORLD

Belgian, Italian and Spanish Planning

From Our Special Correspondent

PARIS:

THIS IS the quiet season in the European economies, when industry and trade slow down for the summer holidays. The statisticians cannot collect figures because their informants are away, so the statisticians leave for the beaches too. In many Continental countries there will be no further economic indicators published until September, when a joint July-August figure will be published, showing the usual dip in activity — which gets deeper each year as more people get longer holidays. So this is the usual time for the planners to review the progress of the national economy and to set it against the forecasts of their plans. In this natural, seasonal pause they take stock of the impact of the winter on economic expansion and prepare their guesses for the autumn "ren-tree." There are more such reviews in Europe this year than ever because, while the doctrinaires of liberalism maintain their opposition, planning is gaining ground. Apart from the now traditional meeting of the French planners, there have been in recent weeks similar plan reviews in Spain, Italy and Belgium for all these countries are henceforth committed to an effort to plan their economic growth over a longer term (and in more detail) than is possible with annual budgeting.

It is notable that three countries so differently placed should think that flexible planning methods have something to offer them. Belgium is one of the smallest European nations, and enjoys (despite a relative loss in recent years) living standards that are still among the highest; it has no unemployment problem of importance; its economy is closely integrated with international trade and is, moreover, engaged in the process of European integration. Italy, in contrast, is a large nation at a quite different stage of economic development; it is still relatively little involved in world trade, in proportion to its national product; it has known a long boom, quite unlike Belgium's period of stagnation, which very likely could continue for years yet without resort to national planning. Spain, in turn, is at the other extreme: a backward economy that is only now, after several false starts, entering the era of industrialisation.

The Common Character

For all these differences, there are similarities too, and there is an obvious one that may well account for their simultaneous adoption of democratic planning. (The label democratic may justly be applied to the Spanish conception too for, although that society is not a democracy, the plan is a timid step toward freer and more open methods of economic management, away from the arbitrary and unenlightened dictatorial techniques that led to bankruptcy a few years ago.) That common character is that all three nations ran into grave problems of regional unbalance, and lost all faith in the ability of free-market mechanisms to overcome them unassisted by some system of centralised consultation. The ruling parties in Brussels, Rome and Madrid were never ideologically inclined toward planning, which indeed they were tempted to dismiss as "Communist". They are all of them associated with powerful capitalist interests who are apt to take a rather narrow-minded view of economic "liberalism".

Yet they all encountered insuperable difficulties in main-

taining (or introducing) roughly equal economic progress in the various parts of their territories. Worse, they found that these discrepancies were heightened, rather than relieved, by entire reliance on unco-ordinated free enterprise. Economic inequalities between regions are most marked in Spain, and least in Belgium. And yet the political consequences have been most dangerous in Belgium, and least (in recent years) in Spain — which suggested that such inequalities could become more and more troublesome as average living standards rose and political freedom increased. Indeed, unequal economic advance in the Walloon and Flemish parts of Belgium has lately threatened Belgian national unity, and it is notable that passions ran highest precisely in Brussels, the capital of the free-enterprise system that had made Belgium wealthy but unbalanced.

Troubles Ahead

Italy was plainly heading for similar, but starker, troubles; it is well known that the gap between the poor south and the industrialised north actually increased throughout the first decade of rapid economic expansion. While in Spain it is only the dictatorship (continuing in this respect the task of the monarchy and the republic) that has held the nation together; a period of greater freedom, even if (or especially if) accompanied by fairly fast expansion, would have sorely tested the nation's ever insecure unity. The resort to planning in each case is motivated by the wish to ensure a spread of economic benefits that will be less dangerous politically. The spread here referred to is as between regions, rather than as between classes. True, the inhabitants of less privileged regions have more in common than mere cohabitation, so the regional problem is always complicated by other factors which may come to get more attention, as with the "communal" conflict between Catholic Flemings and the godless Walloons. But the regional issue is fundamental, and it is never a question (as it was in socialist planning) of equalising economic classes, promoting, the welfare of the working classes as against the possessing classes.

Another thing that the Belgian, Italian and Spanish plans have in common (and this applies to current French planning also) is that none of them seeks to maximalise output at virtually any cost. In fact, they all set targets that have been achieved in years gone by without the aid of planning — achieved at least once in Spain, and habitually in the other countries. Unlike the Russian five-year plans which sought to pull a nation up by its bootstraps, to achieve output records and to quicken the pace of development, these democratic plans take as their function the stabilising of progress at a level that has been proven possible by recent performance. Planning still suggests to many of its liberal critics the desire to force growth at an unnatural and surely uneconomic speed, which is why they hold it must inevitably deteriorate into compulsion when sacred and irrational targets remain unfulfilled. One will find no such targets in the West European plans being discussed. As a whole, the nation is nowhere being asked to do more than it has done in the past, but there is the hope that performance can be better sustained by anticipating the bottlenecks and balances that interrupted previous upswings.

The Belgian plan calls for a 17 per cent increase in national product between 1962 and 1965, which is four per cent a year.

This rate of expansion was easily achieved in 1961 before the plan began, so it is no surprise that it has been so again in 1962. The Italian plan sets the objective of a five per cent annual increase in national product, which again has often been seen in the recent past. The plan does not even recommend any heroic attack on the unemployment problem, which is not expected to be resolved before 1973, because to try to cut corners would imply quickening the pace of expansion beyond known and proved performance. As the Saraceno report on the Italian plan puts it, "The idea is not an acceleration of national economic development but the maintenance of a persistent and regular rate of expansion adapted to the possibilities of the moment. It is in essence an anti-cyclical policy." The Spanish objective of a six per cent annual increase in gross national product per capita seems, indeed is, more ambitious. Spain has several times lately done better than six per cent yearly for the global GNP but on a per capita basis, this increase was achieved only once, in 1961. Still, there is nothing superhuman about the Spanish target, when you consider that the base-figures are very low and substantial percentage increases are thus easier to reach. The Government takes six per cent as a maximum, which there would be no interest in exceeding, although at that speed it will take the Spaniards 13 years to attain present Italian standards and 20 years to catch up with existing French levels of income per head.

A final similarity between these different plans is a projected rapid development of public investments in the infrastructure of economic life: transports, urbanism, occupational training for the large sectors of the population that must change their way of life, and the like. Further government

Is a Wages Policy Possible?

By JOSSLEYN HENNESSY

LONDON:

THE RECENT speech of the Leader of the Opposition, Mr. Harold Wilson, to the Transport and General Workers Union was a major declaration of Labour policy before a large group of Labour supporters (although a lone Conservative TGWU worker, evidently of suicidal tendencies, took the occasion to proclaim, from the rostrum, the virtues of private enterprise, thus reminding any reflective observers present that about one-third of British trades unionists vote Conservative).

Mr. Wilson had a number of constructive points to make, but in order to render them palatable to his Labour audience, he felt it necessary to interlard them so heavily with barbs aimed at employers and the City of London, and derisory comments on the Conservatives, that the significance of his points, although clear enough to those capable of reading between the party political lines, must have been largely lost on the conscientious party rank and file.

Mr. Wilson said that a Labour government could not afford restrictive practices or out of date methods on either side of industry, could not afford unofficial strikes, or tax avoidance or financial manoeuvrings for quick profits, and would have to ask for restraint on all incomes, wages, salaries, profits, dividends, and rents. Such importance does Mr. Wilson evidently attach to an Incomes Policy that, after preparing the way by pouring ridicule on the Tories, he returned to the theme of incomes to emphasise, in case any should overlook the fact, that increased incomes could only come from expanded production and increased productivity.

What Mr. Wilson said was reasonable as far as it went, but he left some fundamental questions unanswered. Mr.

ventures in productive industry are not envisaged, even in Italy where Rome has foresworn new nationalisations after the take-over of electric power. The production of goods remains exclusively a private-sector affairs, and if the State's share in the distribution of the national income is expected to increase in each country this is because of a fresh emphasis on communal responsibilities and collective tasks which hitherto were neglected — especially in the backward regions of each country. Liberals could still say that planning is accompanied by socialisation in the sense that the State's role is extended, but this is only in matters that have always been regarded as the State's business (plus nuclear energy, a new field where, given the smallness of European nations, there is no room for competitive private ventures). This is so even in the Spanish plan, which is being written along the lines of the French plan and under the supervision of the I.M.F. and the World Bank, two institutions much less favourable to government enterprise than was the Francoist regime before it went broke in 1959.

Apart from these similarities in design, all the plans face an identical danger, which is already familiar from French experience: the impact of rising prices on development plans. In other words, they pose the problem whether it is possible to co-ordinate activities without co-ordinating the competition for higher revenues, without, that is, a national incomes policy. When it is realised that this must include not only a control over wages and salaries, but over all forms of income including profits and dividends, it will be seen to entail a calling in question of the present economic system. But that sort of problem will arise in all economies afflicted by secular inflation, whether or not they adopt national planning.

Wilson would certainly agree that if no profits are made, expansion is impossible, but he seems to imply that profits are only respectable if they are ploughed back into the business. If, however, all expansion is based on ploughed back profits, what guarantee is there that the right industries are being expanded? The best allocation of national resources can be made only if profits are paid out to shareholders, who then spend or re-invest them in accordance with the state of the capital market as a whole and the comparative attractions of individual investment possibilities. Failure to pay out good dividends leads to the under valuation of shares and opens the door to take over bids, of which Labour (for obscure reasons) disapproves. If, moreover, a company's retained profits happen to be insufficient to meet its plans for expansion, investors will be slow to invest in a market governed by dividend restrictions.

Just as there are fashions in the clothes of Western women, so there are fashions in the ideas of Western intellectuals. At the present time, it is fashionable among both Socialists and Conservatives to believe that the solution to all the UK's problems lies in a "sound" Wages and Income Policy. It amounts to a ritual incantation but neither Mr. Macmillan nor Mr. Wilson have explained to their respective congregations what the term means.

From the viewpoint of an economist, a Wages Policy implies that some authority has made an estimate of the national income for the coming year and of the share in it that could be paid out to increase wages without inflation. If this total of the share could be agreed, and agreement on this is, as the Cambridge economist C. W. Guillebaud has pointed out, a very big initial assumption indeed, then suppose for the sake of argument that wages and salaries are running at a total of £10,000 million, and that the agreed sum available

for increases is £600 million. Some authority would then have to be responsible for dividing out that £600 million among the various claimants in accordance with "fairness" and the "national interest."

I confess that I should hate to be one of the committee charged with this thankless responsibility. What criteria could I apply? Increase in productivity per head? But in innumerable occupations — bus drivers, policemen, civil servants, municipal employees, waitresses — productivity is difficult to measure and still more difficult to compare with that of other workers. Yet bus drivers, policemen, etc., may feel themselves for other reasons equally entitled to an increase of pay. A rise in productivity could also come from more capital invested per worker. If so, is the shareholder, who saved and invested the capital, entitled to no increase of dividend? Or increases in productivity might be greatest in industries, such as armaments, which contribute nothing to increase the supply of "wage-goods", i.e., the consumption goods of all kinds on which wage earners spend their money incomes and on the supply of which the value of real wages depends, since a rise in money wages without an increase in workers' consumer goods merely ends in higher prices. In any case, armaments is the kind of industry in which a large output from piece work, or production bonuses, automatically gives the workers higher earnings. Nor does productivity solve the problem of differentials within an industry — the claims of the lower paid workers on the ground that they are hardest hit by a rise in the cost of living versus the claims of the skilled workers on the ground that their greater skill or responsibility is inadequately rewarded.

Is an industry's capacity to pay a criterion? There are

Indonesia: Challenges Confronting Guided Economy

By D. R. RAJAGOPAL

JAKARTA:

INDONESIA ranks among the topmost countries which are endowed with bountiful natural resources. She is capable of producing basic industrial commodities and also those of every-day consumption like rice and sugar in great abundance, not to speak of spices from which she traditionally enjoyed lucrative export earnings. Her known deposits of fuels like petroleum and kerosene and of minerals like tin, bauxite, coal, iron, manganese, copper, nickel and to some extent gold and silver are also vast. Then there is the nature's bounty of plantations in high demand like rubber and dense forests which can yield quality timber. The marine resources over a multitude of islands constitute another fruitful source for exploitation. The potential for generation of hydro-electric power has been assessed as among the highest in the few countries plentifully endowed with it. But these resources can be successfully mobilised provided adequate scientific planning, application of investment capital, technical know-how, managerial skills and trained labour as well as a careful programme of marketing are brought into play in a comprehensive and integrated scheme for continuous development over a long period. Thirteen years have passed by since Indonesians became masters of their own house, free to lead their country to its economic destiny. During these 13 years, it was only the short-lived Korean boom which brought in its wake a passing phase of prosperity. For the rest, these long thirteen years have a tale of mismanaged State planning to tell. The resources are lying dormant and on the contrary there have been impressive declines in the production of many commodities badly needed for home consumption as well as for exports.

If Indonesia's economy is undergoing intermittent and

few countries today in which inflation is not prevalent and high gross profits on paper are inevitable with inflation. Paper profits enable inefficient firms to prolong their existence, induce employers to hoard labour, and to bid up wages against each other.

What about a higher share out of the agreed £600 million to attract fresh labour into undermanned industries? But in time of overfull employment (implied in the demand for a Wages Policy at all) most industries are short of labour.

Theoretically, it would be possible to work out an index of the relative importance of each category of job in every industry, and to allocate increased pay accordingly. But in practice would any worker accept as "fair" the index points allotted to his job? Would a railway worker agree to lower points than a bus driver, or a baker to fewer than a waitress?

Enthusiasts for a Wage Policy in the UK point to the alleged success of such policies in the Netherlands and Sweden. The statistics do not support them. With 1953 as 100, UK wages rose from 80 in 1950 to 137 in 1958, prices from 81 to 119; in the same years, Dutch wages rose from 89 to 140, prices from 88 to 117; Swedish wages rose from 68 to 135, prices from 79 to 119. The differences are thus seen to be small.

What the two Harolds — Macmillan and Wilson — shrink from telling their supporters is that (1) with inflation, centralised wages stabilisation is impossible; without inflation, it is unnecessary; (2) inflation comes from ever increasing government expenditure, especially on welfare; if government slashed this, the lower taxes and stable prices that would follow would enable the overwhelming majority of people to afford their own welfare in education, health, pensions etc., as well as the cost of helping the indigent minority.

prolonged spells of stagnation, it is mainly because of the lack of positive direction, a sound plan of sustained development and an administrative machinery geared to its implementation. She has accepted socialism as the goal to be achieved for the new social and economic order after liberation from Dutch colonialism. But this policy has remained with the rulers more of an article of faith than a challenge to be successfully met by transformation of the economy to the socialist model in practice. The policy of nationalisation of industry is being attempted to put into force, but it is significant that out of the 500 enterprises currently owned and operated by the State, 300 and odd are former Dutch enterprises which were taken over in 1957 in the virtual expropriation bid following the bitter hostile turn which the West Irian dispute took at that time. The nationalised enterprises, excluding those which were taken over from the Dutch, are run with inadequate resources on medium or small scales. For quite a long time Indonesia's economy was caught in the doldrums and it is doubtful whether the Government's attempts to lift it from the state of stagnation have proved successful to any mentionable extent. The state of affairs at the present time is too difficult for extricating the economy from this plight.

It is estimated that the installed industrial production capacity, such as it is, is seriously under-utilised, so that about three-fourths of it is lying idle for want of maintenance imports, particularly replacement machinery, spare parts and a wide range of semi-manufactured and raw materials which must inevitably be procured from abroad. Transport and communications could not be given the resources they need to function effectively as integral parts of the infra-structure of the economy. In spite of all the multiplicity of islands which demands highly developed shipping facilities, the merchant fleet is still in its rudimentary form. Motor transport

has received relatively great attention, but the proportion of vehicles forced to lie off the roads is in several regions as high as 50 per cent. This again is due to the scarcity of imported spares and components.

The ambition of the Indonesian people and their Government to lift their economy from the current stagnation and to give it acceleration is quite understandable and completely justified. But this is only so far as the ambition goes. It is difficult to be sure that the economic policy of President Sukarno has been conceived with sufficient attention and thought to its practicability. The socialist orientation which the group in power is determined to give to the nation's economy broadly falls in line with popular approval. But there is not much evidence of achieving this goal. It is to be found in the high-sounding slogans which President Sukarno has given to his people in his Economic Declaration of March 28 last. But slogans cannot be substitutes for the hard reality of a practical economic policy and sustained endeavour to mobilise and exploit potential wealth. Considering the vast extent of unutilised industrial capacity (about 75 per cent), the talk about launching the ambitious eight-year Plan of Economic Development sounds unrealistic. It is only logical that the economy as it has grown up to the present time must be consolidated first before any investment outlays are undertaken on schemes of new expansion.

Emotional Attitude

Indonesia's guided economy has not so far received effective guidance (and the indications that such guidance would be forthcoming in good time are lacking) for the main reason that President Sukarno and his advisers are still overcome by the emotional attitude to colonialism which is fast fading out everywhere. They still think in terms of economic imperialism and neo-colonialism in making decisions on pressing and urgent problems of importing capital investment and technical skills for the exploitation of the nation's resources. Foreign private capital has been tabooed for this very reason, in spite of the experience of a majority of the underdeveloped countries, liberated from colonialism after the last war, which demonstrates that a new system of economic collaboration for mutual benefit is rapidly replacing the former colonial domination. The virtual expropriation of the Dutch economic enterprises in the dark phase of the West Irian dispute has created a vast vacuum. Domestic resources in Indonesia, as in other underdeveloped countries, are not equal to the task of filling such a vacuum and the practical ban on private foreign investment and flow of technical co-operation which accompanies it, threatens to prolong the essential period of transition.

President Sukarno has relied solely on foreign credits at the government level to fill the gaps in the available capital resources. When it is remembered that indigenous capital in this country is shy and there is a dearth of enterprise, it is not difficult to infer that foreign capital and enterprise as well as skills (even if procured from friendly Governments and international agencies) would be the mainstay for expanding the economy. But it cannot be assumed away that the flow of government credits and such skills would be available in the volume in which they are desperately required. Indonesia's policy of non-alignment has enabled her to obtain economic aid from both the blocs. But aid from the Western bloc far out-strips that from the Communist bloc. Within the Communist bloc itself the Soviet Union is the virtual or potential supplier of aid. It is significant that Soviet goodwill has been utilised to obtain economic aid as well as military assistance, the latter for the preparation of the liberation of West Irian. Soviet economic aid is estimated to have totalled US \$600 million, while its military aid is said to have been

of the order of \$400 million. There is another windfall which President Sukarno, taking a short-view confined to the immediate future, is attempting to exploit. It is the intra-Communist bloc rivalry and the new offensive launched by the Soviet Union and China to impress the under-developed countries with their individual earnest desire to assist them economically. The Communist Party of Indonesia, it is no secret, is inclined to take the hard Chinese line. But economic aid from China is inevitably small as compared to that from the Soviet Union. It is assumed to aggregate \$30 million only, but the terms of repayment are easy extending over a period of 15 years with the lowest interest rate of 2½ per cent, which compares favourably with the terms for the Soviet credit.

The other government credits which Indonesia has received fall into two categories as regards maturity according to their purpose. Credits for capital goods are repayable over 15 years and those for industrial raw materials fall due in about half this period. So far Indonesia's total foreign credits are said to add up to \$2,225 million. Budgeting in Indonesia tends to disclose the severe strains which will be exerted on the finances of the country as the credits become due for repayments even if in instalments. The magnitude of budgetary deficit is many a time high extending to as much as 20 million rupiahs. This is apart from the secret defence budget necessitated by West Irian operations which in some years is said to have run as high as 30 million rupiahs. The share of defence expenditure in the total budget is stated to be normally of a great magnitude, but the exact measurement of defence expenditure does not seem to be easily assessable. The course which economic development has taken so far does not reflect a fruitful utilisation of foreign credits for investments either in heavy industries or in export industries or import-saving industries. The potential which normally should be built in the earlier phase to give a self-generating orientation to the economy is lacking in Indonesia's planning. President Sukarno is thus leaving a legacy of foreign debt servicing problems to be taken care of on an ad hoc basis.

Among the credit suppliers of Indonesia for purely economic assistance, the U.S. easily ranks as the first. Relations with Holland have been strained to the utmost. The value



MENU-BHAI SHAB

of expropriated Dutch property and plantation holdings as a consequence of the West Irian controversy is estimated to be \$2,500 million. But there are others like West Germany in Western Europe which are extending help on the basis of a tie-up of credits with trade. China, in recent months, is showing a special solicitude for Indonesia's development and the bonds of co-operation between the two countries are becoming closer. Indonesia is desirous of importing from China complete textile plants to be set up in Sumatra or Borneo, but this is to form part of the credit of \$30 million provided by Peking. At the present time China is supplying cotton textiles and rice to Indonesia of which she is desperately in need and, in return, China is importing increasing quantities of rubber from Indonesia. China's off-take of Indonesian rubber is now said to have reached the significant proportion of the 16 per cent of the total valued at \$50 million. Japan's textiles are being steadily replaced by those from China, but Japan's trade is still valuable as supplying the vital gaps in domestic supplies. Among the Communist countries which are offering economic aid to Indonesia are Yugoslavia whose loans between 1959 and 1962 were of the order of \$25 million, out of which \$10 million were intended for building ships. The balance is to be utilised mostly for the supply of textile machinery. Poland has offered a credit of £10.7 million and Rumania has agreed to provide an unspecified credit for the supply of equipment for the exploration and subsequent exploitation of oil. It seems from the past trends in imports from Japan that the debts due to Indonesia from Japan on account of war reparations of the order of \$500 million would be absorbed partly by credits and partly by the continuous supply of essential goods.

The stagnation in which Indonesian economy has been sunk is a far cry from the high-sounding promises given in the Eight-Year Plan of Economic Development. How badly the country's economy is in shape can be gathered from the crucial indicator of the value of the rupiah in the free market. As against the official exchange rate of 45 rupiahs to the dollar, the quotation in the free market is 1,500 rupiahs to the dollar. A recent market trend disclosed that in Jakarta the price of rice which was around 35 rupiahs per litre in December 1962, shot up to 120 rupiahs in March this year. The downward fluctuations in the production of rice reflect the deterioration in the domestic production in important crops with which this country is richly endowed. It has been one of the repeated promises of President Sukarno that the economy would not only provide ample rice to a population of

250 million, but be in a position to produce an export surplus of 2.3 million tons per annum by 1968. This promise has no relation to the post-independence trends and the present outlook for the rehabilitation of the rice economy of the country. Indonesia, which was once a steady and regular exporter of rice, has gone on importing this staple foodgrain of daily consumption in increasing quantities. She is currently importing rice worth \$100 million and this level has been more or less in evidence during the last fifteen years or so.

Economic Disruption

It is true that the war of liberation against the Dutch resulted in serious disruption of the country's economy, but it cannot be gainsaid that rehabilitation of agriculture is comparatively a much easier task than the rehabilitation of broken down industry. It is not only in rice that Indonesia has been unable to regain her pre-independence production level, but the experience is repeated in the case of valuable commercial crops like rubber (whose output fell even between 1951 and 1960 from 800,000 tons to 577,000 tons), copra, tea, coffee and tobacco and pepper, the output of the last three being estimated to be just about one-fifth of the pre-independence or rather pre-war level. Rubber and tin are two strategic commodities in short supply in the world where Indonesia's loss has proved to be Malaya's gain in recent years. The production of tin in Indonesia declined during 1955-60 from 36,000 tons to 22,000 tons. The overall position is reflected in the trade balance. The position as estimated at the beginning of 1962 was that the trade deficit was of the order of 5,146 million rupiahs and the forecast was that export earnings would take long to recuperate and expand so that a trade deficit would continue to be a normal condition for some years to come. The foreign exchange reserves had to be depleted at a rather fast rate, while the economy was thus in a condition of stagnation and imports were imperative even for essential goods of ordinary consumption.

It would be wrong to lay the blame for this state of affairs in the economy squarely on the shoulders of the Sukarno regime. War and the revolt against Dutch colonial rule inevitably resulted in a considerable dissipation of the nation's wealth and set-back to its agricultural and plantation production in particular. But it cannot be denied that during the post-independence period since 1949 far less than adequate attention was given to harnessing the natural resources and people's energies to the rehabilitation of the economy and its development. Much of the public attention was diverted to

problems like that of West Irian (and now the confrontation in Brunei). The aspiration of the Indonesians for the liberation of West Irian is quite understandable. But emotional attitudes have been allowed to take the upper hand by the Executive Government in shaping economic policies. The experience of all erstwhile colonial countries shows that foreign economic

Balance of Payments Programme

By GUY SIMS FITCH

WASHINGTON :

IN A MAJOR message to Congress, President Kennedy has dealt with the second of the two basic economic problems that have been confronting the United States. The first, largely domestic, is the matter of employment and related questions of economic growth. The second is largely international. It concerns the nation's balance of payments—the continuing deficit in the U. S. transactions with other countries.

Actually, there is a close correlation between the two, and moves undertaken to deal with one can have important effects on the other. Also, as in the case of employment, the balance of payments problem and the measures being taken to cope with it do not stem from any underlying economic weakness. On the contrary, the American economic situation, at home and abroad, is essentially sound, and the long-term trends are moving in favour of the United States. This very strength gives the U. S. Government time to take the kind of short-term measures that are appropriate to safeguard the nation's position.

The President's message makes these points clear. His Administration has consistently sought a course that would increase economic growth and reduce unemployment at home, while simultaneously strengthening the dollar and eliminating the deficit in the international balance of payments. Much progress has been made in both the directions.

The domestic accomplishments should be well enough known by now. All the major elements affecting production, employment and purchasing power are at record levels and rising. The economy's over-all growth rate has been stepped up markedly.

On the international front, the U. S. dollar remains strong, bulwarked by nearly 40 per cent of the Free World's monetary gold stock and by a network of financial arrangements with the other free countries to help stabilize international currency flows. The U. S. gold outflow has been cut to half in the past few years, and the deficit in the balance of payments has been reduced from \$3,900 million in 1960 to \$2,200 million in 1962.

Foreign Assets

The payments deficits, moreover, have been consistently equalled or exceeded by growth of the nation's long-term foreign assets. Today, Americans hold more than \$60,000 million in private investments abroad, and dollar loans repayable to the U. S. Government total more than \$11,000 million. At the beginning of this year, these assets, in toto, exceeded liabilities to foreigners by about \$27,000 million. They have shown an increasing strength over the years, and income from them has been rising.

Also working in the U. S. favour, and indicative of the nation's strong foreign exchange earning ability, are its large trade surplus of exports over imports and a domestic price-cost stability that has enhanced the competitiveness of American products in world markets.

Offsetting this trade and dollar strength, however, and chiefly responsible for the payments deficits, has been a huge net outflow of capital from the United States for such pur-

aid, whether in the form of government credits or import of private capital, is indispensable in the initial period. Indonesia does not appear to have put the economic aid which she received to the tasks of reconstruction and development which demand the highest priorities. The road to economic betterment seems hard for this country for some years more.

poses as Government economic and defence assistance, and private investment and travel.

In this sense, continued improvement of the domestic economic performance is a key to balance of payments progress. In addition to strengthening the afore-mentioned favourable factors, it would make capital investment in the United States more attractive, thereby helping to reduce and possibly reverse the outflow of funds. Hence, the Kennedy Administration still considers its Domestic Tax Cut Programme a top priority item, essential to both economic growth and payments equilibrium.

The problem right now, however, is to deal with a payments deficit that has shown signs of becoming larger rather than smaller this year, mainly as a result of unexpectedly heavy outflows of private funds, and to do this in a way that adheres to historic U. S. policies of freer trade, unfettered capital movements, and continued assistance to the defence and economic development of the free nations.

This means also that the dollar will be maintained freely interchangeable with gold at \$35 an ounce as the foundation stone of the Free World's trade and payments structure, and that any short-term steps to cope with balance of payments deficits on the way to equilibrium will not interfere with the smooth functioning of the international monetary and trade systems.

Short-term Steps

The action Programme President Kennedy has drawn up meets these criteria. It is designed largely as a composite of short-term steps which would contribute to a substantial reduction of the payments deficit until such time—probably within a few years—as the favourable long-term trends begin to have their full effect. Where the Programme goes beyond such standard procedures as export expansion, restraint in Government spending abroad or resort to the facilities of the International Monetary Fund, it does so without imposing direct controls on trade or capital markets and without retreating from international obligations.

Much of the Programme's stress is on curtailing the troublesome outflow of funds, largely through an increase in short-term interest rates at home which would not restrict domestic economic activity, and through an "Equalization Tax" on American purchases of foreign securities which would, in effect, make borrowing in U. S. capital markets more expensive. Significantly, the President is asking Congress to make this tax effective only through 1965. As recommended, moreover, it would not apply to less-developed areas, where the need for capital is great. It presumably would also be subject to special exemptions in exceptional circumstances, as in the case of Canada.

In the meantime, the U. S. Government probably will be studying, along with other countries, possible long-term improvements in the international monetary system. The Administration, however, has no specific recommendations to make on this matter at this time. Nor does it consider that talk of long-range reforms—whether or not they come to pass—is any substitute for actions the United States should take now.

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LISTENING POSTS

Concern for the Common Man

By Our Special Correspondent

NEW DELHI:

DESPITE a very significant leeway left in the implementation of the third Plan during the first 27 months of its operation, the Planning Commission is not unduly pessimistic about its final success. While it is conceded that it may not be possible to achieve many a crucial target of production fixed under it—for instance, those of steel, coal, fertilizers and foodgrains—the overall performance may not be in any way worse than those of the first two Plans. It may even be slightly better.

This subdued optimism on the part of the Commission presumably emanates from the fact that as a sequel to the intensive efforts made during the past few months to locate the bottlenecks in the way of implementation, action is now being taken to put the matters right. Moreover, as in the first two Plans, the progress of the current Plan had to be slow in the first two years because of the preliminary work that had to be undertaken in drawing up of project reports and gearing of the administrative machinery to the task.

Meanwhile, the restlessness that pervades the length and breadth of the country today over the state of the Indian economy has created an unprecedented impact on the Planning Commission. Never before during its 15 years' existence, has the Commission been found in such a state of ferment as it is in today. This is reflected in not only its becoming more tolerant and responsive to the public criticism, but also in its undertaking a thorough heart-searching exercise which has made it more vocal on various issues. There is a greater desire today on its part to face the facts as they are. Shortcomings and failures are not attempted to be minimised. Nor is protection being sought behind such excuses as rise in prices being a concomitant to a rapid rate of economic growth.

Holding Price Line

The anxiety to contain the price level and to push up production has resulted, among other things, in the Planning Commission's pleas for invoking the Defence of India Rules for holding the price-line, expansion of the two private sector refineries at Bombay and release of more foreign exchange for import of fertilizers.

The mid-term appraisal of the third Plan, undertaken recently, is not only aimed at assessing its progress till now, but also at finding out what can be done for mitigating the distress faced by the common man today. While the targets fixed for the essential production programmes in the basic and infrastructure fields may not be scaled down for the simple reason that it is always good to aim high and strive for achieving it, a realistic upward revision of the targets of production of some consumer goods should not be ruled out. It has already been done in the case of sugar. The discussions in the Planning Commission can as well be expected to have its repercussions on the fiscal policy of the Government.

Along with the mid-term appraisal of the third Plan, the Planning Commission is also engaged these days on the

work of drawing up the fourth Plan. Some preliminary exercises have already been done in this regard. They will be looked into again as the thinking crystallises on the basic objectives to be kept in view. The consensus of opinion today appears to be that while the fourth Plan should, in continuation of the first three ones, aim at raising the standard of living of the people, stepping up of the rate of savings, development of basic industries and infrastructure and taking the economy further towards the take-off stage, it should be less dependent on external assistance and contain a distinct bias in favour of the common man's expectations. The question frequently asked is: How much longer the man in the street is to wait for a perceptible improvement in his lot? The two overriding criteria to be followed in drawing up the fourth Plan may, thus, be improving the balance of payments position and affording of some relief to the common man in the foreseeable future. This implies greater stress to be placed in the fourth Plan on the development of export-oriented and consumer goods industries than had been the case hitherto.

The work on the fourth Plan has been started early so that there may not be any slackening down of developmental activity even in the first year of its going into operation. This is another indication of the renewed emphasis being placed by the Planning Commission on the implementation of the planned programme.

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Although, according to a message from Tehran, the name of the Oil and Natural Gas Commission does not appear in the list of some twenty parties approved by the National Iranian Oil Company as "potentially acceptable bidders" for offshore oil concessions in Iran, for which tenders are to be invited next year, this does mean that ONGC has no plans to bid for these concessions.

The Government of India is said to be anxious for Indo-Iranian collaboration in the oil industry if for no other reasons than for ensuring crude supplies for the rapidly expanding refining capacity in this country. Two refineries are proposed to be set up in the fourth Plan at Madras and Calcutta. The prospects of oil discovery in the Cauvery Basin and West Bengal still being obscure, they may have to be fed on imported crude.

The Oil and Natural Gas Commission, it is understood, will be bidding for the offshore oil concessions in Iran and the matter is likely to be taken up shortly on Government-to-Government basis. Even if the ONGC fails in its bid for the offshore concessions, the possibilities of its looking for concessions elsewhere in that country are not ruled out.

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The bid made by British Petroleum and Shell International to take over the Burmah Oil Company, the summary rejection of the offer by BOC Directors and their circular letter to the shareholders explaining the reasons why they turned down the BP-Shell proposals, bring into focus certain fundamental issues relating to the working of the oil industry.

The bid, if successful, would have involved the breaking up of a major oil company possessing the resources and

experienced personnel which enable it to play an affective and expanding role in the world oil market.

These developments are of particular interest to India. One of the main reasons for the BOC's turning down the BP-Shell offer is the expectation of a larger contribution in future to the profits of the company from its operations here. The BOC, as is well known, stands for a policy of co-operation with the national governments, particularly in the Eastern Hemisphere. In India it works in collaboration with the Government of India for the development of crude resources of Assam. Besides, it has large refining and distribution interests in this country. If the BP-Shell bid had resulted in the acquisition of BOC, these arrangements would have been disturbed considerably, particularly the future investments of the company. The BOC Board has no doubt taken note of this factor in arriving at the decision it has come to.

Another important point clarified by the BOC Directors' statement is that BOC's holdings in Shell and BP were no longer the main sources of its income. Although BOC has described its holdings in BP as of considerable importance, the letter to the shareholders makes it clear that trading income of the company has virtually trebled from 4d. to 11d. per share of £1 over the past three years, while the income from dividends from BP and Shell has shown little change. This trend is not only expected to continue but is anticipated to gather momentum because BOC plays a predominant role in the oil industry in India, Pakistan, Peru—three of the fastest growing oil markets in the world.

Now that BOC has stayed as an independent entity, it is looking forward to the continuation of its joint efforts with the Government of India in building up the oil industry in this country. Mr. J. A. Drysdale, an Executive Director of the company, who flew to New Delhi last month, conveyed to the Union Government the intention of the BOC management to expand their operations in India.

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The Union Minister for Heavy Industries, Mr. C. Subramaniam, is planning to set up a Committee to examine the progress of the Indian automobile industry, particularly in respect of manufacture of cars. The World Bank report submitted to the Government of India and the Aid-India Club sometime ago, pointed out that production of a whole car here under one umbrella had led to its high costs. It is only in the recent years that some ancillary industries have been developed. This should lead to some reduction in costs. A bigger snag, however, is said to be the comparatively small scale of production. Some of the well-known foreign manufacturers are stated to have shied away from the small car project because of a restricted market for such cars in this country.

There is a growing realisation that the Government of India's automobile policy was unrealistic and erroneously conceived. As against India, some of the South American countries, it is stressed, had permitted freedom to foreign entrepreneurs to set up car manufacturing plants there provided they did not import any components after, say, five years. This brought in not only self-supporting units but also competition, which compelled reduction in prices through cut in costs and even profits.

Two other features of Indian manufactured cars are also pin-pointed. Firstly, it is felt that the Indian manufacturers had adopted the American system under which an article is produced, say, for one year's usefulness. The Americans, it is pointed out, can afford to change their cars every year.

But this is not possible for the majority of car users in India. Secondly, the state of the Indian economy does not warrant going in for a car every year. What is, therefore, desired is to evolve an Indian car model which should remain unaltered, say, for ten years. This implies that the model should have durability to the requisite extent. In order to reduce prices, it is also felt that manufacture of cars should be undertaken on a bigger scale than has been attempted so far.

The Committee proposed to be set up may have some foreign experts on it, particularly from the U. K. and West Germany. A decision on the proposal is expected shortly.

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Two important amendments are proposed to be made in the Employees' State Insurance Act. One relates to the rate of disablement and dependents' benefit which is envisaged to be increased by 25 per cent. Through the other amendment, it is contemplated to raise the exemption limit for employees' contribution from Re. 1 to Rs. 1.50. While the former amendment is expected to result in a substantial gain to the employment injury beneficiaries, the latter will bring about considerable relief to the low paid employees receiving daily wages of less than Rs. 1.50. The qualifying conditions for sickness and maternity benefits are also proposed to be considerably simplified.

Certain tentative proposals have also been formulated for extending the activities of the Employees' State Insurance Corporation. These include extension of the ESI Scheme to all factories as defined under the Factories Act, 1948, and to all shops and commercial establishments, including transport companies, employing 20 or more persons in all areas having an insurable population of 500 or more, and provision of medical care and in-patient treatment to the families of the insured persons. More attention and resources are as well proposed to be devoted to the prevention of sickness than has been possible hitherto.

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Thirteen new bills are envisaged to be introduced in the coming Session of Parliament starting from August 13.

One is the Press Council Bill, 1963, which seeks to provide for the establishment of a Press Council so as to preserve the liberty of the Press and the standards of newspapers.

Three Bills relate to excise or income-tax. The Customs and Central Excise (Amendment) Bill, 1963, is for levying duty on all goods exported or imported or produced by State Governments irrespective of the nature of their end-use. The Central Excise and Salt (Amendment) Bill will amend the parent Act so as to bring in certain changes in the tariff descriptions. The Income-tax (Amendment) Bill seeks to alter the provisions of the Income-tax Act, 1961, regarding development rebate.

Through the Dakshin Bharat Hindi Prachar Sabha Bill, 1963, the Sabha is to be declared an institution of national importance.

Two bills relate to Delhi. They are, the Delhi Development (Amendment) Bill, 1963, and the Slum Areas (Improvement and Clearance Amendment) Bill, 1963. The Government will also seek powers through the Public Premises (Eviction of Unauthorised Occupants) Amendment Bill, 1963, to expedite the removal of unauthorised squatters from Government lands.

To make the provisions of the Food Adulteration Bill

more stringent, an amendment will be brought through the Prevention of Food Adulteration (Amendment) Bill, 1963..

The proposed labour legislation includes the Industrial Disputes (Amendment) Bill, 1963, which seeks to give effect to the recommendations of the Indian Labour Conference and the Standing Labour Committee, and the Personal Injuries (Compensation Insurance) Bill, 1963, which will impose on employers a liability to pay compensation to workmen sustaining personal injuries. It also provides for the insurance of employees against such liability.

The other two bills are the Antiquities (Export Control) Amendment Bill which seeks to remove certain lacunae experienced in the working of the parent Act, and the Code of Civil Procedure (Amendment) Bill, 1963, which raises the exemption limit of attachment of salaries and will extend the benefit of Section 80 of the Act to the State of Jammu and Kashmir.

The other business likely to come before Parliament during its forthcoming session includes the reports of the Commissioner for Scheduled Castes and Tribes, of the University Grants Commission and the Scheduled Areas and Scheduled Tribes Commission. The Supplementary Demands for Grants (General) for 1963-64 will also be discussed.

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The meeting of the Aid-India Club to consider further assistance for the third Plan has again been postponed. It

may now be held sometime next week. The discussions between Bonn and Washington on the two issues — the U.S. stress that the other member countries of the Club, particularly West Germany, should liberalise their terms of lending and the West German plea that the U.S. contribution should match all the non-American assistance routed through the Consortium — are not yet over.

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The Union Ministry of Industries is planning to set up a small Committee to review the procedure for industrial licensing and to make recommendations for such amendments in it as are considered necessary. The Committee, it is learnt, will have among its members the Secretary of the Ministry of Industries, Mr S. Ranganathan, the Secretary, Department of Economic Affairs, Mr. L. K. Jha, the Special Secretary, Ministry of Defence and Economic Co-ordination, Mr. T. Swaminathan, the Joint Secretary, Ministry of Heavy Industries, Mr R. V. Raman, the President of Associated Chambers of Commerce, Mr. A. R. Foster, and the President of the Federation of Indian Chambers of Commerce and Industry, Mr. Bharat Ram.

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Mr. Manubhai Shah and Mr. D. S. Joshi left for Rangoon on July 31, to discuss with the Burmese Government plans for expanding Indo-Burmese trade. The possibilities of Indo-Burmese collaboration for setting up some industries in Burma will also be explored by them. They will as well hold discussions on import of some additional quantities of rice.

Short-Sighted Cotton Textile Policy

By R. V. MURTHY

BOMBAY:

THE ABSENCE of a clear-cut cotton textile policy indicating the precise roles which the mill sector, the handloom sector, and the powerloom sector should play in the country's economy has created conditions which have adversely affected the consumer of cloth as well as the quality and cost of cloth in our country. In the absence of a well-defined policy, the practice of tackling the problems as they arise, that is on an ad hoc basis, has resulted in avoidable privations to the consumer and in loss of export markets to the country. This is the theme of a memorandum submitted by the Indian Cotton Mills' Federation (I. C. M. F.) to the Powerloom Inquiry Committee.

The Memorandum recounts how, in its zeal to encourage the handloom industry, the Government has taken various steps, such as prohibiting the mill sector to instal additional looms (1951); reservation of certain varieties of cotton textiles for production exclusively by the handloom and the powerloom sectors; restriction of the production of dhonis by mills to 60 per cent. of their packing in the 12-month period April 1951 to March 1952 (1952), and imposition of a handloom cess of three pies per year on mill production for making available to the Government sums from which the development of the handloom industry could be financed (1953). In addition to these, the I. C. M. F. complains, the authorities have prevented modernisation of the mill sector by discouraging replacement of ordinary looms by automatic looms, perhaps for fear of labour opposition.

Leaving aside the controversy over the number of powerlooms working with cotton yarn in the country, the Memorandum points to the acceptance by the Government itself of the existence of "fugitive" and "elusive" powerlooms.

Moreover, it adds, taking it for granted that the production of cotton textiles in the decentralised sector in 1962 was 2,640 million yards (as the Textile Commissioner has estimated the share of the powerloom sector to be 2,000 million yards), only 640 million yards remain as the share of the handloom sector. And, for this hardly sizable benefit to the handloom sector, argues the Memorandum, the mill sector has been unnecessarily penalised. The I. C. M. F. enquires whether it is just to make the mill sector suffer thus, when the Government is itself not able to stop the inroads of the powerloom sector into the sheltered sphere of the handloom sector.

Remedial Measures

Having pointed out the various lacunae in the present set-up and policies of the authorities, the I. C. M. F. proceeds to suggest certain remedial measures. These are: (1) The authorities should impose excise duties (such duties as they may wish) at the yarn stage and the processing stage so as to cover the "elusive" small powerloom sector; (2) The aims of the textile policy should be clearly laid down, so that it should be possible for the authorities to take appropriate decisions in regard to the problems that may arise from time to time in the three sectors of the cotton textile industry; (3) The existing restrictions must be removed as they have not achieved their purpose, and, (4) the provision for installation of four million additional spindles in the decentralised sector during the third Plan period should be covered by a provision for corresponding loomage in the mill sector, the existing spinning mills being encouraged to become composite mills.

It is the considered view of the I. C. M. F. that these measures would not only help the handloom industry but

also broadly meet the basic aims of "making available to the consumer better and better quality of cloth at lower and lower prices", and that, in turn, it feels, would strengthen the export potential of the country too.

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The Bombay Mazdoor Sangharsha Samiti has taken a decision to launch a token general strike in Bombay city on August 20 to draw attention to a six-point charter of demands on behalf of the working class. A mammoth 'morcha' is scheduled for August 9. The termination of the 'morcha' is likely to be either Raj Bhavan or the Chief Minister's residence. Mr. Madhu Limaye disclosed that all categories of workers would be participating in the agitation. He envisaged, for instance, participation by dock, BEST, municipal, taxi, engineering, chemical, rubber, hotel, silk, woollen, oils press and other workers. He was confident of securing the support also from the six lakh textile workers in the city. Mr. Dange, General Secretary of the All India Trade Union Congress, however, announced that textile workers would be advised not to join the token strike. Mr. Datta Deshmukh, the trade union leader, revealed that the workers of the engineering units could go on strike but this should be done on the same day when the civic workers strike work.

Over 7,000 employees of the State Bank of India and the State Bank of Saurashtra in Gujarat, Maharashtra and Madhya Pradesh have also decided to go on a day's token strike, if their demands are not responded to favourably by the authorities. Mr. C. Couto, the General Secretary, told that a committee had been already appointed to fix a date of the strike. If the token strike did not yield fruitful results, the Union would resort to an indefinite strike. The recent conference of State Bank employees held at Junagadh has urged the Government to re-consider the Compulsory Deposit Scheme, since rising prices and heavy taxation had already made life miserable for poor and middle class people who are absolutely incapable of making any saving envisaged under the scheme. Other employees mostly middle classes in Reserve Bank etc. are said to be likely to join hands. In the meanwhile, the Bombay dock workers have refused to allow deduction for Compulsory Deposit on the ground that their salaries are of a casual nature; the Central Government employees too have decided to observe August 8 as a protest day against the Compulsory Deposit Scheme.

On War Path

It has been demanded that all employees drawing up to Rs. 6,000 a year should be exempted from the Scheme. The 'fixed' income groups are thus on a war path. With the wholesale prices going up by over six per cent. since March last and the cost of living shooting up still higher, they are verily in a desperate situation. The Union Labour Ministry was giving the 'greatest attention' to checking the rise in prices of essential commodities. A scheme to open co-operative societies with an apex society having heavy investment to supply commodities direct from the producers had been finalised. Special officers had been appointed to promote societies among the working classes and for each society the workers were expected to purchase 250 shares of Rs. 10 each and the employers were to contribute Rs. 10,000 as their share. The Government would also give loans, if necessary, besides contributing Rs. 900 a year to each society to meet the managerial expenses. A survey conducted by the Union Labour Ministry had revealed that only 27 to 30 per cent. of the working class in the country were affected by the Compulsory Deposit Scheme. The survey had covered nearly six million workers excluding those of the Railways and the Central Secretariat services. Only one per cent. of plantation labour was affected by the scheme. The

largest number of workers affected was in the textile industry.

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The Reserve Bank closed the subscription lists of the Central Government loans at 1-30 p.m. on July 26. The lists were opened on July 22 and the notified amount (Rs. 225 crores) had been "fully subscribed". The lists were closed one day before the scheduled date. The total public subscription is stated to have amounted to about Rs. 135 crores, including the conversion of Rs. 35 crores. The LIC is known to have subscribed Rs. 39.3 crores and the banking system, including the State Bank, Rs. 53 crores. Subscriptions from other institutional investors are placed around Rs. 40 crores. The Reserve Bank seems to have made good the estimated shortfall of Rs. 90 crores. The response from the banking system has been somewhat below expectations, presumably because they are unwilling to lock up funds against which they are not permitted to borrow (funds) freely from the Reserve Bank. The total borrowings for the year thus come to Rs. 370 crores so far, which is Rs. 23 crores short of the Government's borrowing programme for the year 1963-64.

Spurt in Deposits

Between April 26 and July 19, bank deposits swelled by Rs. 94 crores (against Rs. 65 crores in the corresponding period of 1962) and bank credit contracted by Rs. 90 crores (against Rs. 33 crores in the corresponding period of 1962). During the week ended July 19 alone, deposits spurted by Rs. 26 crores to Rs. 2,180 crores and bank credit went down by Rs. 13 crores to Rs. 1,500 crores. The inflow of resources into the banking system, therefore, seems to be much larger than the draft made by the Government loan programmes on bank funds. The inter-bank call rate declined to 1 per cent; it had been pushed up from 0.75 per cent to 3.50 per cent on the day the lists for the Central loans opened. The decline stemmed from easy money conditions and coincided with the closure of subscription to the Government's loan floatations.

The Governor of the Reserve Bank, addressing the tenth anniversary meeting of the Bombay Bankers, ruled out any relaxation of credit controls in the next busy season (1963-64) in no uncertain terms. This is because the Reserve Bank's monetary policy is guided by the dual necessity of generating enough credit to meet the requirements of productive activity and regulating the overall quantum of credit. He claimed that the monetary and credit policies have been operated in a flexible and judicious manner. The banks should explore the idea of participation or co-operation in lending to big projects so that the commitment might be limited in respect of any single party and incidentally provide relief to the over-extended position of some banks. The Governor has given a reply to the representation made by bankers asking for relaxation of credit restrictions in the coming busy season.

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The sharp rise in the prices of silver during the past few days had intrigued both the trade and the authorities. The spot quotation went up in the last few days from Rs. 224 to Rs. 236 per Kg. The prices are likely to look up further since the demand for the white metal continues to remain unabated. The bullish outlook for silver has provided a sharp contrast to the usual experience during the monsoon when prices generally seek lower levels due to want of support. The present buying spree in silver has been mainly on 'investment account.' The value of silver as a storing metal has gone up after the Gold Control Order. Floating stocks of the metal are placed at not more than 1,500 bars, while the daily offtake is about 10 bars. Imports are not

permitted and prospects for smuggled silver are not bright in view of the nominal margin of profit in the business. The inflationary conditions also aided the bullish sentiment in silver. It is interesting to note that the price outlook for silver the world over is encouraging in view of the fact that industrial demand for the metal is fast increasing against the background of limited supplies.

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The bulls in the cotton market are likely to find themselves in a tight corner, because the sudden spurt in futures prices in the context of bearish factors has not gone unnoticed in official quarters. The Forward Markets' Commission has started discreet inquiries to find out the extent of 'cornering' in cotton. It is learnt that nearly 75 per cent. of the total transaction in the August contract is accounted for by four bulls, one of whom is credited with an outstanding commitment to the tune of 40,000 bales. The authorities have reason to take a serious view of the price rise

Lyons Range Suffers Set-Back

From Our Correspondent

CALCUTTA :

AT THE TIME of writing, conditions akin to panic prevail over Lyons Range with several pivotal shares shedding a large part of their earlier gains. This sudden reverse change in sentiment is due to the reports of renewed massing of troops by the Chinese on our northern borders accompanied by violations of the territory demarcated by themselves in their own declarations. What has perhaps convinced the market men that the present border developments are to be considered rather serious is the news of the return to the Capital of the Army Chief cutting short his foreign tour programme. In a way, such developments have come as a complete surprise to the stock market because the general belief earlier in the week had been that the lull in the border would continue unchanged and, if anything, there would be only news of some improvement. That the market people hardly anticipated any deterioration was borne out by the fact that easy credence was given to a Pakistani Radio report earlier in the week that the Chinese had accepted the Colombo proposals. Though the Pakistani report was promptly characterised as baseless by the Government of India, nothing was farthest from the thought of the stock market than a sudden flare-up. So, for the time being, sentiment is dominated by the border issue and will continue to be governed by it as the present developments have brought into sharp focus the undercurrent of anxiety on the score of the Chinese aggression.

Morale Boosters

Had it not been for this renewed anxiety which is by far the most powerful adverse factor in the present investment situation, the stock market would have gone on merrily scaling further higher levels for some more time. For in the course of the past few days market morale had received a boost. In the first place corporate news has been fairly encouraging though company results show the scars left by the Super Profits Tax. Notwithstanding a cut in dividend or the mere maintenance of the previous level of distribution, the satisfactory progress of expansion and diversification plans of companies such as Birla Jute, whose working results were available in the course of last week, were encouraging factors which even investors could not ignore. The initialling of the nuclear test ban agreement by the three nuclear powers perhaps is not of much direct significance to the stock market, but its indirect impact on market sentiment has been

since the emphasis is on holding the price line. The imposition of margins may be one of the ways of checking the price rise, but it should be noted that it had limited effect on bulls, especially the stronger among them, in the recent past.

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While the Government of India is anxious to improve the investment climate, the leading industrialists have expressed themselves against the LIC using its funds to revive the stock exchanges. The Finance Ministry's idea seems to be to pool the resources of the LIC, IFC and the ICICI to lend adequate support to markets and to revive confidence in new issues. The LIC funds should be used only for promoting approved Plan projects. No private sector insurance company, it is stated, would have ever contemplated the type of move which is reported to be on the anvil. Meanwhile, the Reserve Bank is understood to have sent to the Ministry of Finance its proposals for investment trusts.

quite considerable. A corollary to the test ban is a slow-down of the nuclear arms race that is now consuming the greater part of the resources of the developed nations.

Now that the Central loans are out of the way, more active support to the stock market especially from the LIC is to be expected and the reportedly growing concern of the Government over the sluggishness of the capital market is expected to result in measures calculated to foster investment interest in industrial equities. Aiding the steady expansion of interest in equities has been the growing belief that more and more companies will be issuing bonus shares. And this expectation has been fortified by the announcement last week that the Indian Aluminium Company has decided to apply to the Controller of Capital Issues for permission to issue Rs. 16,025,530 further capital divided into ordinary shares of Rs. 10 each to existing ordinary shareholders as fully paid-up bonus shares in the proportion of one share for every three shares held. Another important point on which the stock market has been expecting favourable news is the present rather harsh restrictions on forward trading. Some relaxation of the margin requirements has been considered essential in order to bring about an expansion of business.

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Although there has been some improvement in sentiment in the gunny market over the past few days, especially in the sacking department, an undercurrent of anxiety continues to persist in the jute industry over the outlook for this category of goods in particular and the whole range of its products in general. Last week's steady trend in sacking has been solely brought about by the considerable buying by the Government of India and there has been hardly any other buyer in the field. It is becoming increasingly evident that Indian sacking has come to rely heavily on domestic consumption as foreign off-take has been steadily decreasing over the past few years, thanks to the aggressive sales policy adopted by our principal rival in the field, Pakistan. How Pakistan is pricing our sacking out of its traditional markets is well known to need repetition. Suffice it to note that Indian sacking is unable to compete with Pakistani, which, apart from its low cost of production, is having in its export bonus scheme a very powerful competitive advantage which the Indian industry finds it impossible to counter unaided.

The plea that the Government of India should give our

industry a countervailing advantage in the shape of a subsidy has not found favour with it presumably because such an action will be against international trade practices. It has been reported that Government wants the industry itself to devise a scheme to help itself. And recently at the Board of Trade meeting it has been disclosed that a scheme is being worked out jointly by the IJMA and the Jute Commissioner. While it is urgent that something effective must be done expeditiously to enable our jute goods to go on world markets on an equal footing with those from Pakistan, some serious thought also seems necessary even now on the long-term prospects for our heavy jute goods. For, indications are that most developing countries which are the main consumers of sacking are taking active steps to become self-sufficient at least in this category of jute goods. Countries like Thailand which grow jute are naturally better placed to embark upon setting up their own jute industry and it has been reported that that country is planning to put up jute mills with Indian collaboration. It has also been reported since that Ceylon is thinking of putting up a plant to manufacture bags by using some indigenous fibre which has properties similar to jute. It is therefore imperative that diversification of production should be given greater emphasis by our jute industry than is being done now.

Foreign Interest Waning

The continued absence of foreign interest even in hessian during the past several weeks only confirms the apprehension that even North America which is our hessian's by far the most important customer is taking its own time to send its enquiries. It is true that so far this year — January to June — burlap consumption in this country is running far ahead of the corresponding period of last year, 464 million yards as compared to 445 million yards. But reports from that country go to show that consumers lately are reducing their offtake and prices are falling. This means that even prevailing prices in the primary market do not constitute an attractive level from the point of view of the American buyer.

But the question arises, will our industry be enabled to oblige the overseas buyer? The answer has been already given and it is in the negative. As a matter of fact the industry has drawn the attention of Government to the prevailing uneconomic level of jute goods prices. The crux of the problem is of course the price the industry has been obliged to pay for raw jute. The fixation of the minimum price for raw jute gives little room for manoeuvre for the industry on its cost of production while the price of manufactures is dictated by world trends. It is not clear how Government proposes to maximise jute goods exports and maintain

minimum prices for raw jute at the present level, at the same time.

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The dispute between certain mine-owners in the Eastern region and the State Trading Corporation seems to have reached a stage wherein it no longer can be considered a minor one. For it would appear that, if it is left unresolved, one of its consequences will be rather serious to the nation as a whole. It has been reported that though there had been suspension of movement of iron ore to two of the public sector steel plants for a day or two earlier this month, there is no possibility of production being adversely affected because of want of iron ore. Be that as it may, it is clear that there is some dispute between a section of the mine-owners and the STC and that loading had been suspended, if only for a short period, of iron ore intended to be exported and for supplying two of the public sector steel plants. Whatever may be the reason, there cannot and should not be any interruption in the movement of iron ore, which will either go into the production of steel or will be exported, for the simple reason both internal production of steel and foreign exchange earning are vital to the economy especially at the present juncture when the nation is under an emergency.

Mine-Owners' Grievance

It would appear that ever since the latest agreement for the export of iron ore to Japan at a reduced price was finalised, some of the mine-owners have been critical of the STC's iron ore export deals. Some time ago the Chairman of the STC, Mr. Govind Narain, explained why a lower price had been agreed upon. Japan is the single biggest buyer of iron ore from India accounting for half of its export and the lower selling price has been agreed upon with a view to maintaining good relations with that country and in response to Japan's request for a reduction. The cut in the price will necessarily be reflected in a reduction in the price payable to the mine-owners by the STC. The STC Chairman is reported to have said that the lower price payable to the mine-owners will be applicable equally to all regions in the country. This will mean a reduction in the profit of the mine-owners but that is inevitable especially in view of the fact that the STC itself will be incurring loss in its iron ore exports this year. Regarding the supply of iron ore to the public sector steel factories, it is said that the increase in royalty to which the mine-owners are entitled as a consequence of the increase in the steel retention price, has not been implemented by the STC. If the agreement is clear on this point, the matter can be easily settled. In any event, suspension of loading appears to be a short-sighted policy.

Green Signal for Srisaillam and Pochampad Projects

From Our Correspondent

MADRAS:

AFTER Hafiz Mohamad Ibrahim made a statement in Parliament regarding the interim allocation of the waters of Godavari and Krishna rivers amongst the three riparian States, Maharashtra, Andhra Pradesh and Mysore, the latter two States have started in right earnest the implementation of some major projects. Appropriately enough, the Prime Minister, Mr. Nehru, agreed to lay the foundation stone and corner stone for the Srisaillam and Pochampad projects. In Mysore, work has already commenced on the Malaprabha Project. There was considerable controversy over the Srisaillam Project on the Krishna river especially as Maharashtra

had been pointing out that it would be losing its potential for generating power and that her needs should be given greater preference. Ultimately, however, the Srisaillam Project is to be constructed in a modified form and the storage of waters to some extent alone might enable the Andhra Pradesh Government to generate power on a large scale. In the initial stage, it is proposed to install four generating sets having a capacity of 110 mW. each, one set being kept as stand-by. It is estimated that the cost will be Rs. 42 crores. There will be a central masonry dam. The storage of the reservoir will be 158 TMC ft, and total length of the dam, including the non-overflow section, about 1,685 ft. The power house at Srisaillam dam on the left bank will be able

to accommodate ultimately seven sets of 110 mW. each. It is expected that the continuous rating with minimum flow at 60 per cent load factor will be 260 mW. The first unit is expected to be commissioned early in the third year of the next Plan. Since Andhra Pradesh is in need of additional power in large blocks, efforts should be made to expedite the construction of this project.

The Pochampad project on the Godavri is the first big scheme to be undertaken on this river in the post-Independence period. There was also considerable objection to the starting of this project from Maharashtra. But this scheme also is to be undertaken in a modified form being mainly an irrigation project. As at present conceived, an area of 5.7 lakh acres in the backward districts of Nizamabad and Karimnagar will be cultivated. The total cost of the project is estimated at roughly Rs. 40 crores out of which the headworks will cost a little over Rs. 19 crores and the canal section nearly Rs. 21 crores. The scheme consists mainly of a masonry dam to a length of 2,550 ft. in the bed of the river with flanking earthen dams for a length of 41,300 ft. The South canal will be 70 miles long. Ultimately, it is expected that the length of this canal will be 251 miles and the area covered as much as 2 million acres. As Mr. Nehru pointed out, the utilisation of the river waters, even on the basis of the new award, will take 30 or 40 years and the whole question of reallocation of surpluses left over will arise only at a later stage. It is indeed apprehended that the State Governments concerned may not be able to find the required resources to complete the projects in the next few decades. It is comforting to note that the Andhra Pradesh Chief Minister has shown a spirit of accommodation and there are reasons to believe that the three riparian States will not quarrel again over the allocation of the waters of the two rivers at least for some time. In this favourable atmosphere, it is only to be expected that the project for taking Krishna water to Madras City for drinking purposes will also be implemented at an early date.

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The representations made by the Madras Government regarding the need for installing additional thermal capacity within the State and expanding ambitiously the Neyveli thermal station seem to be having some effect. Though it is not known what exactly will be the ultimate shape of the proposal to establish three thermal units having an installed capacity of 100 mW. each, the Basin Bridge power thermal station will have a new set with a capacity of 30 mW. in the place of two small sets which have gone out of commission on account of old age. The Planning Commission has given its permission for this scheme. It is, however, pointed out that the Central Government will direct the Neyveli Lignite Corporation authorities to examine the possibility of establishing an entirely new power station with a capacity of 1,000 mW. The present power house is proposed to be expanded to have a capacity of 600 mW., the existing station being able to accommodate a sixth unit of 50 mW. capacity. A separate power house will be constructed to accommodate three large units of 100 mW. each. But it has been considered advisable to carry out further expansion in a different place so that the whole scheme can be executed without difficulty and interruption. It will obviously be necessary to increase the output of lignite. But work has already been started on the preparation of the second mine-cut and it is felt that even if the Salem iron and steel plant were to be pushed through, adequate supplies of lignite will be available. In view, however, of the precarious position in regard to hydel power and the fears that even a monsoon failure might have an upsetting effect on the plans of the State Electricity Board,

it has been latterly emphasised that available lignite resources should be used, as far as possible, for generating power and that the existing reserves should not be depleted at a fast rate as a result of the steel plant requiring large quantities. The picture may probably be altered after the exploratory work now being carried out in Ramanathapuram District to locate new lignite deposits proves to be successful. Mr. C. Subramaniam, however, indicated during his recent visit to Madras that the report of the consultants on the Salem steel project might be submitted to Government within the next few months and that there was no question of a second look regarding the feasibility of the project.

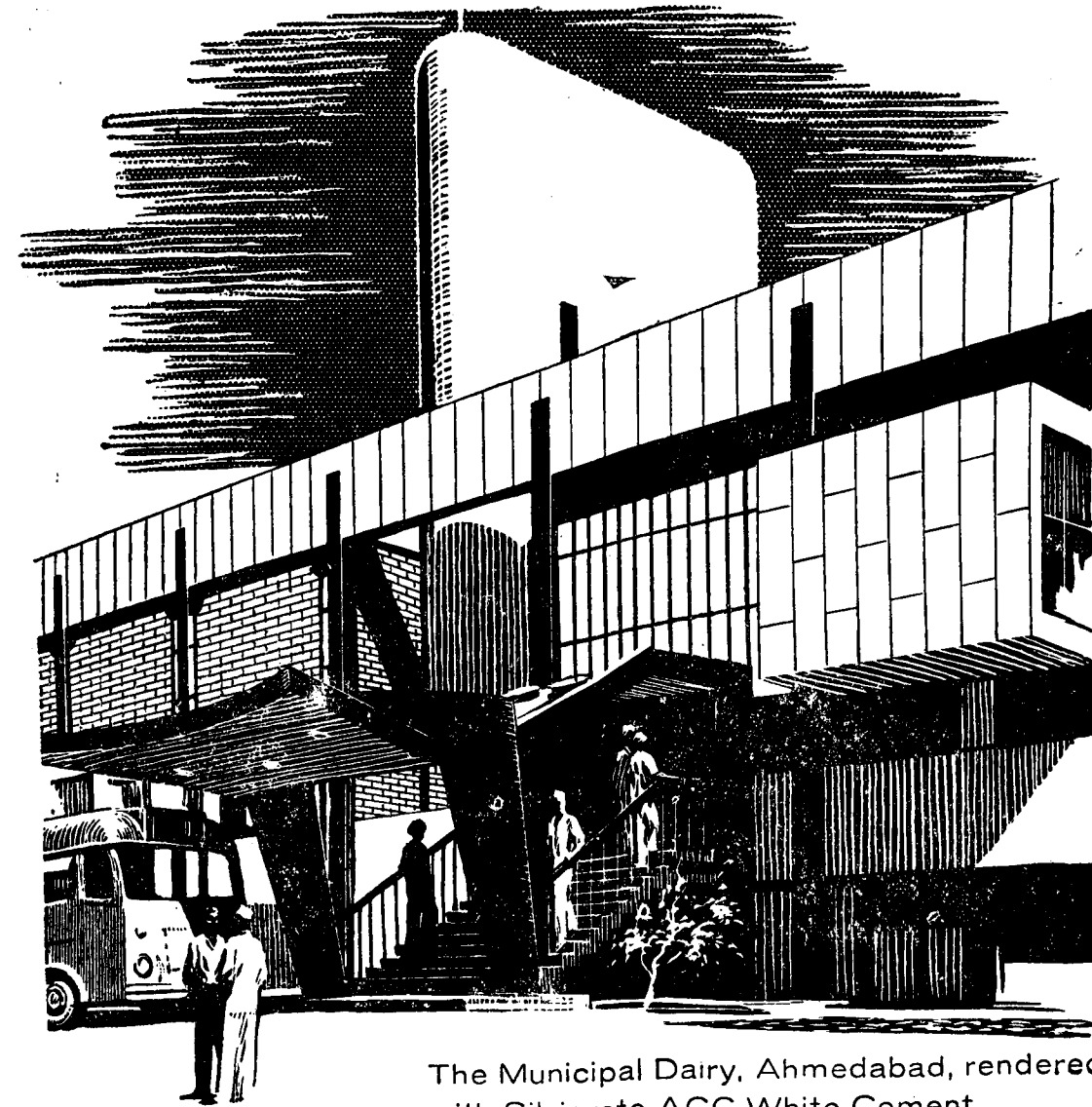
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The working results of two leading companies in Kerala and Mysore States have been published during the week and the impact of the Super Profits Tax on the earnings of these two units has been clearly brought out by the big increase in provision for taxation that had to be made. Aluminium Industries Limited has done extremely well in the year ended March 31, 1963 and the profits at Rs. 55.40 lakhs, after depreciation and before taxation, constitute a record in the history of the company, the figure for 1961-62 being only Rs. 41.37 lakhs. It should be mentioned, however, that the latter figure by itself was another record. The provision for taxation, however, including the liability on account of Super Profits Tax for about Rs. 11 lakhs is as much as Rs. 39.50 lakhs against only Rs. 18.20 lakhs for 1961-62. As additional equity capital has been issued sometime back it has been considered advisable by the Directors to reduce the dividend on equity shares to 15 per cent, taxable, from 18 per cent, taxable, previously. A final dividend of 6 per cent, taxable, has been declared against 9 per cent, taxable, on the former occasion, the interim dividend being unchanged at 9 per cent, taxable. General reserve gets Rs. 1 lakh (nil) and dividend equalisation reserve Rs. 2 lakhs (nil). The transfer to development rebate reserve is much lower at Rs. 69,200 (Rs. 4.91 lakhs). As it is expected that the two units for manufacturing sheathed cables both at Kundara and Hyderabad will be in operation shortly there might be a further increase in earnings. In fact, it is expected that in 1964-65, with the plant for manufacturing Solidol cables also reaching the production stage, there will be a further increase in earnings. But the Directors have not preferred to anticipate developments as allocations to reserves would be helpful to some extent in reducing the liability towards Super Profits Tax.

The Radio and Electricals Manufacturing Company Limited has also reported excellent results, there being an increase in the net profit, after depreciation and before taxation, for the same accounting period to Rs. 37.84 lakhs from Rs. 31.24 lakhs in the previous year. The provision for taxation is higher at Rs. 17.53 lakhs against Rs. 16 lakhs, while the charge on account of Super Profits Tax alone is Rs. 5.43 lakhs (nil). The transfer to development rebate reserve is Rs. 3.58 lakhs (Rs. 23,600) and general reserve Rs. 6.75 lakhs (Rs. 8.50 lakhs). The appropriations have had to be helped with a transfer from reserves to some extent. The dividend, however, has been maintained at 18 per cent, taxable. The new shares will receive a proportionate dividend.

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There has been a setback in the stock markets on account of the latest developments on the northern border. Even earlier a cautious tendency had been in evidence as the cornering operations in the three planing scrips had subsided. Investors were inclined to await fresh developments. The sharp decline in prices in Bombay had naturally a depressing effect in Madras as well. Once again, fears of a Chinese attack have had an upsetting effect.



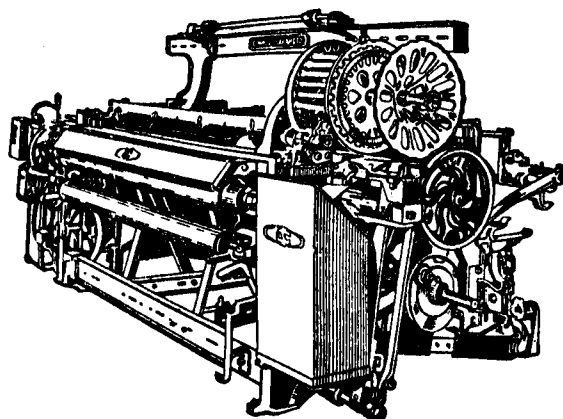
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Trade Winds

U.S. EXPORT PROMOTION DRIVE

TO SET right the U.S. balance of payments problem, a number of measures have been suggested in President Kennedy's Special Message to the Congress. At present six measures are being taken to increase exports.

A wholly new programme of export finance has been created by the Export-Import Bank which now provides U.S. business with credit facilities equal to any in the world. The major element of this new programme is the guarantee of short and medium term export credits by the Foreign Credit Insurance Association, composed of more than seventy private insurance companies in conjunction with Export-Import Bank. The Message urges the Congress to act promptly to restore the Bank to full operating efficiency by renewing its charter and authorising adequate financing.

The Departments of State and Commerce have strengthened and expanded efforts overseas to probe for new markets and promote the sale and distribution of American products. The Department of Commerce has developed a broad programme of education and assistance to present and potential American exporters. A relatively small amount of additional funds to strengthen the Department's effort to stimulate exports has been requested. These funds, amounting to \$6 million, were not approved by the House of Representatives. The President stressed in the Message that it was essential, if America was to increase her trade surplus, that they be included in the final appropriation bill. This modest sum would pay for itself many times over in increased exports, lower payments deficits, and protection for gold reserves.

The Department of Agriculture announced last March a new auction programme for direct sales of cotton abroad. It is expected that this new technique will ensure competitive pricing for America's cotton in export markets and will increase exports by as much as \$100 million over last year's level.

Present ocean freight rates discourage America's exports as compared to imports. The freight charges on Atlantic crossing are far higher for East bound freight than for comparable items bound for the United States. A similar situation prevails on other trade routes. While these substantial differentials may have been acceptable in the immediate post-war period of the dollar shortage when Europe was struggling to get on its feet, their magnitude is clearly unjustified today. Accordingly, the Secretary of Commerce has been directed to take corrective action through the Maritime Administration and the Federal Maritime Commission has been urged in its role as an independent regulatory agency to question those specific export rates which appear unduly high. Should the legislation prove necessary, it will be sought. In order to give further momentum to the expansion of America's export performance, it is proposed to convene a White House Conference on export expansion on September 17 and 18, to alert American firms, whether or not they are now exporting, to the opportunities and rewards of initiative or expanding export efforts. This opportunity will be utilized to emphasise to the American business men that vigorous action to increase their exports would serve their own private interests as well as the national interests. Tourism will be encouraged and funds are to be provided to strengthen the U.S. Travel Service. An all-out campaign will also be launched to encourage Americans to learn more about their own country.

The Treasury Department, in consultation with the State Department, will develop, with the financial community an active programme to promote foreign investment in securities in U.S. companies. The programme will identify and appraise restrictions in the capital markets of other nations

which prevent the purchase of American securities and hamper U.S. companies in financing foreign operations from non-U.S. sources, review U.S. Government and private activities which adversely affect foreign purchases of U.S. private securities and bring about an intensive effort by the U.S. financial community to market securities of U.S. private companies to foreign investors and increase the availability of foreign finance for U.S. business operations abroad. It is mentioned that the securities of U.S. private firms could be and should be one of America's best selling exports. While there is no doubt that all these measures are comprehensive in nature but so far as selling of U.S. securities of private firms is concerned, it would depend on the lifting of restrictions that have been imposed by various west European countries. Until these restrictions are done away with it would be extremely difficult to sell the securities of U.S. private firms. It now remains to be seen to what extent the Kennedy Administration succeeds in achieving its objective.

SUGAR CONTROL ORDER

As one of the measures to deal with anti-social activities in the sale of sugar, it has been considered necessary to issue an order under the Sugar (Control) Order, 1963, stipulating the following:

- (a) No licensed wholesale sugar dealers shall sell sugar to any other licensed wholesale dealer.
- (b) The licensed wholesale dealer, who is allotted a quota of sugar, shall sell the sugar only to retailers registered with him or nominated by the State Government or the district authorities at prices not exceeding the wholesale price fixed.
- (c) Every licensed wholesaler shall keep a register of retailers registered with him with such particulars as may be required and maintain a proper record of supplies made to them, prices charged and date on which the supplies were made.
- (d) Every licensed wholesaler shall display prominently the sale price of sugar according to the grade of sugar in stock with him.

The licensed wholesalers are enjoined to observe these rules strictly. Any instances of evasion of these provisions brought to the notice of the Government by Central and State Governments' inspection staff will be severely dealt with. The District Magistrates have already powers to prescribe similar margins in case of retailers wherever necessary. Instructions are being separately issued to deal with breaches of any such instructions by the retailers under the Defence of India Rules.

CODE OF GRANTS-IN-AID

To utilise the Marketing Development Fund of Rs. 3.8 crores a Code of Grants-in-Aid has been formulated. The code gives the Export Promotion Councils, Commodity Boards, Export Promotion Advisory Committees, Export Houses and other institutions and exporters, all information about the grant which the Government of India will provide to them for specific programmes connected with the export effort. Among the programmes and activities for which grants might be available from the Government are trade delegations, study teams, market and areas surveys, commodity surveys, export publicity, commercial intelligence, advertisements abroad, documentary films and opening of foreign offices. The quantum of grants-in-aid for these activities differs according to the nature of the work.

In the case of trade delegations and study teams, the Fund may grant 50 per cent of the expenditure. For market studies,

out of the total expenditure incurred in conducting commodity surveys within the country for determining export potential and market studies abroad, the Fund may grant 75 per cent to 100 per cent, where the studies are sponsored or undertaken by universities and institutes recognized by the Fund for this purpose, two-thirds when the studies are sponsored or undertaken by the approved organisations, and 50 per cent for studies undertaken by a recognised export house with the prior approval of the Fund.

In the case of export publicity and information, the Fund may grant about 75 per cent of the net expenditure on publications including journals, directories, brochures, pamphlets and folders. There are varying rates of grants for advertisements abroad, public relations and for making publicity films. For opening foreign offices, the Fund may grant 75 per cent of the total expenditure for the first two years and 50 per cent of the third year in the case of offices which are opened by an approved organisation. Where foreign office of an Export House agrees to function also on behalf of an approved organisation, the Fund may grant one-fourth of the amount spent on accommodation and staff for the first three years. In permitting the opening of foreign offices, the objective will be kept in view that to the extent feasible, the offices at any selected place should jointly serve two or more organisations. Provision is also made in the code for grants for quality control and pre-shipment inspection schemes, for trade fairs and exhibitions and transport assistance.

BHILAI STEEL'S EXPANSION PROGRAMME

The work on the expansion programme of the Bhilai Steel Plant is likely to be completed by the end of 1965. It envisages an increase in production capacity from one million tons to 2.5 million tons. Under the expansion programme, the Bhilai Steel Plant will have three more coke oven batteries of 65 ovens each, in addition to the existing three batteries. There will be two more blast furnaces (1,719 cubic meters each) in addition to the existing three furnaces (1,033 cubic meters each). Also, there will be four more open hearth furnaces, each with a capacity of 500 tons. An existing 250 ton furnace will also be converted to 500 tons capacity. In all, there will be ten open hearth furnaces after the expansion. The new wire rod mill will increase the number of Bhilai's mills to five. When the expansion programme is complete, Bhilai will produce 2.5 million tons of ingot steel per annum. It will be rolled into 1,965,000 tons of finished and semi-finished products. The new wire rod mill will produce 4,00,000 tons of wire rods annually. During the expansion programme, large number of Indians would be employed as specialists and only a few of the Soviet specialists would be invited. The iron ore mine at Rajhara and the limestone quarry at Nandini will be further developed to give the required momentum to the programme.

DUTY ON SOFT COTTON WASTE ABOLISHED

In accordance with their policy of keeping export duties under constant review, the Government of India have decided to abolish the export duty on soft cotton waste. The decision to abolish the export duty on this commodity has been taken as an export promotion measure. The effective rate of duty so far had been 15 per cent ad valorem. The export of soft cotton waste during 1962-63 was approximately 39,000 tons valued at Rs. 4.80 crores.

COIR BOARD RECONSTITUTED

The Coir Board has been reconstituted with 23 members. It will function for three years. The outgoing Board had 33 members.

The members of the reconstituted Board are Mr. Jagannath Mishra, President Sakhigopali Coconut Growers Co-operative Society, District Puri, Orissa State, Mr. R. Srinivasa Iyer, Pattukottai, Madras State and Mr. K. K. Shetty, M.L.C. Mangalore (representing growers of coconut and producers of husks and coir yarn);

Mr. P. Ravindran, M.L.A. Kerala, Shri T. Perachen, President, Central Coir Marketing Co-operative Society, Kozhikode, and Mr. P. K. Dewar, Ernakulam, (representing those engaged in the production of husks, coir and coir yarn and in the manufacture coir products);

Mr. V. Z. Job, Kerala Balers' and Exporters' Association, Alleppey; Mr. V. Sankara Narayana Pillai, Perinad; and Dr. E. K. Madhawan, President, Central Coir Marketing Co-operative Society Ltd., Mattancherry, (representing dealers in coir yarn and coir products including both exporters and internal traders);

Mr. Panampilli Govinda Menon, Member, Lok Sabha, Mr. P. K. Vasudevan Nair, Member, Lok Sabha, and Mr. Joseph Mathen, Member, Rajya Sabha;

The Joint Director of Industries and Commerce, (Industrial Co-operatives), Madras; Mr. G. Gangadharan, Special Officer (Coir), Kerala; the Joint Director of Industries and Commerce, Rural Industrialisation, Mysore; the Joint Director of Industries and Commerce, Small Scale Industries, Andhra Pradesh; and the Deputy Director of Industries (Cottage), West Bengal, (representatives of Governments of the principal coconut-growing States;

Mr. K. Newton, Alleppey, Mr. P. P. Hussan Koya, Kozhikode, and Mr. T. S. Krishnamurthy, Chief Development and Liaison Officer for coconut, arecanut, spices and cashewnuts, Ernakulam, (other interests).

PACKING FOR TOBACCO EXPORTS

The Ministry of Food and Agriculture has advised the Indian Central Tobacco Committee to encourage the use of certain species of timber for manufacturing packing cases for tobacco. The species chosen are mahrukh, chatian, upas, white dhup, karani, rudrak, kambali, jhingan, banati, machilus, mango, narikel, udal, maina, gutel and vela pincy. A considerable quantum of timber is required by the industry for packing tobacco meant for export. At present the timber is procured from the northern parts of the country. The exports of tobacco from India during 1962-63 were valued at Rs. 19 crores as against Rs. 15 to 16 crores in the previous two years.

OUTLOOK FOR WORLD TEA

According to the US Agricultural Department, world tea production of 2,239 million lb. will be about 1 per cent above last year and slightly above 1961 record output. Moderate increases are expected in Ceylon, Indonesia and Japan, while India's production is expected to be near last year's highest of 759.7 million lbs. African tea production of about 13.7 million lb. will advance that Continent's rising importance in tea production. South American tea production of 28.1 million lb. will remain small but about thrice the 1955-59 average.

World tea exports last year of 1,239 million lb. were three per cent above 1961 shipments. India and Ceylon exported about three-fourths of this amount with other Asian countries, Africa and Latin America respectively exporting 16 per cent, 9 per cent and one per cent. The UK last year retained its position as the world's leading tea importer and user by taking over 40 per cent of the world tea exports.

Company Affairs

92,500 shares will be offered to the public at a premium of Rs. 2 per share.

The Company was incorporated in 1945 as a private limited one and was converted into public limited company recently. It manufactures machinery and equipment for the chemical, pharmaceutical, food, dairy and other similar industries. It is also manufacturing and fabricating a wide variety of equipment, such as reaction vessels and autoclaves, heat exchangers and condensers, storage tanks, reservoirs, evaporators and vacuum pans, distillation columns and absorption towers, etc. The company also holds agencies of U.K. and the Continental manufacturers for products complementary to its own manufacture. The company proposes to widen its scope of activities by manufacturing other specialised equipment not at present being manufactured in this country.

BRITANNIA ENGINEERING

The Britannia Engineering Company Ltd. has been able to record a higher level of net profit as a result of higher sales which stood around Rs. 3.52 crores as against Rs. 2.72 crores last year. After providing for depreciation and taxation, the net profit was Rs. 15.07 lakhs for the year under review as against Rs. 7.48 lakhs in the preceding year. The depreciation is higher at Rs. 12.19 lakhs as against Rs. 9.05 lakhs and taxation also is considerably more at Rs. 9.10 lakhs against Rs. 4 lakhs last year. The Directors have provided Rs. 3.70 lakhs towards development rebate reserve and Rs. 1.80 lakhs for general reserve. They have proposed to maintain the dividend at Re. 1 per share on the increased capital. It is indicated that the wagon division of the company at Mokameh has shown larger output and the production of cone winders and cop loaders has already started. The setting up of a separate works with plant and equipment for the manufacture of road rollers has been completed. With a few more machine tools, due to be received in the last quarter of this year, it is planned to produce road rollers of 100 per cent indigenous content. The steel foundry will be ready to commence production by the middle of next year.

BENGAL CHEMICAL

There has been an increase in sales of the Bengal Chemical and Pharmaceutical Works Ltd. during the year ended March 31, 1963, at Rs. 2.28 crores as against Rs. 2.13 crores last year. The net profit, after providing for depreciation and taxation, is Rs. 7.13 lakhs as against Rs. 4.07 lakhs in the previous year. Depreciation is raised to Rs. 5.48 lakhs from Rs. 5.37 lakhs and the development rebate reserve to Rs. 1.06 lakhs. The directors have proposed to maintain the dividend at 10 per cent, less tax, on the ordinary shares. The rights attached to the cumulative preference shares have been altered so that the shareholders will henceforth continue to receive about the same dividend which they were getting before the passing of the Preference Shares (Regulation of Dividends) Act, 1960. They indicate that capital schemes at Panihati factory, already taken up for increased production of heavy chemicals, are progressing well.

CITRIC INDIA

The chairman of Citric India Ltd. has indicated that the company will commence trial production in the first quarter of 1964 and attain the rated capacity within six months thereafter. Speaking at an ordinary meeting of the company

BIRLA JUTE

A PRELIMINARY annual report of the Birla Jute Manufacturing Company Ltd. shows a rise in gross earnings from Rs. 160.28 lakhs to Rs. 207.29 lakhs for the year ended March 31, 1963, which is a reflection of the increase in sales from Rs. 9.30 crores to Rs. 10.45 crores. All allocations have been increased—depreciation to Rs. 67.43 lakhs from Rs. 63.62 lakhs, taxation to Rs. 60 lakhs from Rs. 42 lakhs, general reserve to Rs. 30 lakhs from Rs. 17.82 lakhs and development rebate reserve to Rs. 14.12 lakhs from Rs. 4.33 lakhs. On account of increased allocations, the directors have proposed to maintain the ordinary dividend at 15 per cent less tax. All the four units of the company worked efficiently throughout the year. Over the last year the number of broad looms has been increased to 64 and all of them are in operation. The carpet backing section of the mill worked seven days in a week round the clock, thereby earning foreign exchange for the country as the entire output is exported to the U.S. There has, however, been slump in prices of carpet backing principally because of increased production.

At the company's cement plant at Satna, the total clinker production was 213,923 tonnes and total cement production was 221,477 tonnes. The entire plant for the expansion of the company's cement production has been received and is now under erection. Trials are expected to begin in October. Out of the two new kilns, the first is expected to commence production from October and the second from January next when the total capacity will be increased to 1,750 tonnes a day. The Directors have decided to give up the licence for a refractory plant as, in their opinion, there is already enough capacity in this industry. The company has obtained a licence for a new cement plant with a capacity of 600 tonnes to be situated at Chittorgarh. Prospecting has been completed and civil engineering work has already started. The cost of this project will be about Rs. 2.75 crores. Provisional orders have been placed pending receipt of the import licence. The Government has already granted the import licence against free foreign exchange. It is hoped that the plant will be in production from June, 1965. It is proposed to finance this project mainly from the company's own resources and partly from bank borrowings.

The staple fibre spinning mill has an installed capacity of 30,000 spindles. The calcium carbide factory also worked satisfactorily to its rated capacity. With regard to the new project for making oxygen and acetylene gas, the company has received the licence against D. L. F. credit and orders are being placed for the required plant. It is hoped to commission this unit in April, 1964.

A.P.V. ENGINEERING

APV Engineering Company Ltd., a wholly-owned subsidiary of APV Holdings Ltd., U.K., will shortly enter the capital market with a public issue of equity shares at a premium of 20 per cent. The authorised capital is Rs. 50 lakhs and the issued and paid-up capital is Rs. 12.50 lakhs. It is proposed to issue a further 170,000 shares of Rs. 10 each. Out of this issue, the U.K. holding company will be allotted 35,000 shares at par. Port Engineering Works Ltd. of Calcutta will take the up 40,000 shares at a premium of Rs. 2 per share and the directors and their friends have agreed to subscribe for 2,500 shares at a premium of Rs. 2 per share. The balance of

held recently, he explained that the work on the fermentation and production building was interrupted on account of lack of adequate funds which, he said, will now start and every effort is being made to complete it as early as possible. The capital cost of the factory, he added, has gone up much beyond the original estimate of Rs. 90 lakhs mainly due to the nature of process of manufacturing citric acid, increase in import duty from 10 per cent to 22½ per cent, the revaluation of DM and an overall increase in the prices of steel, cement and other construction materials. The revised estimates are placed at around Rs. 150 lakhs. Additional funds have been raised by the re-constitution of the board of directors. The re-constituted board has taken the necessary steps to arrange for additional finance by raising further equity capital from the existing shareholders as well as from the public by issuing equity shares and redeemable preference shares respectively. Negotiations are also progressing for raising further medium term borrowings from banks.

NEW GREAT MILLS

It is indicated that the New Great Eastern Spinning and Weaving Company Ltd. had a change of management following the finalisation of the deal for the purchase of 22,500 shares held by Mr. S. P. Jain, Mr. S. R. Damani and others. The company offered recently 5,000 ordinary shares of Rs. 100 each to the shareholders in the ratio of one share for every six shares held by them. With the purpose of this block, the New Great Eastern Spinning and Weaving Company comes into the hands of the management which owns the New City of Bombay Manufacturing Company Ltd. In a way, the management of the two mills which was once in the hands of W. H. Brady and Company Ltd., is again under one roof.

NEW STANDARD ENGINEERING

The New Standard Engineering Ltd. has reported satisfactory results for the year to March 31, 1963. The gross profit has increased from Rs. 22.26 lakhs to Rs. 22.89 lakhs. The turnover has gone up from Rs. 1.60 crores to Rs. 1.82 crores. After providing Rs. 8.48 lakhs for depreciation, Rs. 1.57 lakhs for development rebate reserve and Rs. 5.10 lakhs for taxation, the net profit of the company comes to Rs. 7.73 lakhs. A sum of Rs. 4.12 lakhs is transferred to special reserve. The Directors have recommended a dividend of 9 per cent on equity shares (8 per cent out of the special reserve which is exempt under Section 84 of the Income Tax Act, 1961, and the balance of 1 per cent subject to tax). The company has sought the advice of the Central Board of Revenue with regard to the claim of preference shareholders in exempt profits under Section 84 of the Income Tax Act. If the advice is not received in time, the tax will be deducted at the standard rate of 30 per cent. Further payment will be made to the shareholders on the basis of the decision of the Central Board of Revenue. Pending this clarification, the recommendation is to be considered as provisional. Assets of the company have increased by Rs. 29.44 lakhs out of which Rs. 8.85 lakhs represent the purchase of new machinery.

INDIAN ALUMINIUM

The Directors of the Indian Aluminium Company, Limited in a meeting held recently decided to apply to the Controller of Capital Issues for permission to issue Rs. 16,025,530 further capital divided into ordinary shares of Rs. 10 each to existing ordinary shareholders as fully paid-up bonus shares in the proportion of one share for every 3 shares held. The unpaid balance of the par value of the partly paid-up ordinary shares issued in February 1963 is to be called up before the bonus issue, so that holders of

such shares may also qualify to the full extent for the bonus shares.

BRITANNIA BISCUITS

The Britannia Biscuit Company Limited has recorded higher sales at Rs. 5.08 crores during the year to March 1963 as against Rs. 4.28 crores last year. The profit too has improved from Rs. 72.75 lakhs to Rs. 86.52 lakhs, after providing Rs. 9.99 lakhs towards depreciation. Taxation provision, including Rs. 15.20 lakhs for super profits tax is much higher at Rs. 59 lakhs against Rs. 38.26 lakhs last year. For reasons of higher taxation and the need to set aside funds for replacement and expansion, the directors have proposed to cut ordinary dividend (taxable) from 25 per cent to 21 per cent including a final dividend of 15 per cent. The directors also indicate that high taxation has reduced the capacity of the company to finance capital projects and hinder long-term expansion. They are also disappointed because the scheme to set up a basic foundry in South India could not be implemented as the Government was not willing to give the industrial licence. It is felt that unless production is increased it will be difficult to hold the unit production cost down.

PUNJAB NATIONAL BANK

The directors of the Punjab National Bank Ltd. propose to maintain the interim dividend for the half year ended June 30, 1963, at 10 per cent. The working of the bank during the half year has recorded a profit of Rs. 50.19 lakhs compared with Rs. 49.55 lakhs for the corresponding half year of 1962. The profit has been arrived at after providing for corporation tax and super profits tax for the whole of 1962 and for the first half of 1963 and making other necessary provisions. After bringing in Rs. 15.21 lakhs, the directors propose to utilise Rs. 20 lakhs for the payment of the dividend leaving Rs. 45.40 lakhs to be carried forward.

INDIAN OVERSEAS BANK

The net profit of the Indian Overseas Bank Ltd. for the half year ended 30th June, 1963, subject to audit, including the sum of Rs. 2.03 lakhs brought forward from the last year's account, amounts to Rs. 22.79 lakhs as against Rs. 22.06 lakhs in the corresponding period of last year.

HONGKONG AND SHANGHAI CORPORATION

The Hongkong and Shanghai Banking Corporation has declared an interim dividend of five shillings a share on its paid-up capital of 3,161,845 shares (£4,940,343). This interim dividend is a distribution of £790,461 and is unchanged from that declared in July 1962. The Hongkong and Shanghai Banking Corporation is the parent company in a group comprising the Mercantile Bank Ltd. and the British Bank of the Middle East.

CAPITAL ISSUES

Eleven companies have been authorized to raise capital aggregating over Rs. 5.31 crores. A twelfth company, whose capital is in sterling, has been authorized to issue units of stock as bonus shares. The consent is valid for 12 months in all cases.

Ashok Leyland Limited, Madras, is raising further capital of Rs. 55,25,000 divided into 11,05,000 equity shares of Rs. 5 each, for cash at par. Of this, shares of the value of Rs. 33,15,000 will be offered to the U.K. collaborators on rights basis, against the imported plant and machinery at par.

Chettinad Cement Corporation Limited, a new company,

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.

THE RIGHT KIND OF CLOTH/

J.C. FABRICS

SPECIALITIES :

SUITINGS	ROLLER &
SHIRTINGS	SCREEN PRINTS
LENOS	TAPESTRIES
POPLINS	DHOTIES
TOWELS	SAREES
ETC. ETC.	



Jayajee Rao
**COTTON
MILLS, LTD.**
BIRLANAGAR (M.P.)

incorporated in Madras, has been given consent to issue capital of Rs. 280 lakhs. The capital is divided into 2,30,000 equity shares of Rs. 10 each and 50,000, nine per cent (free of company's tax but subject to deduction of all taxes at source at the prescribed rates) cumulative preference shares of Rs. 100 each, to be issued for cash at par.

Thakur Shipping Company Limited, Bihar, is to issue capital of Rs. 1 crore divided into Rs. 20 lakhs in 9.3 per cent preference shares and Rs. 80 lakhs in equity shares.

Chowgule Steamships Private Limited, Maharashtra, has been given consent for the issue of further capital of Rs. 40 lakhs, divided into 40,000 equity shares of Rs. 100 each, to be issued privately for cash at par.

The Orissa Forest Corporation Limited, a State Government undertaking, is to raise further capital of Rs. 10,00,000 divided into 10,000 equity shares of Rs. 100 each for cash at par to be subscribed privately.

Max-Designs & Process Works Pvt. Ltd., Bombay, is to issue capital of Rs. 1,72,500 divided into 1,725 equity shares as bonus shares by capitalization of the company's reserves to a like extent.

Electro Metallurgical Works Private Limited, Bombay, is issuing further capital of Rs. 1,00,000 divided into 1,000 equity shares of Rs. 100 each. On capitalization of the company's general reserves to a like extent, the capital will be issued as fully paid up bonus shares to the existing shareholders of the company.

Sarvaraya Textiles Limited, Kakinada, is to issue further capital of Rs. 12 lakhs, divided into 1,20,000 equity shares of Rs. 10 each, to be issued for cash at par.

South Punjab Electricity Corporation Limited, Rohtak, is to issue further capital of Rs. 6,29,920. This is divided into 62,992 equity shares of Rs. 10 each to be issued as bonus shares in the ratio of 1:1, on capitalization of the company's undistributed profits and reserves to a like extent.

The Indo-Ceylon Dental & Surgical Company Limited, Madras, is to issue further capital of Rs. 35,440 divided into 3,544 equity shares of Rs. 10 each. On capitalization of the company's general reserves to a like extent, it will be issued as fully paid up bonus shares to the existing shareholders of the company.

Madanapalle Spinning Mills Limited, Andhra Pradesh, is raising Rs. 25 lakhs, divided into 40,000 equity shares of Rs. 50 each, and 5,000 preference shares of Rs. 100 each, to be issued for cash at par. Of this, shares of the value of Rs. 18 lakhs (Rs. 13 lakhs in equity shares and Rs. 5 lakhs in preference shares) will be offered for public subscription by prospectus.

Indian Copper Corporation Limited, Calcutta, is to issue 68,56,500 units of stock of 2 shillings each as fully paid up bonus shares on capitalization of reserves to the extent of £6,85,650 in the ratio of one bonus share for two units held.

LICENCES ISSUED

The following firms have been granted licences under the Industries (Development and Regulation) Act, 1951 during the week ending 20th July, 1963. The list contains the names and places of the licensees, articles of manufacture and annual installed capacity :

IRON AND STEEL

Pioneer Iron and Steel Corporation, 119, G. T. Road, Belur, Howrah, West Bengal, Cast iron castings 3,500 tons per annum Steel forgings 300 tons. The Indian Smelting and Refining Co. Ltd., Industry House, 159, Churchgate Reclamation, Bombay, (Thana, Maharashtra) S. G. Iron and Special steel castings; shifting from Bhandup to Thana (Maharashtra) (Shifting). Shri V. Pandurangiah C/o Vammidiars (Mfrs). Private Ltd., 162, Mount Road, Madras-2 (Madras). Stainless Steel (Sheets) 7,000 tons. Steel Mills of India (P) Ltd., 33, Netaji Subhas Road, Calcutta-1 (Kalwa, Dist. Thana, Maharashtra) Mild steel Bars, Rods, Light Angles, Gate Channals, Light Structurals, and other steel Rolled products 1,200 tonnes (shifting from Hamira (Punjab) to Thana, Maharashtra). J. K. Steel Ltd., 7, Council House Street, P. B. No. 2584, Calcutta (Rishra, Distt. Hooghly, West Bengal). Cold Rolled Strips (75-100 mm size) 9600 tonnes.

OTHER METALS

A. V. Swamy and Co., 17, Greams Road, Madras-6 (Vizayanagaram Vishakapatnam Distt. Andhra Pradesh) 1,800 metric tons per annum of manganese metal and corresponding quantity of manganese dioxide.

COAL

Shri Benarshilal Agarwalla P.O. Gobindpur, Dist. Dhanbad. Proposed name: West Shampur Colliery (Village-Pithakiyari, P.S. Nirsha, Distt. Dhanbad, Bihar) Coal 35,000 tonnes. Central Shampur Coal Co., P.O. Nirshachatti, Distt. Dhanbad, (Distt. Dhanbad, Bihar), Coal 1,500 tonnes, M/s. D. P. Lala and Sons, Lala Bhavan, P.O. Kharkharea, Dist. Dhanbad (South Barora Colliery, P.O. Nawagarh, Distt. Dhanbad, Bihar) Coal 41,600 tonnes. Hindegir Mining Corporation P.O. Hirapur, Distt. Dhaibad (P.O. Hindegiry, Distt. Hazari-bagh, Bihar) Coal 22,500 tonnes.

AUTOMOBILES

Shri S. S. Shah C/o Messrs. International Engineering Associates, 774, Tilak Road, Dadar, Bombay-14. Proposed name: M/s. Eaton Products (India) Private Ltd., (Bombay-Poona, Maharashtra) Valve inserts 10,00,000 Nos. Valve guides 10,00,000 Nos. Valves tappets 3,00,000 Nos. Park Rods, 5,00,000 Nos. Valve springs 5,00,000 Nos.

TYRES AND TUBES

Dunlop Rubber Co. (India) Ltd., 57-B Free School St., Calcutta (Ambattur, Madras). Bicycle tyres 12,84,000 Nos.

CHANGES IN NAMES

(During the week ending 20th July, 1963)

From M/s. Jay Shree Textiles Ltd., New Delhi to M/s. Jaya Shree Textile and Industries Ltd., New Delhi. From M/s. Textile Corporation, Ahmedabad to M/s. Nutan Iron and Steel Works Ltd., Ahmedabad. From M/s. The Madras Circle Pipe Dealers' Association Ltd., Madras to M/s. Tubes and Malleable Ltd., Madras. From M/s. Bayer-Agrochem Ltd., Bombay to Messrs. Bayer (India) Ltd., Bombay. From M/s. Arthur Import Export Co., Bombay to M/s. R. K. Synthetic Fibres Pvt. Ltd., Bombay. From East India Distilleries and Sugar Factories, Madras to M/s. E. I. D. Parry Ltd., New Delhi.

LICENCES REVOKED

(During the week ending 20th July, 1963)

M/s. Radio and Electricals Manufacturing Co. Ltd., Bangalore, Ceramic capacitors.

BOOKS BRIEFLY

Common Market and Economic Growth

The United Kingdom and the Six: By A. Lamfalussy; Macmillan & Co. Ltd., London; Pages ix + 147; 1963.

REVIEWED BY L. C. CHUGH

Dr. Lamfalussy's book is of more than passing interest. The contents are worthy of study by economists, business men and statesmen. The author asks two fundamental questions as he puts in preface to his book:—(i) "If not Common Market, what then made the E.E.C. countries grow faster than Britain?" (ii) "Will the E.E.C. encourage the Six to continue their past performance, and if so, on what conditions?"

Britain's rate of growth has been half of that in the E.E.C. countries during 1950-61, price rise has been double that in E.E.C. (except France), Britain has been up against balance-of-payments difficulties too often as against easy external position of the E.E.C. countries which have been accumulating surpluses.

Where the author departs from others is in the explanation of this, more or less, static phenomenon in Britain. The post-war recovery, no doubt rapid, cannot be the cause of faster growth in the E.E.C. because by 1950 the E.E.C. countries had recovered and reached the British level of gross national product, and by 1953-54 they had attained the same rate of growth of gross national product per head. The author refutes cogently the stock argument of Britain's high initial income per head as the cause of slower growth by proving that Britain did not have any "structural disadvantages" as the increase in productivity of manufacturing industry was much higher than productivity in Belgium and France, which had, relatively to Britain, a smaller service sector to start with in 1950. Lamfalussy is making comparisons countrywise rather than between the E.E.C. region and Britain. What the latter comparison will show is anybody's guess.

Shortage of labour is also not the cause of slower growth, though Colin Clark would maintain otherwise. Employment increased at the rate of 1.1 per cent per annum in British manufacturing industry, one of the highest rates for E.E.C. countries. The balance of payments problem is not the cause of slow growth but only a symptom. The difficulties in British external accounts can be partly explained in terms of larger grants and capital outflows, but the export performance has been the least hopeful. The UK's exports increased at the rate of 4 per cent in 1959-60 as against a rate not less than 11 per cent for any of the E.E.C. countries, though the highest rate has been 19 per cent in Italy in the same year. Exports are vital to the development process from both the supply and demand sides. Exports are in a real sense current savings and they enable larger imports for industrial production. The author calculates, according to the Tyszynski formula, (one wonders why India's export performance has not been judged in these terms) that Britain has lost the "competitive position" in the world market, relatively to the E.E.C. countries.

The wage rate has not increased that fast as in some other E.E.C. countries, though British unit labour costs have gone up to the highest. The upshot of the argument is that productivity in Britain has lagged behind. Britain has suffered

from a lower investment ratio to national income with lower growth of output and high resultant capital-output ratio. Secondly, more important to the author and which has been statistically found out, the productivity of investment in capital, as measured by the "Investment-Productivity Ratio" (ratio of investment per head to increase in output per head), has been the lowest in Britain except in manufacturing. There has been wrong allocation of resources. The author conjectures that British investment has been of the "defensive type"—making small additions and modifications to the existing capital, whereas the E.E.C. countries have been having "enterprise investment" involving new plans and lay-outs.

Dr. Lamfalussy discusses "export led growth" to break the vicious circle of deficit in balance of payments, inflationary prices and low investment. Greater exports will increase profits, investments and savings. The balance of external accounts of the E.E.C. countries, particularly Germany, Italy and Netherlands, had the advantage of probably undervalued currencies, available labour force and low defence expenditure. France had to exhaust her foreign exchange resources and devalue her currency twice to import and then "take off" to an "export lead".

Lamfalussy suggests that Britain's "joining the E.E.C. would offer a more adequate framework for effective growth policies than the present situation", for the E.E.C. offers the advantages of integration, possibilities of greater investment and co-operation to achieve equilibrium.

ADVERTISING AND MARKETING

Admars: 3rd Annual Number & Advertising Directory, 1963; Bombay-1.

ADMARS Annual Number 1963, with an imposing get-up, presents in brief important developments in the advertising and marketing world which may be of particular interest to admen and PR men and others who are thinking of making it a career. Apart from extensive newsy notes, this Number has a few selected articles written by men of considerable experience. Mr. D. G. Bell, Managing Director, Bomas Ltd., writes on how a modern agency should function and in what way it can help the advertiser. Mr. R. K. Sirkar, Manager, Publicity Department, Dunlop Rubber Co. (India) Ltd., pleads for a centralised and highly specialised Export Information Bureau which would evolve, after having studied all published information, a thorough and efficient index of information for the use of any exporter interested in that. Mr. Sirkar considers some amount of research into consumer tastes and habits is necessary and urges the formation of Export Research Centres which would study not so much the existing tastes and preferences as the possibility of creating new ones in order to find new markets for our exports. Among other suggestions put forward by him, the most appealing is perhaps the creation of distinctive brand image for our goods which has become a good marketing technique in advanced countries.

★★

Indian Railways: Annual Number 1963; Vol. 8; Published by the Railway Board, New Delhi.

THIS IS an informative review of Railway problems and progress. The articles are technical and are chiefly concerned with discussing development work in the various Zones during the year.

COMPANY MEETING

THE ORIENTAL FIRE & GENERAL INSURANCE COMPANY LTD.

Speech delivered by the Chairman, Shri B. K. Kaul, I.C.S., at the fifteenth Annual General Meeting of the Shareholders on Wednesday, the 17th July, 1963.

1. The Report, Accounts and Balance Sheet for the year ended 31st December 1962 are already in your hands and, with your approval, I propose to take them as read. Before we proceed to consider these for adoption, I would like to review some of the points which had a bearing on your Company's working during the year.

2. The year 1962 witnessed an unprovoked and treacherous attack on India's northern borders by the forces of the Chinese People's Republic. The Government of India declared a state of emergency in the country and initiated steps to prepare the nation for the defence of the country and for the shift in the country's economy to cater to the defence needs on a priority basis. On the insurance front, the emergency resulted in the Parliament passing the Emergency Risks (Goods) Insurance Act, 1962, and the Emergency Risks (Factories) Insurance Act, 1962. On 26th December 1962, your Company was appointed by Government as its sole Agent in connection with the Schemes which were framed under these Acts and which came into force from 1st January 1963. As a result, the Company had to make arrangements throughout India at an extremely short notice for accepting applications and dealing with queries from the public in connection with the Emergency Risks Insurance Schemes. A very considerable amount of detailed work had to be done within a few days in setting up procedures and making arrangements at as many as 163 centres all over India and in preparing material for the purpose of explaining the Schemes to the public and answering their queries. I am glad to report that with the unstinted efforts put in by the officers and the staff of the Company, we were able to complete the necessary arrangements in time. During the first two quarters of 1963, the Company received over 2,50,000 applications under these Schemes and dealt with innumerable inquiries from the public and with voluminous correspondence relating to the Schemes.

I may mention here that this work is being done by the Company entirely on a non-profit basis. I am sure that Members will derive a feeling of satisfaction from our having been able to contribute in this manner to the defence effort and the requirements of the Emergency.

3. On the international scene, the recent years have witnessed the granting of independence to some of the territories in which your Company operates. Tanganyika and Uganda became independent on 6th December 1961 and 9th October 1962 respectively. As you will be aware, Kenya will be attaining independence in December next. We join in welcoming these countries to the comity of free nations.

I am also glad to note that the agreement to launch the Federation of Malaysia covering Singapore, Malaya, North Borneo and Sarawak has been reached very recently. I have every hope that the Federation will bring increased strength and prosperity to the people of these territories and in turn will provide further scope for insurance.

4. Coming now more particularly to ourselves, the year

1962 may be termed our real first full year of working as an integrated entity after the passing of the Bombay High Court Orders in December 1961 regarding amalgamation of the National Fire & General Insurance Co. Ltd., and the Asiatic Government Security Fire & General Assurance Co. Ltd., with your Company.

The process of amalgamation was completed very smoothly both in India and abroad. We are functioning in India through a set-up of five Regional Offices at Bombay, Calcutta, Delhi, Kanpur and Madras which control, in turn, Divisional, Branch, Sub-branch and Inspectorate offices at a total of 85 centres in the country. The working of the Regional Offices is co-ordinated by the Central Office functioning at Bombay.

The foreign operations of the "Oriental Fire" before amalgamation were of a limited character and these have widened considerably with the accession to the now combined organisation, of the foreign operational centres of the "National Fire" and the "Asiatic". Our activity abroad is not yet very large and we are exploring the possibilities of expansion in this field. As, however, there are considerable changes taking place in the political as well as economic character of many of the foreign territories where such possibilities exist, we are progressing in the matter of expansion with caution. The present can therefore be considered only a formative stage for our foreign organisation.

5. Turning now to the results of the year's working, you will be gratified to note the increase in the balance for appropriation from Rs. 20.50 lacs for 1961 to Rs. 44.69 lacs for 1962.

The net total premium of all departments increased from Rs. 434.30 lacs in 1961 to Rs. 492.29 lacs in 1962, showing a rise of about Rs. 58 lacs, i.e., 13.35% over the previous year's figure. This increase was made up of Rs. 46.5 lacs from business effected in India and Rs. 11.5 lacs from business outside India. Considering the market conditions in India and abroad, this rise may be considered satisfactory.

The ratio of net claims to net premiums in 1962 was 34.83% for the Fire Department as compared to 28.97% for the year 1961. The increase in the Fire claims ratio was mainly due to the adverse experience abroad arising out of some large fires. On the Miscellaneous side, the trend of rise in Motor accidents and their costs contributed to the increase in claim ratio from 48.56% in 1961 to 57.79% in 1962. Despite these increases, the claims ratio for both these departments can be considered satisfactory. On the Marine side, the general market experience continued to be unsatisfactory particularly in the Cargo section. The claims ratio in our case, however, has shown a small decrease from 96.45% in 1961 to 93.26% in 1962.

The overall ratio of commission and expenses of management to net premiums has been maintained around 32.5%, which is very satisfactory.

The Company is liable to payment of Super Profits Tax in respect of this year's profit and the estimated tax liability has

been provided in the Accounts.

Our investments as at 31st December 1962 aggregated to about Rs. 399 lacs and the total depreciation in these investments was of the order of Rs. 6.65 lacs and is fully covered by the Investment Reserve. Considering that the total investments of the "Oriental Fire", "National Fire" and "Asiatic" as on 31st December 1960 were only about Rs. 175 lacs and that we invested Rs. 224 lacs in the course of 1961 and 1962, it will be seen that the depreciation of Rs. 6.65 lacs is very nominal in the light of the great fall which took place in prices of shares and securities during the last few months of 1962. The policy of the Company of exercising the utmost care and prudence in making investments during the period when the prices of most Ordinary Shares continued to be unrealistically high, has now paid us dividends in keeping down the depreciation to a very nominal value even under the present difficult circumstances. Whilst as a result of our policy, we did not make large book appreciations in our investments, we have neither been required to provide for large amounts by way of depreciation.

6. As in the past year, your Directors have recommended a dividend of 6% (subject to deduction of tax at prescribed rates) on the paid-up value of the shares. In doing so, they have kept in mind the desirability of strengthening the reserves of the Company. Against the paid-up capital of Rs. 110 lacs, we now have reserves totalling Rs. 46.68 lacs (excluding investment reserve and dividend reserve). We have also additional

reserves for unexpired risks of Rs. 3 lacs each in the Fire and Miscellaneous departments in excess of the reserves main ained on the required basis of 50% of the premium income for the year. The financial strength of the Company has, I am happy to say, increased considerably after amalgamation.

7. Coming to staff matters, your Company signed a new agreement on 1st June 1963 with the Staff Union. The agreement provides, amongst other benefits, for merger of Dearness Allowance by an amount ranging from Rs. 47 to Rs. 55 per month in the basic salary of the employee, and of the linking of the Dearness Allowance scale with the All India Working Class Consumers' Price Index (Base 1949=100). This agreement is the first of its kind in the General Insurance Industry and marks a departure from the old practice of having an arbitrary system of Dearness Allowance. The agreement applies retrospectively from 1st July 1962 and the relevant increase in the Management Expenses for the year 1962 has been fully provided for in the accounts.

8. In conclusion, I take this opportunity to express my thanks to our clients and well-wishers both in India and abroad who have continued to extend us their support. I also thank the officers, staff and development officials of the Company for their loyalty and good work.

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

ASSOCIATION MEETING

INDIAN INSURANCE COMPANIES' ASSOCIATION

Mr. P. U. Patel Surveys Current Problems

ADDRESSING THE 35th Annual General Meeting of Indian Insurance Companies Association, held in Bombay on July 30, the Chairman, Mr. P. U. Patel reiterated the point he had made on a previous occasion that the Formula prescribing Expenses of Management for General Insurers, introduced 12 years ago, was neither fair nor equitable. Mr. Patel pointed out how the operational costs such as salaries and amenities for staff, stationery, fares for travel etc. had all since gone up and the Insurers found it difficult to manage their affairs within the limits provided. Accordingly, he urged the need for evolving a more realistic Formula in consultation with insurance interests.

Mr. Patel, who prefaced his speech with a reference to the political situation caused by the unprovoked Chinese aggression, referred to the Insurance Industry's spontaneous contribution to the National Defence Fund and added that should a similar situation unfortunately arise in future, the Industry would consider no sacrifice too great to make for the sake of the Nation.

Referring to the niggardly increase in the National Income and rising price-levels, he felt that there had been faulty planning and false priorities all along. Increased production on all fronts was the only solution to the situation facing the country today. He emphasised that it was high time it was realised that mere sanctimonious sermonising by Ministers would not and could not lead to increased production either in the fields or in the factories.

Referring to the Budget proposals, he said that the Super Profits Tax was bound to have a deleterious effect on the economy and a reorientation of outlook was clearly indicated. He deplored that the Government had rejected the

Association's plea for allowing Insurers to take into account Departmental Reserves together with Paid-up Capital and Taxed Reserves before being made liable to Super Profits Tax. He said: "It is my regret that while Government allowed certain reliefs to Banking, they preferred to ignore our representation altogether. It is my submission that an industry like ours, which is an integral part of the National Economy, should have received more considerate treatment.

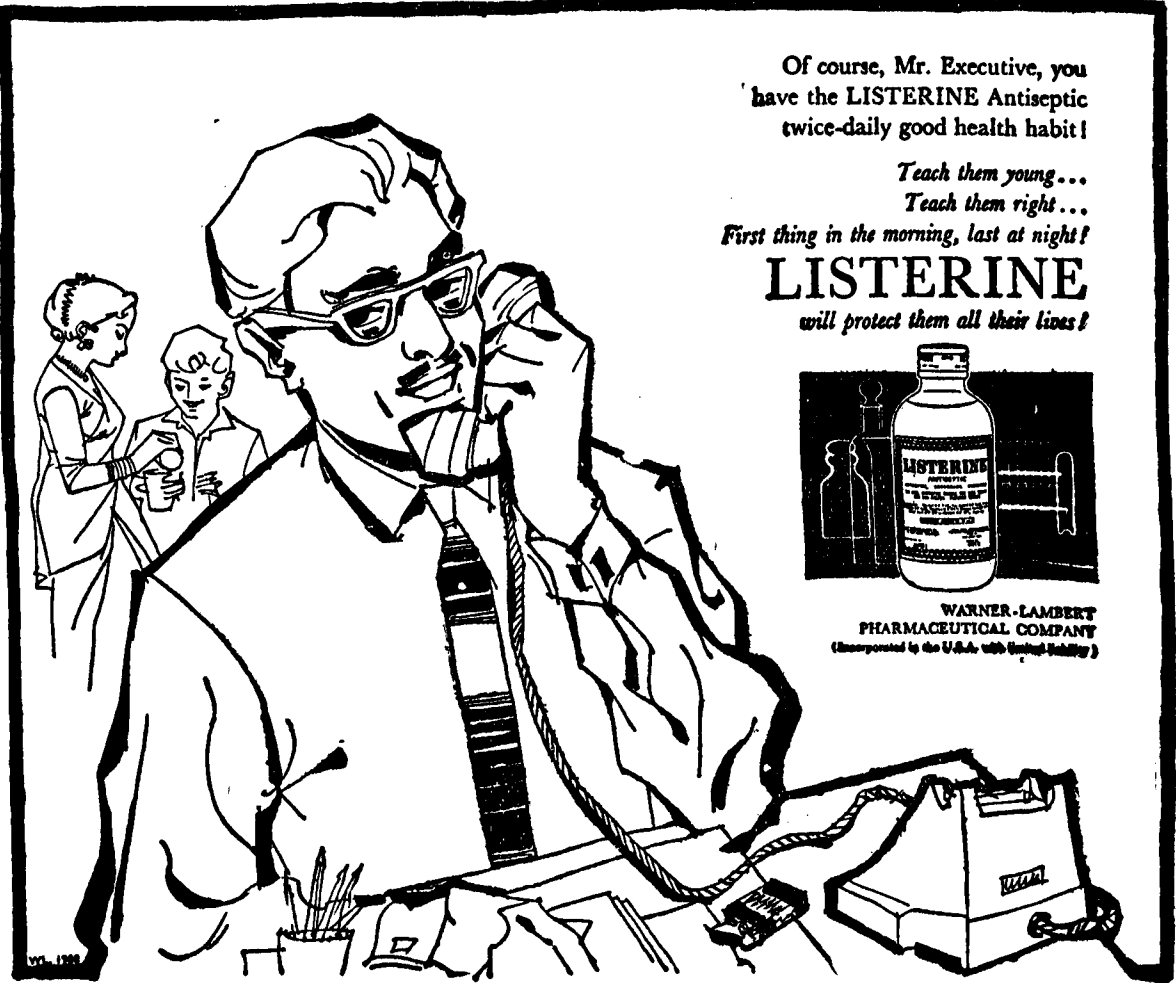
The Chairman next referred to two specific developments in the Insurance Industry, the reduction in Fire premium rates and the growing adverse claims experience in the Motor Department. He stressed that the cut in the Fire rates with effect from July 1, 1962, coming as it did on top of a similar reduction in 1960, would come in the way of Indian Insurers building up the necessary Reserves and expressed the hope that the Industry would not be called upon to make yet another reduction in the foreseeable future. While the increase in Motor rates to take effect from August 1, 1963, would provide some relief to Insurers, he wondered whether it provided a lasting solution to the problem.

In conclusion, Mr. Patel said that the joint efforts of the Administrative Machinery and the Insurers had helped to raise the tone of the Market. However, a lot more remained to be done. Pleading for greater co-operation from the Industry in terms of the undertaking given by the Insurers and a more pragmatic approach on the part of the personnel of the Administrative Machinery, in the working of the Voluntary Agreement, Mr. Patel said: "Only when Insurers, who scrupulously comply with the provisions of the Agreement, are assured that others shall not divert any business by adopting unfair methods, then only there can be real hope for the future."

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**G. D. BIRLA,
CHAIRMAN**

AUTHORISED CAPITAL		Rs. 8,00,00,000
SUBSCRIBED CAPITAL		Rs. 5,60,00,000
PAID-UP CAPITAL	.. .. .	Rs. 2,23,33,937
RESERVE FUND AND OTHER RESERVES		Rs. 3,03,00,000
DEPOSITS & BILLS PAYABLE (31-12-'62)		Rs. 1,08,22,75,015

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RECORDS AND STATISTICS

Foreign Collaborations

(Approved During April-June 1963)

S. No.	Name & address of Indian firm	Name of the foreign firm	Item of manufacture
1.	M/s. Bharat Steel Tubes Ltd., 72 Janpath, New Delhi.	M/s. Abbey Etna Machine Co., Perrysburg, Ohio, U.S.A.	Sheet Glass.
2.	M/s. The Cotton Agents Pvt. Ltd., Industry House, Churchgate Reclamation, Bombay-1.	M/s. Pittsburgh Plate Glass International, U.S.A.	X-Ray Equipments.
3.	Lt. Genl. D. N. Chakravarti, M/s. Electro-Medical & Allied Industries Ltd., 1 Garstin Place, Calcutta-1.	M/s. Picker X-Ray Corp., Cleveland, Ohio, U.S.A.	Oil burning equipments.
4.	M/s. Flinn & Dreffin Engg. Co. India Ltd., 205 Dr. Anne Besant Road, Worli, Bombay-18.	M/s. North American Mfg. Co., U.S.A.	Metal cleaners, paint strippers, rust removers etc.
5.	M/s. Grauer & Weil (India) Ltd. Janambhoomi Chambers, 29 Fort Street, Bombay.	M/s. Enthome Inc., 442 Elm St. New Haven 3, Connecticut, U.S.A.	H.T. & L.T. Insulators.
6.	M/s. Gujarat Insulators & Ceramics Ltd., Hill View, Ridge Road, Malabar Hill, Bombay-6.	M/s. International General Electric Co., 159 Madison Avenue, New York-16.	Readymade garments.
7.	M/s. Indian Clothing Co., 48 Sindhi Society Ltd., Little Malabar Hill, Chembur, Bombay-71.	M/s. Cooper Incorporated and M/s. Jautiya of U.S.A.	Estt. of technical consultancy firm.
8.	M/s. K. R. Irani & Co., 24-26 Dalal Street, Fort, Bombay-1.	M/s. Brown & Root, Inc., Texas, U.S.A.	Flue Tube Boilers, Feed water Water heaters & Industrial air filters.
9.	M/s. Industrial & Agricultural Engg. Co. (Bombay) Pvt. Ltd., 43 Forbes Street, Fort, Bombay.	M/s. Biller & Jamart of West Germany, M/s. GASS AG of Switzerland and M/s. American Air Filters Co. of U.S.A.	Piston rings.
10.	M/s. B. K. Khanna & Co. Pvt. Ltd., 14-F Connaught Place, New Delhi.	M/s. Hastings of U.S.A.	Deaerators & Strainers.
11.	M/s. Mercantile & Industrial Development Co. Pvt. Ltd., 6 Tulloch Road, Apollo Bunder, Bombay-1.	M/s. A.C. Smith International S.A., U.S.A.	Fixed and Variable Resistors.
12.	M/s. Motwane Mfg. Co. Pvt. Ltd., 127 Mahatma Gandhi Road, Fort, Bombay-1.	M/s. International Resistance Co., 401 North Road Street, Philadelphia and M/s. C.T.S. Corp., Elkhart, Indiana, U.S.A.	Copying lathes.
13.	M/s. Mysore Kirloskar Ltd., Yantrapur P.O., Mysore State.	M/s. Monarch Machine Tool Co. U.S.A.	Iron cements.
14.	M/s. Natson Mfg. Co. (Pvt.) Ltd., 19 Hamam Street, Fort, Bombay-1.	M/s. Smooth on Mfg. Co., 570 Communipaw Ave., Jersey City 4-N.J., U.S.A.	Shot blasting equipment.
15.	M/s. New Standard Engg. Co. Ltd., Carroll Road, Bombay-13.	M/s. Wheelabrator Corporation Mishawaka, Indiana, U.S.A. and M/s. Tilghman's Ltd., Broadheath, Altrincham, Cheshire, U.K.	Steel forgings & garage tools.
16.	M/s. Nitin Engg. & Mfg. Co. (P) Ltd., 21 Ropewalk Street, Fort, Bombay-1.	M/s. Pan Alliance Corp., U.S.A.	Automobile tyres and tubes.
17.	M/s. Podar Mills Ltd., Podar Chambers, 109 Parsee Bazar Street, Fort, Bombay-1.	M/s. Gates Rubber Co., Denver, Colorado, U.S.A.	Mineral wool & its products.
18.	M/s. Punj Sons Private Ltd., M/13 Connaught Circus, New Delhi-1.	M/s. John-Manville International Corporation, 22 East 40th St., New York, U.S.A.	

FOREIGN COLLABORATIONS—Contd.
(Approved During April-June 1963)

S. No.	Name & address of Indian firm	Name of the foreign firm	Item of manufacture
19.	Shri P. R. Ramakrishnan, M.P. 6/36 Race Course Road, Coimbatore.	M/s. Michle-Goss-Dexter Inc., Chicago, Illinois, U.S.A.	Printing Machinery.
20.	Shri Sarabjit Prakash, 17 Gokhale Marg, Lucknow.	M/s. H. D. Justi & Son Inc., Pennsylvania, U.S.A.	Acrylic teeth.
21.	Shri Shyam Sunder Jalan, 8 Dalhousie Square East, Calcutta.	M/s. Roberts & Schaefer Co., Dvn. of M/s. Thompson-Starrett Co. Inc., 201 North Wells St., Chicago-6, Illinois, U.S.A.	Coal washing plants.
22.	M/s. United Carbon India Ltd., United India Building, Sir P.M. Road, Bombay-1.	M/s. Brown & Root Inc., U.S.A.	Carbon Black Plant.
23.	M/s. Voltas Ltd., 19, Graham Road, Ballard Estate, Bombay-1.	M/s. Carrier International Ltd., 385 Madison Avenue, New York, U.S.A.	Air-conditioning & Refrigeration equipment.
24.	M/s. The Waxpol Industries Ltd., 9 Mitter House, 71 Ganesh Chandra Avenue, Calcutta-13.	M/s. G.E. Smith Inc., U.S.A.	Core Binders & Activators etc.
25.	M/s. Allied Resins & Chemicals Pvt. Ltd., 10-1 Elgin Road, Calcutta-20.	M/s. Leicester Lovell & Co. Ltd., North Baddesley, Southampton.	Synthetic resins.
26.	M/s. Bashimal Vinod Kumar, 220 Masjid Bunder Road, Bombay-3.	M/s. A.R. Heathcote & Co. Ltd., Bernard Works, Sylvester Gardens, Sheffield-1, England.	Machine knives & shear Blades.
27.	Shri Bhagwati Prasad Jhunjhunwala, 59 Apollo Street, Fort, Bombay-1.	M/s. Ruberoid Co. Ltd., 1-19 New Oxford Street, London, U.K.	Asphalt corrugated roofing sheets etc.
28.	M/s. W. H. Brady & Co. Ltd., 12-14 Veer Nariman Road, Bombay-1.	M/s. George Kent Ltd., 199 High Holborn, London.	Water Meters.
29.	M/s. The East & West Trading Co., Advani Chambers, Sir P.M. Road, Bombay-1.	M/s. Plus Gas Co. Ltd., 1-11 Hay Hill, London-W.1, U.K.	Anti-Corrosion Fluids.
30.	M/s. Fordham Pressings (India) Private Ltd., Nanabhai Mansion, Sir P.M. Road, Bombay-1.	M/s. Fordham Holdings Ltd., Melbourne Works, Dudley Road, Wolverhampton, England.	Polythene Syphonic fittings.
31.	M/s. Gordon Woodroffe & Co. (Madras) Pvt. Ltd., 127 North Beach Road, Madras-1.	M/s. Crawford Collets Ltd., U.K.	Collets & feed used in automatic lathes.
32.	M/s. Hydraulics Private Ltd., 29 Mount Road, Madras-2.	M/s. Armstrong's Patents Co. Ltd., Beaverley, Yorkshire, U.K.	Shock Absorbers.
33.	M/s. John Fowler (India) Ltd., Marchal Building, Ballard Road, Bombay-1.	M/s. Vokes Group Ltd., and M/s. Streamline Filters Ltd., U.K.	Streamline filters & tobacco machinery.
34.	M/s. Killic Nixon & Co. Ltd., 10A Indra Place Annexe, H-Block, Connaught Circus, New Delhi.	M/s. EFFCO Furnaces Ltd., Queens Road, Weybridge, Surrey, England.	Electric & fuel fired furnaces.
35.	M/s. Mahabharat Industrial Co. (Pvt.) Ltd., F-20 Shankar Market, New Delhi-1.	M/s. Charles Components Ltd., 17 Herbert Grove, Southend on Sea, U.K.	High Pressure Brake Hose Assemblies.
36.	M/s. New Bemco Engg. Products (P) Ltd., P.O. Udyambug, Belgaum (S. Rly.).	M/s. Towler Brothers (Patents) Ltd., U.K.	Hydraulic equipment.
37.	M/s. Purshotamlal Jhunjhunwala, 59 Apollo Street, Fort, Bombay-1.	M/s. Vitamins Ltd., 23 Upper Mall, London, W.6, U.K.	Vitamealo Concentrates and animal compound feeds.
38.	M/s. Sahney Steel & Press Works Private Ltd., 561-64 18th Road, Khar, Bombay-52.	M/s. Wood Auto Supplies Ltd., Fitzwilliam Street, Huddersfield, England.	Automobile ancillaries.
39.	M/s. Universal Refrigeration Corp., 11 Bank Street, Fort, Bombay-1.	M/s. British Physical Laboratories Ltd., Radlett, Herts, U.K.	Meters and electronic instruments.

FOREIGN COLLABORATIONS—Contd.
(Approved During April-June 1963)

S. No.	Name & address of Indian firm	Name of the foreign firm	Item of manufacture
40.	M/s. ACC-Vickers-Babcock Ltd., 16 Queen's Road Estate, Bombay-1.	M/s. Kloeckner-Humboldt-Deutz Aktiengesellschaft, Deutz, Mulheimer-Strasse, Koln, West Germany.	Heating Devices & Electrical Dust Precipitators for cement raw mix.
41.	M/s. Andhra Foundry & Machine Co. Ltd., 28 Sarojini Devi Road, Secunderabad-26.	M/s. Rheinstahl Industries Planning of West Germany.	Cast iron spun pipes.
42.	M/s. Asian Woodcrafts Ltd., 1A Mission Row, Calcutta-1.	M/s. Becker & Van Hullen, West Germany.	Chipboard.
43.	M/s. Chopra Radio Electric Co., Imperial Cinema Building, Lamington Road, Bombay.	M/s. Perpetuum-Ebner, St. Georgen, Schwarzwald, West Germany.	Electronic record changer.
44.	M/s. Indoplast Ltd., 22 Apollo Street, Bombay-1.	M/s. Metalchemie GMBH, Manheim, West Germany.	Plast working machines.
45.	M/s. New Government Electric Factory, 4 Serhadri Road, Bangalore-9.	M/s. Allegemeine Elektrizitates Gesellschaft, West Germany.	Transformers, Motors & Switchgears.
46.	M/s. Bahadur Thakur & Co., 11 B Noble Chambers, Ghoga Street, Bombay-1.	M/s. Ultramar Fischer & Co., Dusseldorf, W. Germany.	Chipboard.
47.	Shri H. J. Thacker, 23 G Dingersay Road, Malabar Hill, Bombay-6.	Dr. Karl Plate G.M.B.H., 53 Bonn, West Germany.	Nylon zip fastners.
48.	M/s. The Wesman Engg. Co. (P) Ltd., 71 Ganesh Chandra Avenue, Calcutta-13.	M/s. Ruppman of West Germany.	Electric Furnaces etc.
49.	M/s. Wire Machinery Mfg. Corp., (P) Ltd., 1-A Vansittart Row, Calcutta-1.	M/s. Ernst Kech & Co. K.G. (5873) Ihmert, West Germany.	Wire Drawing machine.
50.	M/s. B. K. Industries, 317 Roy Road, Tilakwadi, Belgaum.	M/s. Limex GmbH of G.D.R.	Chain pulley blocks
51.	M/s. Madan Engg. Tool Products, 57 G.B. Road, Delhi.	M/s. VEB Works ougmas chinem- fabrik Aue of G.R.D.	Guillette Shearing machines.
52.	M/s. The Premier Cable Co. Ltd., N-3 South Extension Part-1, Ring Road, New Delhi-3.	M/s. VEB Kabelwerke-Oberspree, Berlin, G.D.R.	PVC & VIR and PVC Power Cables
53.	M/s. Sak Industries, 15/1 Parliament Street, New Delhi.	M/s. VEB Fahrzeugeu Maschinenteile, Dresden, G.D.R.	Engine valves.
54.	M/s. Shalimar Industries Private Ltd., 25 Ganesh Chandra Avenue, Calcutta-13.	M/s. VEB Nadelwork Ischtershausen, G.D.R.	Hand sewing needles.
55.	M/s. Tropical Engg. Co., 21 Forbes Street, Fort, Bombay.	M/s. Limex of G.D.R.	Electric Motors.
56.	M/s. Beegge Corp. Pvt. Ltd., 25 Factory Area, Patiala.	M/s. Tokyo Shibaura Electric Co., Ltd., Kawasaki, Kanagawaken, Japan.	Lightning arresters.
57.	M/s. Deepak Insulated Cable Corp., 13 IV Cross Magadi Road, Bangalore-2.	M/s. Furukawa Electric Co. Ltd., Tokyo, Japan.	Winding wires.
58.	M/s. R. M. Engg. Works, Khokhra Mehmedabad, Ahmedabad.	M/s. Hitachi Metal Industries Ltd., Japan.	Malleable pipe fittings
59.	M/s. Maneklal & Sons, 115/116 Narayan Dhura Street, Barbhai Mohalla, Mandvi, Bombay-3.	M/s. Yogadawa Press Mfg. Co., Ltd., Osaka, Japan.	Sheet metal working machinery.
60.	M/s. Repetition Parts (P) Ltd., Opp. Naval Dockyard Colony, Agra Road, Bhandup, Bombay-78	M/s. Takao Seiki Co. Ltd., Okaya, Japan.	Milling machines etc.

FOREIGN COLLABORATIONS—Contd.

(Approved During April-June 1963)

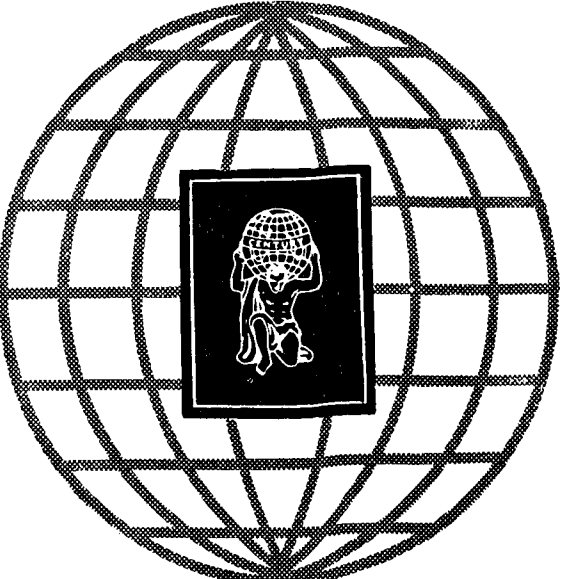
S.No.	Name & address of Indian firm	Name of the foreign firm	Item of manufacture
61.	M/s. Wireless Manufacturers (India), Anand Nagar, Forgett Street, Bombay-26.	M/s. Ashida Sound Co. Ltd., 217 3-Crome, Higashi, Osaka, Shinagawa-KU, Japan.	Loudspeakers.
62.	M/s. A.T. Gooyee Metal Works Pvt. Ltd., 11-A Umakant Sen Lane, Calcutta-30.	M/s. Jacques Galland, SIEGE SOCIAL et USINE, 20 rue de l' Insurrection Parisienne, Choisy-le-ROI (Seine), France.	Aluminium Bronze and aluminium alloy castings, fittings etc.
63.	M/s. V. Pamlays Private Ltd., Sunder Baugh Estate, Agra Road, Kurla, Bombay-70.	M/s. Material Perrier, 25 Rue Des Noulinear Saint — Elienne, France.	Centrifugal separating and filtration equipment.
64.	M/s. Rallis India Private Ltd., Ralli House, 21, Ravelin Street, Fort, Bombay.	M/s. Compagnie Centrale Rousselot, France.	Gelatine, Ossein and Di-calcium Phosphate.
65.	M/s. Asian Traders Private Ltd., Kamani Chambers, Nicol Road, Ballard Estate, Fort, Bombay-1.	M/s. Wolff & Company, P.O. Box No. 64, Bienne, Switzerland.	Jewel Bearings.
66.	M/s. Glaxo Laboratories (India) Private Ltd., Dr. Annie Besant Road, Worli, Bombay-18.	M/s. Scherico Limited, Kapellplatz 10, Lucerne, Switzerland.	Prednisone and Prednisolone.
67.	M/s. K. T. Steel Industries (Private) Ltd., Broach Street, Opposite Victoria Docks, Bombay-9.	M/s. Continental Light & Epparat:bau Aktien Gasellchaft, Dubendoff (Zurich), Switzerland.	Oxy-Acetylene cutting and welding equipment
68.	M/s. Philips India Ltd., 7-Justice Chandra Madhab Road, Calcutta-20.	M/s. Philips of Holland.	Tungsten wire and molybdenum coils.
69.	M/s. Air Control & Chemical Engineering Company Limited, Bank of India Building, Bhadra, Ahmedabad-1.	M/s. Aktieselskabet Thomas Ths. Sabroe & Company, Aarhus, Denmark.	Compressors & other refrigeration equipment.
70.	Shri Pratap Singh, 33 Chittaranjan Avenue, Calcutta-12.	M/s. Cederroths Tekniska Fabrik, Stockholm, Sweden.	Industrial tapes and Adhesive Surgical Dressings.
71.	M/s. T.K. Malleables Private Ltd., New Empire Cinema Building, Bastion Road, Fort, Bombay-1.	M/s. Centrazap of Poland	Malleable iron castings.
72.	M/s. Bhogilal Loherchand (Private) Ltd., Forbes Street, Fort, Bombay-1.	M/s. Strejimport of Czechoslovakia.	Radial drilling machines.
73.	M/s. The United Provinces Sugar Co., Ltd., India Exchange, Calcutta.	M/s. UNOCO Ltd., 409 Pakshing House, Hong Kong.	Chipboard.
74.	Shri V. S. Bhatia, 69 Marine Drive, Bombay-1.	Shri Chatrabhuj Murarji, P.O. Box No. 214, Zanzibar (B.E.A.)	Plastic laminates.

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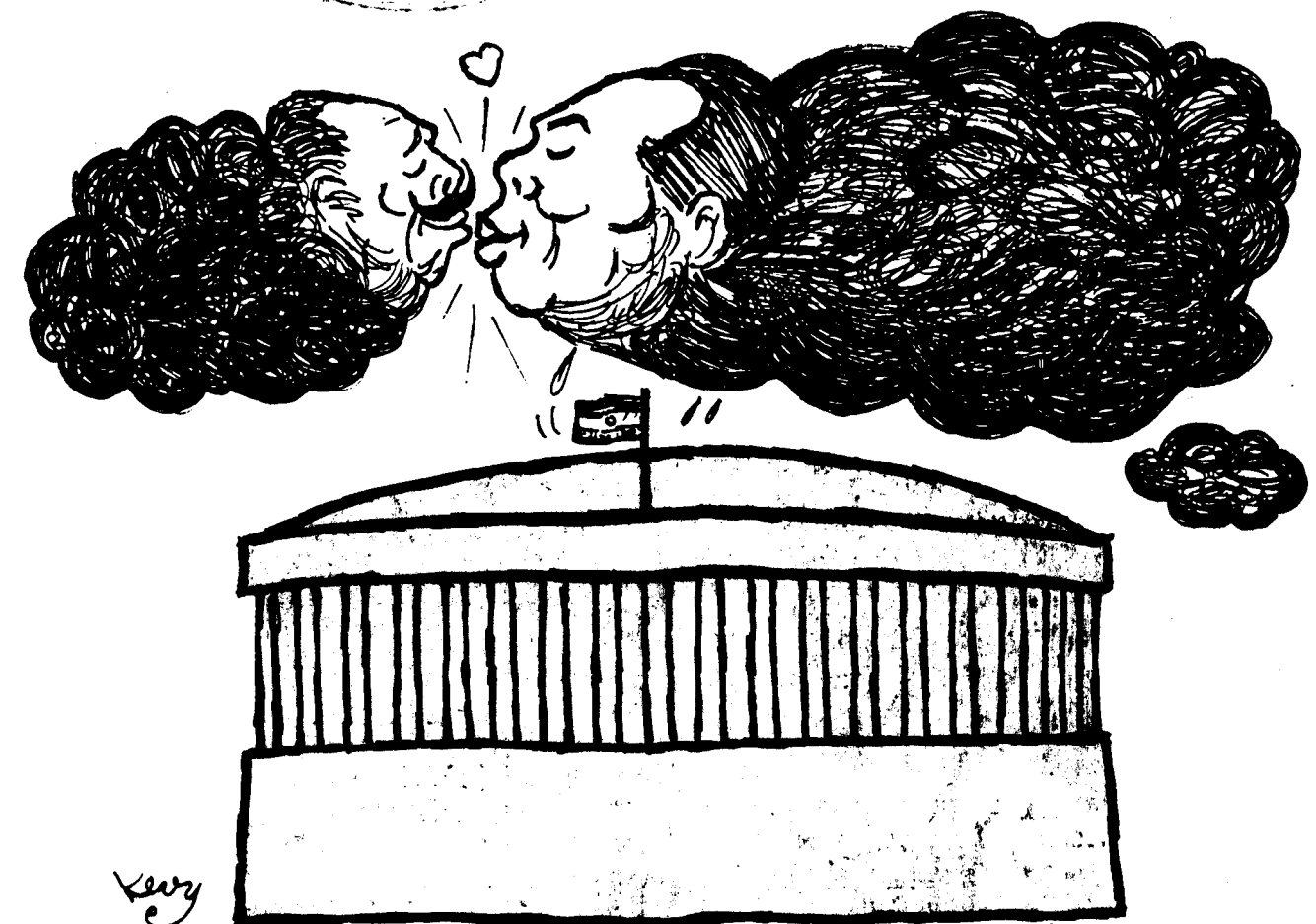
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Ordeal by Slander

UNNOTICED IN the rest of the country, unappreciated by the rest of the nation, the business community in Calcutta has been going through the traumatic experience of an ordeal by slander. Over the past weeks some business houses in that city have been subjected to search and seizure of documents by the Customs authorities and/or by the Foreign Exchange (Regulation) Act Enforcement Directorate of the Central Ministry of Finance. Among the firms which have attracted these raids is a business house of outstanding status in the industry and foreign trade of this country, which is about to celebrate its centenary and an export house doing possibly the largest individual share of the nation's foreign business in jute goods.

Perhaps the most surprising part of these raids is that no formal or official declaration has ever been available of either the provocations for or the purposes of these extraordinary activities on the part of the Government agencies concerned. There has, however, been a spate of speculation in which the less responsible section of the Press has naturally been participating with undisguised glee. The raids have let loose a flood of gossip, insinuation and innuendoes according to which the raids are alleged to have been carried out in the process of investigating violations of customs or foreign exchange regulations by the firms concerned.

It has been alleged that these business houses have been guilty of what is described as "under-invoicing of exports" with a view to by-passing Government regulations concerning the holding and use of foreign exchange earnings. Against such a smear campaign the firms concerned have been left without any effective means of defence or protection since the way in which the raids have been or are being carried out has placed the victims in a most equivocal and embarrassing position. The searches have been conducted without any formal statement of the grounds the authorities may have for such action. Documents dating back to several years have been seized wholesale and removed from the premises without any explanation being forthcoming regarding the objectives or purposes of such seizure. Worse still, weeks have gone by in some cases without the affected firm being enlightened in any manner about the results of the search or seizure. The consequence of such an extraordinary investigatory process is that the business houses affected have been placed, at least for the time being, under a cloud of adverse public speculation which is likely to do permanent harm to their reputation and which they have no means of attempting to dispel so long as the authorities decline to offer any kind of explanation or justification for the raids.

It is not implied here that, where there are sound grounds for investigating allegations of violation of the law or for taking such other legal proceedings as may be necessary against defaulters or offenders, the Government should refrain from adopting the measures that may be indicated. It is not also argued here that just because some business houses are rich and resourceful and of long standing they may claim to be treated with special leniency where violations of the law of the land are concerned. It may be conceded again that, in view of the great strain on the economy of the country, particularly in the foreign exchange field, any attempt to violate the foreign trade and exchange control regulations should be proceeded against with the utmost strictness and severity, irrespective of the standing of the persons suspected of the violation. But, at the same time, there can be no question that the way the investigations are conducted should

not merely conform to the legal technicalities but should also be substantially just and fair.

It may be that the relevant laws permit the Customs or the Exchange Control authorities to search for and seize documents without a proper warrant or without having to make a formal charge or complaint. But surely such drastic powers must be used with the greatest circumspection and restraint. In the raids with which we are now concerned, it appears to be the case that the authorities have been acting largely on vague allegations made by informers who are perhaps being paid for their services. It is also apparent from the fact that there have been indiscriminate and sweeping seizures of documents and papers and that days and weeks have passed after the raids without any formal case being filed in the courts, that the raids have been or are being carried out not so much as to get possession of incriminating evidence in support of specific charges as for the purpose of a general hunt for material on the off chance that such material may perhaps contain proof of infringement of government regulations. It seems to us that this is a very objectionable way of enforcing laws in a civilized community. Such practices surely smack of organised persecution of private citizens by government agencies which would be more in keeping with the character of a police State than with that of a fair and orderly Administration.

Apart from the general principle that no democratic community can permit such goings on without damaging its character and purposes, there is, in these particular cases, also this added consideration that the grave damage that is being done to the reputation of leading business houses must inevitably hurt the export trade of this country and particularly the proud position which Calcutta occupies in international commerce. We doubt that the Government generally and the Ministries of Finance, Industry and International Trade specially, have properly assessed the possible repercussions on this country's economic interests, of the

The Plan is Dead Long Live the Planning Commission

IN TERMS of performance and purposes the third Plan has now clearly ceased to be an operative proposition. In the Planning Commission and the Ministries of the Central Government this fact is now being largely accepted. At the same time, a attempt is being made to draw a red herring across the trail. The nation is now being told that the failure of the Plan has been essentially in the field of agriculture. While the virtual stagnation of agricultural production points no doubt to one of the principal areas of default, it is not possible for the Government or those who claim to speak on its behalf to pretend that failure elsewhere has been less grievous.

Actually all the current breast-beating about the

present state of affairs where certain subordinate agencies of the Central Government have apparently been allowed to run wild in the business world of Calcutta, thanks to the exuberant, but ill-disciplined, enthusiasm of a handful of witch-hunting officials. As we have made clear earlier, we are not in any way opposed to suspected infringement of the law being investigated properly, however high or important may be the parties involved; at the same time we would assert once again our firm conviction that the way in which raids have been carried out against some business houses in Calcutta is inconsistent with justice and fair-play for the reasons we have explained here and is also likely to do grave damage to this country's fair name and reputation in world commerce.

The Central Government has erred sadly in letting this sorry state of affairs continue for as long as it has done already. It is imperative that the Government should immediately clear up this mess by, in the first place, suspending such indiscriminate and high-handed searches and seizures on a sweeping, hit-or-miss basis and secondly, either filing promptly cases in the law courts where grounds have been found to exist for legal action or where no such grounds have been discovered, immediately restoring the seized documents to their owners with a suitable public apology for the unwarranted official persecution. It is no doubt highly regrettable that the raids have been exploited by a section of the Press to sling mud at the names and reputations of many business houses, but the Government will no doubt agree that its own responsibility for making possible such a smear campaign is heavy and inescapable. It is therefore only proper that the Government should undo as much as possible of the mischief that has been done. The ordeal by slander to which some leading business houses have and are being subjected to is also an ordeal for the Government of India since its reputation for fair and proper conduct is equally involved.

Long Live the Planning Commission

lack of agricultural progress seems to be intended to divert public attention away from the even more disagreeable fact that the Plan has also substantially failed in the industrial sphere. The lapses in the agricultural field could at least in part be blamed on natural forces and the difficulties of solving the complex problems of organisation and administration presented in the sphere of State governments. In industry there is less scope for explanations or excuses. The Government itself began by admitting that the targets of the third Plan were modest in relation both to current needs and future requirements. Again, when the emergency arose, one official spokesman after another came forward to declare that the Chinese aggression had made it all the more necessary to step up and speed up the

industrial effort and to undertake to ensure that this is done. Those bold declarations and promises have not been kept, for we see all around us a definite slack in the industrial effort. Not only is no adequate new effort being made to mobilise resources for the purposes of the emergency but it is being accepted in a spirit of resignation that even the initial targets of the third Plan in respect of important industries must now be written off as being in the nature of too high ambitions for the year 1965-66

Among the important industries where development programmes have sadly failed to keep to schedules are cement, coal and coal washeries, finished steel, petroleum products, fertilizers and machine tools. It is quite clear that the long delay which must ensue in the development of these important industries will inevitably weaken and prolong the processes of the long-term expansion of the industry and general economy of the nation. Not less adverse is the development that in the areas of consumer goods industries the rates of growth of production and capacity have been kept depressed to such an extent that not only have the chances of improving the living conditions and consumption standards of our people been rendered negligible but the risks of inflation and deepening unemployment and social distress have been considerably enhanced. Industries which may be mentioned in this connection are sugar, vegetable oil products, cotton textiles, paper and paper board, sewing machines, electric lamps, electric fans, automobiles, bicycles and radio receivers. A curious aspect of this development in the consumer goods field is that, simultaneously with the slackening of the growth of production, there has also been a slackening of effective demand for a wide range of industrial products which are relevant to and useful for improving standards of living of the people above the level of subsistence.

We do not deny that this must be a disagreeable economic landscape for the Planning Commission to be called upon to contemplate at this stage in its history. But we must insist on facts, however disagreeable, being faced squarely, for that is an obligation which the Government owes to the people from whom it has been exacting year after year increasingly heavy sacrifices for the cause of economic development. Even more clearly we must insist on the truth being recognised that if there has been so much disappointment in the industrial sphere, it has been largely because of a long series of errors of commission and omission for which the Planning Commission cannot escape responsibility. It is clear that, if industrial development has lagged behind our essential needs, it is not because there have been compelling physical limitations, but because the human agencies functioning in the sphere of government have failed to do their jobs properly.

Here again, the blame, let us repeat, must rest

squarely on the Planning Commission. There are two vital areas of government policy, relevant to industrial expansion, where the Planning Commission has grievously failed to do its duty as a friend, philosopher and guide. The first is the area of fiscal policy. This journal stoutly opposed the last Central budget because it could so readily see that the fiscal policies incorporated in that budget were bound to pull down the tempo of industrial growth. In the months that have since passed there have been accumulating indications that our worst fears will be realised. The market for new capital issues is now virtually dead and this, on any reckoning, is a most damaging development for a country which is supposedly engaged in a vast industrialization effort. The Finance Minister, or at least the Finance Ministry, is reportedly inclined to blame this slump on what is being described as an unwarranted agitation over the super profits tax. We cannot possibly agree with the view that any agitation over the super profits tax can be described as unwarranted but we are prepared to concede that the super profits tax may not be the sole criminal. The virtual killing of the capital market, in effect, is not a mere crime but is a conspiracy. It is the consequence of a whole series of fiscal acts perpetrated over the last few years in utter disregard of their cumulative effect on investment attitudes and investment resources. The grossing of dividends, the stepping up of the rate of corporate taxation, the withdrawal of the exemption from wealth tax in case of investment in the shares of new companies, the various attempts to whittle down concessions in the form of tax holidays and development rebates and finally the super profits tax have all combined to destroy stage by stage many of the conditions and circumstances which go to make up a reason-

Eastern Economist 20 Years Ago AUGUST 6, 1943

A number of important statements were made by the Finance Member in the Assembly this week. It was revealed by him that up to 24th July, 726 applications had been received by the Examiner of Capital Issues. Out of 271 applications sanctioned up to that date, 18 represented conversions involving no money and 112 related to industrial concerns. Out of the 271 consents given, 132 related to new companies. The Finance Member said that the duties of the Examiner of Capital Issues are to see that all necessary information has been supplied, to obtain the advice of the appropriate authorities and thereafter to get the orders of the Government of India. In the case of financial concerns such as banks, insurance companies, finance and investment companies, a reference is made to the Reserve Bank of India. According to another statement made by the Finance Member, the response received from EPT assesses has not been satisfactory, the amount deposited up to May 31 being about Rs. 2 crores only which is a little more than half of the amount that could have been deposited.

able climate for the flow of risk-taking, capital into the continuing and expanding industrialization of the nation.

Now the question arises what steps the Planning Commission took at all at any stage in the recent fiscal history of this country to assess the impact of these trends in fiscal policy on the course or prospects of industrial development. The Planning Commission wants to be taken as a brains trust or a high command in the field of economic planning. But in practice it has bulged out, if not petered out, into a vast and meaningless bureaucracy engaged in frustrating, if not frivolous, activities largely irrelevant to its pretensions. That is why it has been unable to discharge its primary and proper functions of exercising vigilance over and imparting broad directions to the basic economic policies of the Government bearing on the implementation of the Plans so proudly put down on paper.

Another area of Plan implementation where the Planning Commission has not only failed to exercise proper discipline but has itself positively contributed to the messing up of the implementation of the Plan is the functioning of the administrative machinery for processing development projects. We are told that everybody, from the Prime Minister down, is worried over the slowing down of industrial growth. If this is true, why then is nothing being done to rationalise and speed up departmental procedures which keep constantly coming in the way of the starting of new industrial projects? Among the lessons which the emergency should have taught the Government surely must be an awareness that a policy of business as usual would not do. But if the Government has learnt any lesson at all, it is only in the sense that the conduct of government business now is actually worse than usual.

It is the experience of numerous industrialists and entrepreneurs all over the country that the processing agencies of the Government have actually slowed down in the work of considering and passing the new industrial projects. One of the most serious causes of delay is the stubborn practice in the Government departments of interminable inter-ministerial consultations and endlessly detailed discussions at intermediate and even junior official levels. It is now a common experience that it takes anything up to four months for a letter of intent or an industrial licence to be obtained, for even relatively simple projects and something like nine months or even more for the subsequent approval of a foreign collaboration agreement. It also seems to be the case that much of the delay is because the cross-movement or idling of files at relatively junior official levels is encouraged by the helplessness of the officers of senior ranks in the matter of assuming responsibility and by the absence of a sense of urgency at ministerial levels. The common attitude in the concerned departments or the Ministries of the Government seems to be

that the heavens will not fall if a project, which could be processed in, say, four months, is in fact passed after 24 months. We have no doubt that the Planning Commission owes it to the people to have given some serious thought to this problem before it has assumed such enormous proportions. Even now it is not too late for the Planning Commission, if it desires to retain any semblance of justification for its continued existence, to address itself seriously to the question of administrative delays in the processing of industrial projects and bring about some sensible changes in the relevant policies of the Government.

For instance, where an entrepreneur is in a position to secure the foreign financial collaboration needed to finance the foreign exchange needs of his project, it should be possible for the Government to cut down processing formalities to a few simple essentials of broad regulation. The position at present is quite different. Not only are the Government agencies concerned most reluctant, at the initial stages, to give any reasonably accurate indication of the nature of conditions that might be imposed with regard to the terms of foreign collaboration but they are apt, at a later stage, when the collaboration agreements have been negotiated, to insist on going too minutely into details and demanding modifications which are not always easy to obtain from the foreign collaborators at that advanced stage. The result is that, apart from the implementation of industrial projects being generally delayed and frequently frustrated, industrialists are often placed in an embarrassing situation in negotiating with foreign collaborators. This state of affairs obviously cannot be conducive to a greater flow of foreign capital into this country, nor can it help promote goodwill and understanding between our Government and businessmen on the one hand and foreign industrialists on the other.

We wonder whether the Government and the Planning Commission can really be blind to the enormous harm done by obstructive and dilatory administrative procedures which are currently holding up the industrial expansion which this country and its people so urgently need. We are sure that no good or useful purpose is being served by the kind of ubiquitous policing of new industrial projects which officialdom at all levels is currently exercising. We are confident that it is possible and that it would be highly beneficial if business men are required to adhere only to a simple and standard formula relating to the broad terms of foreign collaboration and are otherwise left free to process their projects as speedily as they can by being required to deal with as few Government departments as possible, especially where the foreign exchange required for the project is to be obtained by the Indian entrepreneur himself. It is surely the duty of the Government to ensure that as little of his time as possible is taken up in dealing with Government departments and Ministries. There is no doubt at all that this is a matter where, as in other areas of sound and sensible imple-

mentation, the Planning Commission has completely failed so far to discharge its primary obligations. This kind of failure is bound to make more and more people question the point of the continued existence of the Planning Commission in its present form and ways. It may be that the Planning Commission itself is convinced

Industrial Wages

THE HUNGER for statistics seems to be insatiable in this country since, for any policy decisions, the commissions and committees invariably demand full facts which usually are not readily available. This applies in particular to industrial wages for which the available data have not only been incomplete, but "ill-suited to serve the new wage problems." The Labour Bureau of the Ministry of Labour and Employment conducted a sample survey in 1958-59 covering 44 major industries in the manufacturing, mining and plantation sectors. The results of the survey—the first of its kind setting out occupational wage rates on a comparable basis—have now been released in the form of a general report entitled "Occupational Wage Survey", which is proposed to be followed by detailed industry-wise studies. As a fact-finding survey, it has no doubt been a success though its findings will have to be supplemented by other vital information to provide guidance for the new wage policy.

Broadly the industries which were covered approximated to 76 per cent of the employment in factories, nearly the whole employment in plantations and about 85 per cent of employment in mines. The survey was based on a representative sample; the total number of units selected for the purpose was 2,953 though for purposes of analysis only 2,949 units were studied. The largest number of units sampled were the factories; their precise strength was 2,253. The mines and the plantations had 350 samples each.

The general analysis provides data regarding the composition of the working force, the various systems of wage payments, the wage rates and dearness allowance, pay-roll earnings, levels of average daily earnings and wage rates of workers in comparable occupations. Studies were also made for over-time working and earnings and the incentive bonus schemes.

The distribution of the working force indicated that women workers constituted 13.5 per cent of the factory labour, more than 50 per cent in plantations and about 17 per cent in mining industries. In plantations, 4.9 per cent of the workers were children; in other industries, child labour being forbidden by law, the percentage of children was insignificant. The strength of women workers is likely to shrink in view of the "growing tendency among the wage-fixing authorities to fix equal wages for men and women". Currently, women workers draw lower wage rates than men but statutory obligations to pay women workers wages equal to those paid to men will force the hands of employers to reduce

that it is entitled to go on, but the number of people whom it may find to be in agreement with itself is bound to decrease steadily if it does not make a serious attempt soon enough to spare some thought from its preoccupation with keeping itself alive to the task of keeping the Plan alive.

the percentage of women workers as they will find it less economical to employ women.

One of the merits of the study is that a detailed analysis has been made of the various occupations in industry. It is revealed, for example, that in certain industries the number of occupations is extremely large, while in others, the number is very small. In cotton textile mills, for example, the number of occupations is as high as 250, whereas in plantations there are no more than 10 different occupations. An attempt was made to simplify the classification of these occupations and it was discovered that nearly 25 occupations in each industry covered the major part of the working force. In all cases, the wage rates were obtained on a comparative basis for these 25 occupations.

The heart of the survey lies in the analysis of wages and dearness allowance in the various industries. Because of diverse practices in the different regions and industries, the term "wage rate" was defined as including the basic wage and the dearness allowance and figures were collected both in relation to the maximum and the minimum wage rates. The results of the findings are set out in a table published on page 286 of the current issue in the section "Records and Statistics". A cursory glance at this table shows wide dispersion in wage rates amongst various industries and amongst different industrial centres in the same industry. In the case of the cotton textiles industry, for example, the difference between the average (minimum) wage rate per day per worker in Bombay and Bangalore was nearly four times; whereas the minimum wage in Bangalore was Rs. 1.37 per day, the corresponding figure for Bombay was Rs. 5.01. The lowest wage was recorded in the cashewnut factories in Kerala where the average (minimum) daily wage was 62 nP. The dispersion in the average (minimum) wage rates was, thus, more than eight times, the highest paid being the cotton textile worker in Bombay and the lowest, the cashewnut worker in Kerala. Among cashewnut workers, the lowest-paid workers were the peelers and the shellers, a majority of whom were women. The lowest average (minimum) wage recorded was at 42 nP. per day for peelers in Kerala.

At the other extreme were noticed the "blowers" in the metal extracting and refining industry whose average (maximum) wage per day was as high as Rs. 37.46. There were no less than 24 of them. In other words, the difference between the maximum and the

minimum wage rates in industry was 89 times.

There were various rates of payment in between these two extreme levels. At the lower end of the scale was the match industry which, along with the cashew-nut factories, commanded the average (minimum) wage rate of less than one rupee per day. The bidi factories, tobacco curing works, tea, coffee and rubber plantations and mining industries excluding coal paid the minimum average wage rates between Re. 1 and Rs. 2 per day. The industries whose average (minimum) wage rates lay between Rs. 2 and Rs. 3 per day were the jute and woollen textile industries, some of the engineering industries, cement, paper, sugar etc. Cotton and silk textiles, railway workshops, aircraft building and repairing and soap factories paid between Rs. 3.01 and Rs. 4 per day as the average (minimum) wage rate; those paying more than Rs. 4 per day were metal extracting and refining industry, ship-building and repairing, petroleum refineries, cigarette factories etc.

A comparison of the wage rates in the case of various occupations in similar industries shows the degree of disparities which exist in the different parts of the country. The minimum wage rate for a carpenter working in a silk textile mill in Jammu and Kashmir at Rs. 2.45 per day is less than half of the earnings of his counterpart in Bombay employed in a cotton textile mill and earning Rs. 5.55 per day. Similar comparisons have been made in the case of jobbers, weavers, twisters, winders, reelers, warpers, etc., in the case of the textile mills; in the case of the engineering industries, wage rates of mistries, electricians, carpenters, blacksmiths, masons, moulders, etc., have also been compared.

What were the basic reasons for these vast differences in wage rates among the various industries? The survey has not attempted any answer to this question; it has given the opinion that "the differentials in wage rates between industries or broad sectors of industries like factories, mines and plantations arise from many diverse economic and other factors. A proper study of these factors is necessary before drawing any conclusions from these differentials". In other words, unless the statistical information thrown up by this survey is supplemented by additional details to explain the various "factors and forces involved in the evolution of the occupational wage structure," no definite guiding posts for the wage policy will emerge. The wage-fixing authorities, however, will find of considerable use the data regarding the wage rates and wage-differentials "according to specific jobs and occupational nomenclature". In general, it may be stated that the level of wage rates tended to be low in all industries "akin to agriculture"; to this category belonged cashewnut factories, tobacco curing, plantations etc. The industries fetching higher wage rates were those of metal extracting and refining, ship-building and re-

pairing, petroleum refineries, cigarette factories etc., both because of the degree of skill needed in the manufacturing processes and the relatively higher hazard to life.

The Bonus Commission, which is currently studying the problems associated with the various wage incentive systems in the country, will find the analysis of bonus schemes in this survey quite revealing. A very small proportion of industrial units have incentive bonus schemes in operation. This may be deemed rather discouraging in view of the fact that the ostensible aim of all such schemes is to encourage workers to raise their productivity. Since only 4.7 per cent of the units in industry have incentive bonus schemes, it means that the practice of linking up incentives and productivity in industry will perhaps take a long time to fructify. Only in the plantations the units having incentive bonus schemes is high, that is, at 31.1 per cent. Even mines have a better record than the factory establishments with 6.4 per cent of them having incentive bonus schemes in operation. In certain areas, the very idea of bonus is non-existent. In the cotton textile sub-group, in Howrah and Calcutta, Bangalore, Bombay and Bombay Suburban, Sholapur,

EASTERN ECONOMIST

Twentieth Anniversary Number

In this special issue of June 7, 1963 Eastern Economist takes pleasure in presenting its readers with a rich fare of articles on various aspects of the Indian economy and a special section devoted to the study of industrial development in the various States. Contributors include the U.S.S.R. Ambassador in India, Mr. K. D. Malaviya, Dr. P. S. Lokanathan, Mr. K. Santhanam and Mr. Tarlok Singh.

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Indore, Kanpur, Jaipur and Ajmer, the bonus scheme was not at all in operation, presumably because of the linking of the dearness allowance with the cost of living index. The rising prices have invariably brought increased money earnings to the workers in these industrial towns and there has been no move to initiate any bonus scheme.

A decision has been taken to repeat this survey

LIC: Progress and Problems

ADDRESSING THE fourth All-India Divisional Managers' Conference recently, Mr. B. K. Kaul, Chairman of the Life Insurance Corporation claimed that the LIC "has been well launched on its way to meet the objective laid before it". Now, the objective laid before it at the time of nationalisation was primarily to accelerate the tempo of savings through the medium of life insurance and canalise the savings so collected to aid economic growth, keeping, at the same time, the interests of the policy-holders in view. This presupposes two specific roles for the LIC, one, as an organisation to stimulate individual savings and, two, as an institutional investor to further the social advancement of the country. That the Corporation has been able to perform the first task (although the question will continue to be asked whether the rate of growth of life insurance might not have been greater, had life insurance not been nationalised) well enough is clear from the increase of almost Rs. 100 crores in new business done during the year 1962-63 (15-month period) over a similar period of 1961-62. The increase in business by about three times since nationalisation cannot but be considered as satisfactory, although the Rs. 1,000-crore target fixed at the time of nationalisation may still be far off. The LIC Chairman, however, hopes to reach this figure also soon and the LIC may well do so, because, even Mr. Kaul's announcement of a new business of Rs. 745 crores in 1962-63 was prefaced by the restrained remark that it was not being made with a feeling of complacency or satisfaction that the LIC "had achieved its objective", but rather as "an earnest of the Corporation's desire to further improve its working standards" in spite of all the odds that the Corporation has to face. Mr. Kaul, perhaps, was unduly modest when he said that the target itself "was not fixed in any scientific manner with relation to population or economic trends". Quite possibly, however, he might have meant merely that the target was by no means a biblical injunction and that it could be achieved in six or seven years and not necessarily in five years.

There will be general agreement with Mr. Kaul that the stability and stature which the LIC has been able to acquire is mainly due to the integrity, vision, and skill of its executive officers, what with their technical knowledge and wide experience of controlling the affairs of the successful erstwhile Indian insurers. Again, if the

after some time. A note of caution needs to be struck at this stage in that the basic definitions adopted in this particular survey should not be altered in the re-survey so that the findings of the two surveys should be comparable. A mistake in this regard was made in the case of the Agriculture Labour Enquiry where the alteration — in the case of the repeat survey — in the definition of agricultural labour family took away much of the value of the re-survey.

LIC has emerged as "a live-wire national institution with an individuality and personality of its own", as Mr. Kaul claimed, it is mainly because of the happy blending (as he himself said) of the best features of both the public and the private sectors—"a judicious process of cross-breeding" or mixed economy in action. The LIC is not merely an amalgam of all that is best in insurance tradition in the shape of actuarial theory and practical knowledge in the successful running of life insurance institutions thus, but it also embodies the marrying of this laudable amalgam with the enlightened theory of the Welfare State, according to its Chief.

The second role of nationalised life insurance becomes important by reason of its having developed into the country's largest single institutional investor. Although the Insurance Act of 1938 provides the framework and the Union Finance Minister's statement in Parliament of August 25, 1958 enunciates the Corporation's investment policy, and even the guide lines have been provided by the Government, fresh problems are bound to arise in a dynamic economy such as ours. The recent controversy over the sales of certain shares held by the LIC which have reportedly had certain repercussions on the composition of the management of the company concerned is a case in point. While nobody need question the right or *bona fides* of the LIC's sales of the shares as such, the instability in company managements that might result, even if unwittingly, by such sales is a new development that has occasioned some concern at least to a section of the shareholders. Notwithstanding its initial fears about the extent of shareholdings of the LIC in a public limited company (fears that it might pave the way to eventual nationalisation by the backdoor), this section has since come to look upon the LIC holdings as a sort of fortuitous, if not God-sent, protection to them. Inasmuch as the LIC has a stake, they reckon, it will, by its vigilance, serve as a watchdog to safeguard the interests of other shareholders also indirectly. This fond belief has received a rude shock, whether justifiably or not, by the recent deal in question, and, if only for this reason, it seems necessary that the LIC, which speaks in terms of national welfare and is, therefore, quite unlike an ordinary investor or speculator in shares, should give some thought to the implications of such sales, not all of which may be desirable.

Highlights of the Week

JUTE COMMITTEE'S REPORT

THE SRIVASTAVA Committee on Jute has made a number of far-reaching recommendations for putting the jute industry on a sounder footing, so as to enable it to derive the fullest possible advantage out of the increased world demand for jute goods. The recommendations cover all aspects of the industry.

So far as raw material supplies are concerned, the Committee favours only limited imports of superior quality fibre, provided they do not hamper indigenous production and are available at reasonable prices. Stepping up of the indigenous production, it recommends, should be sought not through diversion of area from foodgrains to raw jute cultivation but through increasing unit-area yields. Area under jute and mesta cultivation, the Committee suggests, should be stabilised around 2 million and 0.8 million acres, respectively. To facilitate an effective implementation of the jute development programmes, setting up a high-powered Jute Development Board under the control of the Union Ministry of Food and Agriculture has been recommended.

Referring to the instability of jute prices, which has affected the competitive position of Indian jute manufactures in foreign markets, the Committee says that the Government should have full operational control over any agency that might be entrusted with buffer stock operations and the price support arrangements. The proposed Jute Development Board, it adds, can play a useful role in this regard. It should also be entrusted with the functions of jute marketing, stabilisation of jute prices and jute transport. The Committee further recommends that in order to make the price support scheme for jute effective, "derivative" prices corresponding to the "floor" prices in Calcutta should be fixed in all secondary markets and supported by buffer stock operations. High priority has also been urged to be given by the State Governments to the establishment of a series of regulated markets in the jute growing areas so that no jute grower has to take his jute more than five miles to reach such a market.

In regard to the expansion programme of the jute industry, the Committee suggests that the first priority should be given to the existing uneconomic units. The next priority should go to units which, though economic, can have additional economies by expansion. The licensing for new units should only be on the basis of regional needs, provided raw materials and other facilities are available there. The Committee does not favour the continuation of the Working Time Agreement of the Indian Jute Mills Association, because of certain disadvantages inherent in it and owing to the self-sufficiency having been achieved in raw jute supplies.

The Committee underlines the necessity to bring down production costs in the jute industry. For achieving this end, it suggests that whenever additional production of jute goods becomes necessary, it should be achieved by working more looms on double shift, and that the Government should offer all assistance to enable the industry to replace worn-out and obsolete carding equipment by high-speed winding machines and pre-beamers which improve both quality and output. Grant of loans for modernisation has also been called for. The foreign exchange requirements of the jute industry, the Committee suggests, should be given priority and within the industry itself, higher priorities should be accorded to machinery manufacturers' requirements of capital goods and components.

In the field of exports, the Committee wants further efforts to be made to study and develop markets abroad in a

systematic manner and on a long-term basis. Special attention, it is suggested, needs to be paid to exports to the USSR and East European countries. Consultations are recommended between the Government of India and the East European countries for determining the extent to which India's production of jute goods can be co-ordinated with the five or seven-year Plans of these countries. For expanding trade with the West European countries, the Committee recommends detailed studies of the quantitative restrictions placed in these countries on India's exports so that effective steps could be taken to negotiate increased intake by them. The negotiations with the E. C. M. countries, the Committee suggests, should aim at securing nil or a very low tariff on jute goods, especially sackings, and removal of quota restrictions.

As an incentive to export, the Committee recommends that a scheme may be worked out for import entitlements in respect of essential jute machinery. Further, as a special case, in view of the high export potential of the industry, the import of machinery may be extended even to machinery for priority industries other than jute.

For diversification of production, the Committee suggests creation of a Product Development Cell in the Jute Commissioner's Organisation under the supervision of an experienced jute technologist. In respect of quality control, the recommendations of the ad hoc Committee on Quality Control and Pre-shipment Survey have been endorsed.

A DECADE OF COMMUNITY DEVELOPMENT

MR. S. K. DEY'S address of welcome at last week's Ministerial Conference on Community Development was an exercise in hyperbole at a time when serious and ruthless introspection was necessary to assess the achievements of the Community Development Programme in its first decade. The Minister waxed eloquent and asserted that "today we were at a momentous cross-roads in the growth of this movement. It had reached the adolescent stage, a stage of ferment which needs special guidance for stability." Nor was his inaugural speech three days earlier at the Annual Conference on Community Development and Panchayati Raj less extravagant. It is curious that the Minister who showed so much confidence in the success and key importance of the Community Development Programme also betrayed confusion of thought when he pleaded for a clear mandate about the direction in which this movement should now swing into action. Neither the philosophy nor the mandate for the movement were ever in doubt. Mr. Gulzari Lal Nanda, who spoke on the occasion, made it clear that the mandate was nothing less nor more than to place the central emphasis on the growth of agricultural production and to promote the sound development of the social and economic life of the village community in general.

Both the speeches of Mr. S. K. Dey taken together disclose that he has been swayed by the mere expansion of the Community Development blocks and the Panchayati Raj in their outward size, number of workers and ramification of activities. The Community Development Programme is now a decade old. Mr. Dey rested content with pointing out that the Community Development movement covered 99 per cent of rural India and on October 2 it would bring the entire countryside under its wing. The Panchayati Raj was established in ten States, it would be introduced in two more States in the next few months and it would not be long before the remaining two States are brought under this experiment. The "Sahakari Samaj", or the co-operative sector of the economy, the Minister maintained, would hold "a healthy balance between the private and the public sectors".

It is rather astonishing that Mr. Dey, who frankly ex-

pressed his disillusionment about the progress of Community Development only last year, did not think it necessary to bring home to the Ministers and the Development Commissioners some plain truths about the quality of the work that has been performed. In the final analysis, it is quality that matters and it should be quite clear that the coverage, particularly of the Community Development and Panchayati Raj, has been spread widely, rather too impatiently, without proper regard to the consolidation of the progress already made wherever those movements were introduced in the first phase. The result has been a rapid and unwieldy growth with inadequate attention to the content and quality of work. Perhaps the Prime Minister, who inaugurated the Ministers' Conference, made a proper assessment of the work in the triple field, when he bluntly expressed his view that the Community Development movement was beginning to lose its dynamism and failing to improve the quality of village workers, that the Panchayati Raj was in the danger of degenerating into feudal regimes and that the co-operative movement was overridden by officialdom.

RURAL INDUSTRIES

A TWO-DAY Conference of States' Chief Ministers and Industries Ministers, held in New Delhi last week, discussed ways and means to strengthen the rural industrial sector and to accelerate its growth. Rural industries, the Conference reiterated, should be, by and large, based on local raw materials and the consumption needs of the surrounding areas. The growing realisation in the official quarters of the fact that if rural industries are to prosper, there is a paramount need to reduce their cost of production is welcome. Such measures as the provision of subsidies, sales rebates, curtailment, or even elimination of, competition from the organised industry, etc., may be necessary for the development of rural industries in the initial stages of their growth. But their continued use over any long period is bound to create distortions in the economy and stultify its growth. It is only through steady and persistent increase in their operational

efficiency that the rural industries can be made to stand on their own legs. If despite the advantages they enjoy in regard to overheads and the nearness to their markets and sources of raw materials, the rural industries are not able to compete with the urban ones, it is because of the outmoded techniques they employ. The only way to reduce their cost of production, without cutting into the pitiable low level of wages prevalent in the rural areas, is the application of modern technology and scientific knowledge. The Ministers' Conference did well in according pride of place to this step in the programme for rural industrialisation which it recommended.

There are, of course, some obvious limitations to a rapid application of modern technology and scientific knowledge to village industries arising out of factors like low level of literacy in the countryside and poor economic position of the majority of the people there. Non-availability of electricity at cheap rates in many parts and dearth of qualified technicians to man instructors' jobs are two other main hindrances in the way. In the face of these it will be apparently imprudent to diffuse energies over a vast area. Concentration of efforts in selected areas is called for lest disappointment should follow as has been the case with the Community Development Programme. In this connection the recommendation of the Planning Commission's Working Group on Rural Industries that the industrial policy should make it incumbent upon the major industrial units to develop in the adjacent rural areas small-scale industries to manufacture some of the stores and parts required by them deserves pertinent note. The feasibility of such satellite industries has already been proved by the pioneering work done in this respect by Hindustan Machine Tools. One snag in this scheme, of course, is that all the raw materials required by the rural industries thus established may not be available locally. For their successful and efficient working, it is, therefore, necessary that the Government should undertake the responsibility for ensuring regular and adequate supplies of raw materials to be brought from elsewhere in the country or from abroad.



CLEAR AS "DEYLIGHT"

WINDOW ON THE WORLD

Outlook for U.S. Balance of Payments

By WALTER W. HELLER

Chairman of President Kennedy's Council of Economic Advisers

WASHINGTON:

OVER-ALL, steady progress has been made in reducing the international balance-of-payments deficit of the United States. From an average of \$3,700 million in the 1958-60 period, the U.S. payments deficit has been reduced to \$2,400 million in 1961 and \$2,200 million in 1962.

But excluding special government transactions, progress has been less marked: from a \$3,900 million deficit in 1960 to a \$3,000 million deficit in 1961, and a \$3,600 million deficit in 1962. It stayed at about the same level in the first quarter of this year. And early indications are that second quarter figures also will be disappointing.

However, there are indications that the outlook is better from here on.

Much of the reason for the apparent lack of balance-of-payments improvement so far this year can be traced to the sharp increase in net long-term capital outflow. A moderate increase in 1962 to a \$2,500 million rate has been followed by a remarkable rise this year — to about a \$4,000 million annual rate in the first quarter.

But of more basic significance are recent developments on both the export and import fronts, and these have been encouraging.

In the first quarter of this year, our trade surplus increased, reversing the decline experienced during the second half of 1962. While the first quarter surplus, at a seasonally adjusted annual rate, was a little below the \$4,300 million figure for the year 1962 as a whole, it would have matched or exceeded that rate if adjusted for the adverse effects of the January dockworkers' strike.

Encouraging Prospect

Prospects are good that the trade surplus will stay above last year's figure during the remainder of 1963. Export record has been particularly encouraging since the second quarter of 1962. Our exports are heavily weighted with capital goods, and a Department of Commerce analysis shows that these exports are accordingly sensitive to the rate of increase in industrial production in other industrialised countries. This rate of increase has been declining in the past year. But instead of dropping, our non-agricultural exports have continued to rise.

At the same time, our imports have risen less rapidly than the experience of past expansions of the U.S. economy would have led us to export. During the first quarter of this year, merchandise imports were about 2.8 per cent of the Gross National Product — compared to 2.9 per cent for 1962 as a whole. Since the import ratio normally tends to increase during expansion periods, this is an encouraging sign.

These developments may signify that our relatively stable costs and prices, combined with our export promotion programme, are beginning to pay off.

Another favourable aspect of this year's balance-of-payments picture is the relatively small gold outflow — reflecting both confidence in the dollar and European co-operation in

meeting our balance-of-payments problem. Through the week ending July 24, the total 1963 outflow amounted to \$345 million — compared to \$681 million over the same period last year.

Although 1963's balance-of-payments developments demonstrate again that progress is slow on this front, real advances have been made and we find grounds for cautious but convinced optimism in looking further toward the future.

The Brookings Institution has recently completed an analysis of the outlook for the U.S. balance-of-payments in 1968, undertaken at the request of the Council of Economic Advisers. The conclusion of this study is essentially optimistic; given sustained expansion here and abroad we can look forward during the next five years to attaining basic balance — or even a surplus — in our international accounts.

Moreover, this study supports and supplements the analysis in the Council's 1963 annual report which suggested that domestic expansion would have a favourable impact on our international payments.

Several factors are working toward improvement of our basic balance-of-payments situation, in the areas both of trade and investment.

Impact on Trade

There has been a marked improvement in the competitive position of U.S. exports in world markets. Since 1959, U.S. prices have risen significantly less than those of our major industrial competitors. Moreover, in the United States wage increases have remained in line with productivity increases, so that unit labour costs have not risen.

In the Continental countries, on the other hand, wage rate increases have substantially exceeded productivity gains, and unit labour costs have been moving upward.

It is true, of course, that, to a large extent, our superior price performance in recent years has reflected the high levels of unemployment and unused capacity in our domestic economy. As we move toward the fuller utilization of our available resources, avoidance of price increases will become more difficult.

But our prospects for success in this task are bright in comparison to prospects in the Continental countries of Western Europe. In those countries, the labour supply is growing much less rapidly than here, and upward pressures on prices seem likely to continue for some time to come.

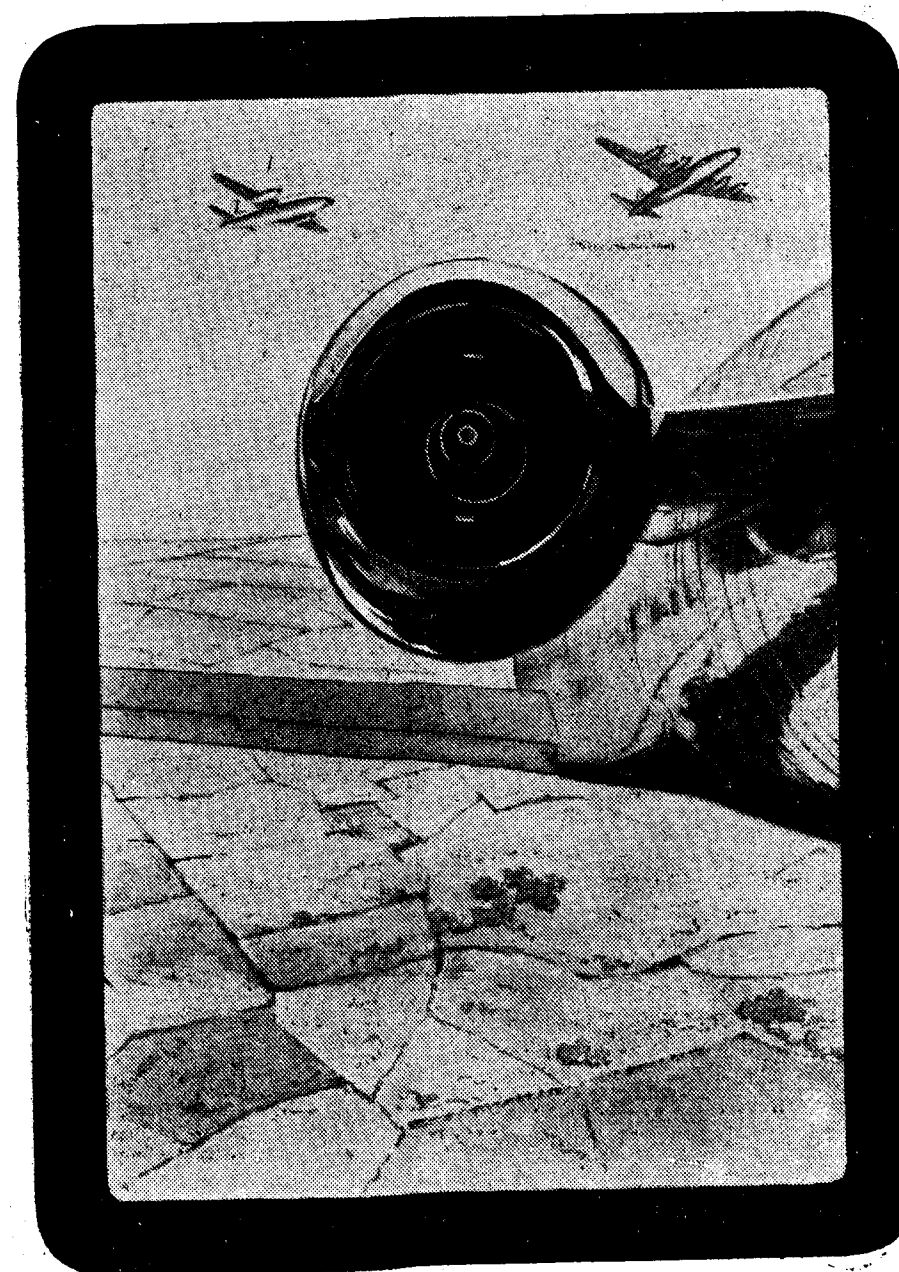
As we move toward full employment, we can still expect significant productivity gains from higher utilization of our resources. Moreover, the added investment stimulated by tax reduction and continued expansion will help to reduce costs and improve quality through modernization of our aging factories and equipment.

Expansion will also stimulate the introduction of technical improvements and innovations, as well as the introduction of new and improved products.

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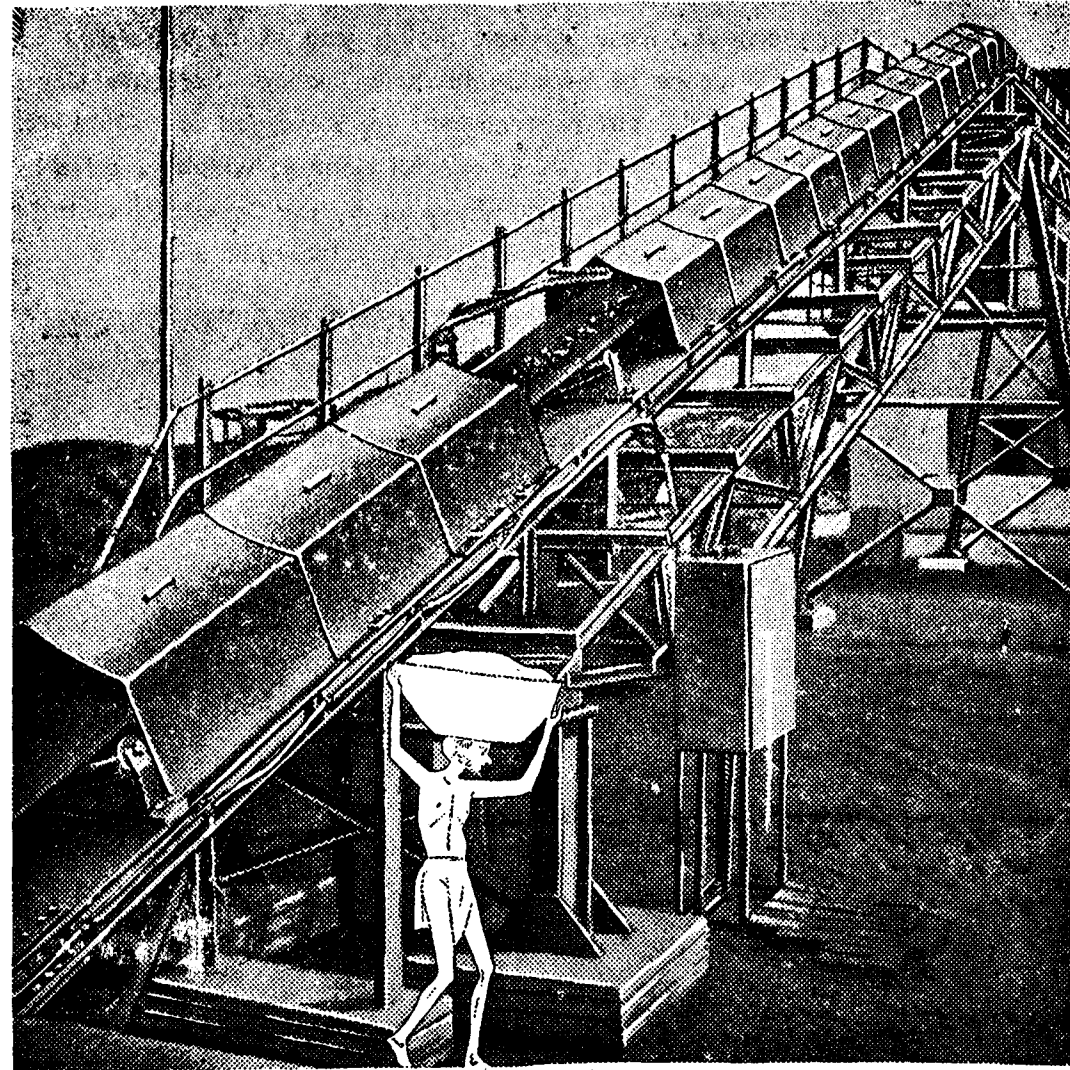
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substantial as new firms are made aware of profit opportunities in the export field.

But while these basic forces at work suggest an improved competitive position for U.S. exports, there are several problem areas.

Sustained European expansion is of critical importance to U.S. export industries. If, through investment difficulties or balance-of-payments pressures, the pace of economic growth in European nations should slacken, U.S. exports would feel the impact sharply.

In addition, the successful conclusion of the GATT trade negotiations now under way is vital. Up to now, the discriminatory impact of the formation of the European Economic Community has been moderated by the rapid growth of the EEC economies. But, looking to the future, the importance of the discrimination may grow, and accordingly our stake in tariff reduction is substantial.

Finally, there is the knotty problem of continued access for our agricultural exports to European markets.

Long Range Outlook

Continued domestic economic expansion will have its most direct effect on our capital account deficit. By increasing profit opportunities at home, relative to those abroad, vigorous economic expansion should reduce the net outflow of U.S. long-term capital. Foreign investors are also likely to respond to improved profit opportunities in the United States.

In addition, it appears that part of the outflow of U.S. long-term capital to Europe in recent years can be attributed to a once-for-all adjustment to the formation of the EEC and the re-establishment of widespread convertibility. The great surge of direct investment by U.S. firms interested in getting under the EEC umbrella may be past.

Moreover, we look to continuing European progress in strengthening and expanding their own capital markets. This will eventually make it possible for European countries to provide for an increasing share of their own capital requirements out of domestic savings, and perhaps even to help in financing the needs of non-European nations, thus reducing the pressure on our capital markets. However, this will be at best a slow process.

Though we believe that the basic economic currents are favourable for the U.S. balance of payments, it will nevertheless take time for the effects to be fully felt. Our optimism about the balance-of-payments in the long run in no sense reduces the urgency of action to meet out short-run problems. To enable us to continue an orderly financing of our deficit, we must make demonstrable progress in reducing it.

At the same time, the experience of recent years has clearly shown that we cannot purchase balance-of-payments

security by a lagging domestic economy. It is in the setting of our dual need — to spur balance-of-payments improvement while encouraging continued domestic economic expansion — that an important series of policy measures was recently announced.

The policy measures recently taken and proposed represent a determined effort to deal with our balance-of-payments problem. But the administration has not taken the blind alley of crisis measures which would sacrifice our world-wide economic and political objectives for balance-of-payments reasons.

To weaken our overseas defences, to slash our aid programme, to increase import restrictions, to negate hard-won progress toward currency convertibility by imposing direct exchange controls — such measures might temporarily reduce our payments deficits, though they would hardly increase world-wide confidence in the dollar and in the United States. The price we would pay for such measures would far exceed their worth.

The development of an improved international monetary system is important to the long-run expansion of the world economy.

The elimination of the current U.S. balance-of-payments deficit will not mean the end of world balance-of-payments problems. Other countries will have deficits when we get into surplus, and we ourselves can expect the periodic recurrence of deficits.

New Proposals

Many proposals have been advanced for improving the international monetary system. A number of these proposals would operate through the International Monetary Fund, increasing the scope and flexibility of its operations. U.S. officials have not yet arrived at a judgment concerning the merits of specific proposals. But we are studying them carefully both within our own Government and in joint deliberations with other interested countries.

Moreover, we remain fully open to any new proposals and initiatives advanced by other countries.

Strengthening the international monetary system, however, is a process that will inevitably take time. Agreement will have to be reached among the participating countries on the particulars of the improvements to be adopted. Moreover, it cannot be looked upon as a solution to our immediate problem, or as a substitute for a determined attack on our balance-of-payments deficit — although a more effective payments system, if it were now in operation, might help the United States in its present situation.

We must, therefore, continue to take prudent and responsible action to deal with our deficit. In the final analysis, a full-employment and full-utilization economy offers the soundest basis for mastering our balance-of-payments problems in a way fully consistent with leadership in the Free World.

Europe and the Dollar-Defence Plan

From Our Special Correspondent

PARIS:

THE "DECISIVE ACTION" in support of the dollar which, as was said in an article here a fortnight ago, was expected by Continental financiers had in fact been taken by the time that article appeared in print. As foreseen, the increase in U. S. money rates was favourably received by the European banks, with the exception of the Belgian

National Bank which promptly raised its own discount rate half a point. There were special reasons for this decision, but it was nevertheless disapproved by Belgium's neighbours and partners. Firstly, because it opened the way to a chain reaction of money-rate competition, such as occurred several years ago to no one's ultimate advantage, and such as would today render the American action useless. Secondly, because it revealed how far the Common Market nations still are

from a joint or even a harmonious monetary policy. The Six Finance Ministers meet regularly for consultations, but—just as in 1961 when West Germany and Holland upvalued their currencies by surprise—Brussels acted alone and without so much as a by-your-leave once its vital interests seemed to be involved.

The bank rate decision being foreseen and "discounted", interest centred on the other parts of Washington's programme. French finance officials, who in days gone by used every trick in the book to prop up a faltering currency as long as they could, were the first to express admiration for the deviousness and subtlety of the disguised American resort to something resembling exchange controls and a double exchange rate. Without actually agreeing with the Wall Street Journal when it denounced such "gimmicks" as "dangerous manoeuvres" which only serve as distress signals easily read by distrustful foreigners, they recalled from their own experience that such subtle subterfuges have never worked for long. As the vice-president of the Common Market Commission observed, "In the matter of restrictions on capital movements, European countries have a long and checkered experience. It indicates that it is hard to make such restrictions work effectively (unless) conditions in the domestic market are brought into harmony with the external objectives sought". In other words, sophisticated action at the monetary frontiers—such as the current American attempt to fix differential prices for capital depending on whether it is local or foreign—do not exempt nations from economic reform at home.

Still, even such critics admit that, however much the American problem looks like the exchange difficulties known a few years ago to Europeans, its very magnitude makes it different. Everyone has an interest to see that the dollar is shored up, by whatever means, and if the "gimmicks" work for a time they could succeed in starting a reversal of the tides of money that will restore confidence in the dollar. What scepticism remains, then, is based on the huge exceptions that Washington has already made to its own rules within a few days of their being announced: the exemption of Canada, and perhaps soon Japan too, from the discriminatory tax on loans floated in New York. Out of the \$880 million in fresh loans raised in New York in the first six months of this year, \$590 million went to Canada, so if an exception is made in favour of that country, the measure loses much of its importance. European financiers are watching for other such watering down of Washington's programme as it passes through Congress before pronouncing on its long-term efficacy.

Dual-Capital Market

They can afford to be detached because the dual-capital market introduced in the USA in July does not, by and large, affect the Europeans. Take, for example, the sliding scale of taxes on foreign bond issues, which will increase the cost of borrowing in New York by about 1 per cent. Most of such issues, as noted, have come from Canada, followed by Australia and Japan. French borrowers have not appeared in New York since the Credit Foncier sold \$50 million in bonds there in 1959, because Paris has been actively discouraging them from appealing to the American capital market, and other European capitals have observed similar restraint. So the rate of annual foreign bond issues in New York could fall from its present abnormal level of \$1500 million back to the 1961 figure of \$500-700 million without West Europe being at all inconvenienced. Incidentally, European bankers point out that the increase in the cost of borrowing in New York will not automatically reduce dollar outflows. Firstly, much of the money lent against foreign

bonds in New York has come from nationals of the borrowing country, who sought the security of scrip labelled in dollars. (Just as British firms sell debentures in Switzerland to British capitalists who want their bonds marked in Swiss francs rather than in pounds.) Secondly, even if it becomes 1 per cent dearer, the New York issue market is still cheaper for borrowers than many others and has the added attraction of permitting very large flotations at one swoop, such as few other centres could handle.

As for the 15% tax on American purchases of foreign stock, the results will have to be seen in practice. For my part, I have found brokers here giving quite contradictory forecasts, and the confusion seems no less in other Continental bourses. It is clear, however, that the measure will not dry up any large flow of American buying orders—because they had already dried up months ago. No European exchange has been supported by American investors for some time past. In London, they virtually ceased buying after Britain's exclusion from the Common Market; West Germany has not been an attractive market for more than a year; in Paris American buying is one-tenth of what it was a year ago and in any case French stock is still very expensive, with average yields under 2 percent; and of course American and other foreigners have not been able to buy Swiss shares since the "gentleman's agreement" has been in force. Once again, it emerges that the real victims are the Canadians. It is said that 67 percent of foreign stock bought by Americans is Canadian, and last year American orders made up 12 percent of the turnover of the Toronto stock market.

Share Prices Ease

For all that, one would have expected the European share markets to react bearishly on this news. After a moment's pessimism, the only one that did was Amsterdam and this is natural because the leading counters of that market are in reality largely American owned. Some 30-35 per cent of the stock of Philips is held in the USA, at least 30 per cent of Royal Dutch Shell and 25 per cent of Unilever. Such levels are not attained by private U. S. investors in many other European companies; so they were not subject to big selling in July. Share prices eased everywhere, for the removal of potential American interest as a floor to possible declines is disturbing, but it will be some months before one can judge the effects of the measure.

What concerns Europeans more is that the tax will not be imposed on direct American investment in their industries, as distinct from portfolio buying through the stock markets. Direct investment has been very generously defined by Washington as the taking up of at least 10 per cent of a company's stock and an active participation in its affairs. So there is no bar to a continuation of the so-called "dollar invasion", the taking over of European firms by the giant American corporations. Yet, according to the Europeans (and not only the French, who have been alone in open opposition to this practice), this is the main single cause of the U. S. payments deficit. It is not the purchase of listed shares in European exchanges for purpose of passive investment, nor the arbitrage operations of Merrill Lynch in European bourses, (both of which now become expensive because each purchase attracts the 15 percent tax) that has been weighing on the American balance of payments. It is the take-over operations leading to direct American control of European firms that have produced the dollar outflow, and these are exempt from Mr. Kennedy's 15 per cent tax.

So the only prospect of such operations diminishing in



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volume remains a reactivation of the U. S. economy (for example, by means of the tax reductions proposed by President Kennedy), which would make domestic investment more interesting for the big corporations. Which takes us back to the general point already made by the vice-president of the ECM Commission, that domestic economic policy is always more important than clever adjustments at the monetary frontier. By a coincidence, the report of the European Monetary Accord (the former European Payments Union) for 1962 was published a few days after the American decisions, and it said just this. It pointed out that restoration of the balance of payments of the USA required the maintenance of stable costs and prices in the deficit coun-

try (America) and the maintenance of a high level of business activity in the surplus countries (the Common Market, essentially). Given these conditions, the unbalance would gradually correct itself, and indeed the process has already begun, according to the E. M. A. economists. They recall that the combined reserves of nations belonging to the E.M.A. increased last year by only \$760 million, against \$2,300 million in 1961 and \$4,400 million in 1960. Writing before Washington's plan was known, they declared optimistically that the situation was favourable to a return to balanced international payments. If this is true, the American decisions, for all their evident shortcomings, might well succeed in hastening the movement of a tide that was already turning.

Survey Reveals U. K. Discontent

By JOSSLEYN HENNESSY

LONDON:

AS THE general election looms larger over the horizon, it is becoming clearer from the verbal explosions that the Socialists and Conservatives are hurling at each other that one outstanding issue at stake on polling day will be whether the U. K. gets a bigger new dollop of increased expenditure on health, education, and pensions, from the Socialists or from the Conservatives. The one point on which politicians of both parties have agreed since the war is that the way to win votes is to multiply the benefits of the state welfare services and to enlarge their coverage to the widest extent.

Many prominent economists have criticised this policy on the grounds that the true welfare state should aid the poor and the helpless in such a way as to correct, not to increase or perpetuate, helplessness. In other words, that as society becomes more affluent, those who fall below an agreed level of income should receive state aid, but those above it should be encouraged to organise their own health, pensions, and education of their children. In this way, the standards of national health, education, and pensions services would be raised as consumers exercised their choices on the competing varieties and qualities that the end of the state monopolies would call into being, and that the allocation of resources modified accordingly. After all, the economists argue, producers of consumer goods, who have to sell in competitive markets, spend money and time in market research to ensure that they produce what the public wants, and also to try out the innovations that bring change, growth, and progress. Why, alone, should the monopolist suppliers of state welfare services insist that they know exactly what consumers want? To all such arguments, the Conservatives have hitherto replied that to promote variety and quality by charging for welfare services would be "politically impossible". The Socialists agree, and add that it would be against the "accepted egalitarian trend" of the social climate.

Now, however, a national public opinion survey, by the well-known Mass Observation group, has created consternation and disarray among Socialists and Conservatives alike by revealing that a substantial proportion of the British people would like to contract out of state welfare services. Such a result could, of course, have been predicted if the survey had been confined to conservative voters, so what is truly significant is that of those questioned by Mass Observation, no fewer than 44 per cent said they were Socialists and only 24 per cent Conservatives. The survey, which is the first comprehensive enquiry into British attitudes towards state and private welfare services, was sponsored by

the Institute of Economic Affairs (66 A Eaton Sq. London, S. W. 1.) whose preliminary 50 page report, "Choice in Welfare" (Price £2-2) was published recently.

Everyone in the U. K. is, of course, compelled to belong to the national health service, but this survey shows that out of a total of 2,005 respondents, covering a cross-section of all ages, social classes, and political sympathies, 20 per cent insured privately for additional health services (e.g. private hospitalisation, specialists' fees, etc.). Of the 80 per cent not so additionally insured, between 27 and 38 per cent said that they would be interested in a voucher covering half, or most of the cost, of special private treatment. Only 10 per cent of respondents educated their children in, or had been to, private schools, but no less than half of the remaining 90 per cent would use private schools if offered a voucher to cover half or most of the cost. Other questions suggested that many people did not use private health or educational services because they had exaggerated ideas about costs and did not realise that they could afford them.

Voucher Scheme

The voucher scheme referred to is one suggested by Professor Milton Friedman of Chicago University, whereby people who contract out of state health or educational services would be given vouchers representing all or part of the saving to public funds. One great merit of this scheme is that it would promote the efficient use of resources. The boast is frequently made, for example, that the British National Health Service is the best in the world. In fact, anyone who has had experience of prewar private medical attention and hospitalisation can testify to the fall in the quality of the personal services and of standards in the hospitals. Only recently there have been striking revelations in the press of the spread of infections from hospital operating theatres, because it is more economical (sic) to try to ward off infections by giving patients antibiotics than to employ sufficient nursing staff to keep operating theatres sterilised.

Mass Observation asked those interviewed to say whether they wanted the state services to go on expanding out of taxation, as at present, if incomes continue to rise. 51 per cent favoured this in education, 43 per cent in pensions, and 41 per cent in health. The other 50 to 60 per cent were evenly divided between those who wanted the state services to concentrate on people in need and those who wanted existing services to continue but that individuals should be allowed to contract out in favour of private services.

The survey's 12 statistical tables are the first documented evidence to challenge the conventional assumption of univer-

sal support for the British welfare state, and to reveal the substantial degree of readiness among all ages, classes, and parties, to look after themselves, if relieved from the taxes and social insurance contributions required to pay for universal state welfare. These facts should suggest to our ideologically warring political leaders how out of touch with reality they are. The first political party to digest the lessons of this survey and apply them to its election campaign might achieve something spectacular, not only by winning the election but by subsequently diverting funds from non-productive social expenditure into economic growth, which would reduce the risks of inflation and balance of payments crises. Over to you Mr. Wilson, and Mr. Mac-who?

★★

Before the 1959 general election Labour publicised a series of policy statements, which led the Conservatives to warn the electors that a Labour victory would mean more nationalisation, and a revival of the licences and physical controls, so unpopular under the last Labour government, which the Conservatives had dismantled.

This is why the Labour party has been so sensitive to renewed Conservative attacks in 1963, alleging that a Labour victory would mean nationalisation and controls. The Socialists ridicule such attacks as "Tory propaganda". Since both parties officially proclaim their faith in (a) planning as the means to (b) the economic expansion which is their goal, it is not easy for the non-party observer to decide what exactly the difference in their methods and policies is. There are nevertheless various straws flying about which suggest which way the Labour wind is blowing.

The first is a book published earlier this year entitled "The British Economy in the Nineteen-Fifties" (Oxf. Univ. Press. 50sh), by a group of Oxford economists, several of whom might well attain influential positions if Labour wins in 1964. Just as President Kennedy, an old Harvard man, has relied heavily on Harvard economists, the portents are that Mr Harold Wilson, a former Oxford economics tutor, may surround himself with an Oxford brains trust. Judging by "The British Economy in the Nineteen-Fifties", these Oxford economists have their eyes on the past rather than the future. They generally apply the static form of analysis of future supply and demand that dominated thinking in the late 1940s, whereas the Conservative experience in the 1960s was that when you move either from a stagnating to an expanding economy, or from expansion to stagnation, the marginal quantities that the statisticians are trying to analyse are apt to change spectacularly. The lesson of 1950s was that marginal productivity per factor employed proved, under expansion, to be higher than under stagnation, so that when the government set out to expand, or restrict, demand they were taken by surprise to find their policy was not merely altering the totals of demand but was creating a new pattern of production. But too many of these Oxford dons obviously hanker after the permits and import controls which Mr. R. A. Butler ended.

The same trend of thought was significantly revealed by a leading member of Labour's shadow cabinet, Mr Douglas Jay, M.P., who recently asserted (without explaining why) that "internal laissez faire cannot possibly give expansion without rising prices and payments deficits", that we must therefore restore a "large measure" of planning, but that this will not be easy because "the excellent organising machine, perfected during the war and available in 1945, has been dismantled and demoralised by the Tories". As I said here on May 31, the U. K.'s basic problems are the same whichever party is in power: to reconcile the conflicting demands of full employment, widening social services, over-

seas expenditure on defence and development aid, unrestricted wage bargaining, and stable prices. You can achieve this reconciliation either by putting stable prices and economic growth before full employment as in Germany (this, in the U. K., probably means an average of 2.5 per cent unemployed) or by Soviet-style total control.

Between 1945-51, the Labour party tried to combine rising public expenditure and direct taxation with low rates of interest plus rationing and controls to keep prices stable. Mr. Jay showed himself aware that such policies logically end in the total control, which Labour's chief supporters, the Unions, will not accept. Admitting that a "general regime of planning" with "all sorts of new instruments" of control would be difficult to launch, Mr. Jay said that it might be "more effective to concentrate on specific aims such as full employment, better pensions, education, and housing". But this begs the whole problem of how to ensure the industrial growth, without inflation, needed to pay for full employment, pensions, education and housing.

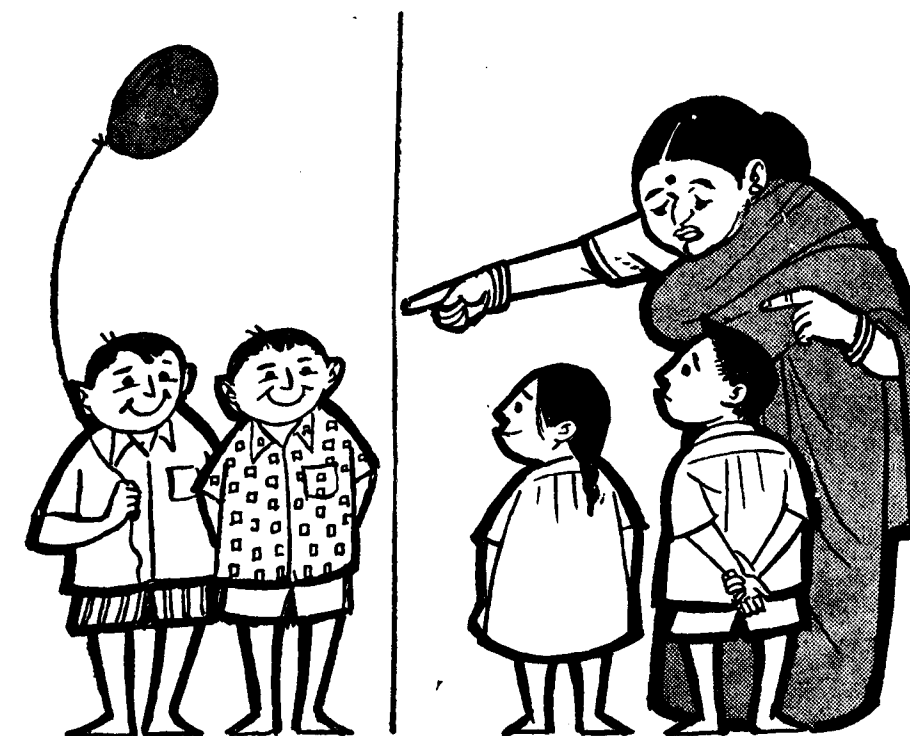
Labour Party Thinking

Another indication of Labour's economic thinking is that the party plans to divert traffic to the faltering railways by taxing the 573,000 "C" licence lorries off the roads. (A "C" licence allows a trader to carry his own goods.) Labour does not plan to re-nationalise all the 50,000 "A" and "B" licence lorries, which carry other people's goods as paid freight, but favours some method whereby British Railways could selectively take over those companies whose "A" and "B" lorries were doing valuable business, thus monopolising the profitable freight for the state and leaving private enterprise with the less profitable.

The implication seems to be that Labour is less intent on absorbing unemployment by planning for growth than by sharing the existing volume of work all round. The Labour party castigates Beeching's "surgery" and his "narrow accountant's approach to railway problems", which suggests that instead of seeking to establish what the railways can do profitably, as Dr. Beeching wishes, Labour wants to keep these white elephants alive in the interests of 500,000 railway-worker-voters at the expense of industry and the taxpayer.

Labour's plans to control food imports through a network of Commodity Commissions, which will buy in bulk as under the last Labour government, are obviously designed to attract the million electors employed in agriculture. Labour hopes to organise a U. N. O. world food plan in order to enable Western surpluses to go to areas where people are starving. This splendid idealism brushes aside the practical problems. The level at which prices may be "stabilised" depends on the nature of the product, the number of countries producing it, their relative efficiencies and volumes of output, and the size of the demand of the countries importing it. Since the U. K. imports, for example, ten million tons of cereals a year, she could not easily agree to the increases of £5 a ton or more involved in the French Baumgartner plan. A high stabilised buying price would not only increase the U. K.'s import bill, but would stimulate even greater Western surpluses. Nor is it any solution to give these surpluses away. Ad hoc famine relief is admirable, but a large and regular flow of Western food could impede the development of agriculture in Asia, and it is sometimes forgotten in Asia that, historically in the West, agricultural surpluses preceded industrialisation and made it possible. Surely you want to rely more on efficient domestic agriculture in India than on food imports? "World food plans" should not be an excuse for Western dumping.

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Birla Delegation to Moscow

By Our Special Correspondent

NEW DELHI:

THE JUTE Mill Industry is sponsoring a high-powered trade delegation to the Soviet Union and Eastern Europe to explore the possibilities of increasing jute goods exports to these countries. The delegation will be headed by Mr. M. P. Birla and will have as its other members Mr. D. P. Goenka, Mr. N. L. Kanoria, Mr. R. H. Morrison and Mr. H. S. Singhanian representing the jute goods trade and industry and Mr. A. G. V. Subramaniam from the Ministry of International Trade.

The delegation will be arriving in Moscow on August 9 and later visit Warsaw, East Berlin, Prague, Budapest, Belgrade, Sofia and Bucharest. It is expected to return to New Delhi on September 9.

Although the delegation's visit has been sponsored primarily as a follow-up of Mr. Manubhai Shah's recent tour of the Soviet Union and some other East European countries, it has assumed added significance in the light of the recommendations of the Srivastava Committee on Jute.

The Srivastava Committee, while reporting that large increases have taken place during the last one decade in the consumption of jute goods in the planned economies of Eastern Europe, has called for consultations between the Government of India and the East European countries to determine the extent to which India's production of jute goods can be co-ordinated with the five or seven-year development plans of each of these countries. Further the Committee has suggested that India should endeavour to persuade the economic planners in these countries, that there should be mutual advantage in their importing additional quantities of low-cost packing and floor-covering materials from the Indian jute industry in preference to expansion of their own manufacturing capacity for similar materials which depend either on imported fibre or on high priced alternative fibres grown locally.

Besides looking for opportunities of immediately increasing exports of jute manufactures to the East European countries, the delegation is, therefore, likely to hold consultations with the Governmental authorities there on these two issues.

★★

The Indian Exhibition currently being held in Moscow is widely recognized to be very well-organized. It should be interesting to know which among the vast number and varieties of goods on display have caught the imagination of the import organisations of the USSR.

According to Mr. M. D. Dalmia, Executive Director of Birla Cotton Mills, Delhi, who had an opportunity of studying Soviet reactions during his 9-day stay in Moscow, textiles (cotton, rayon and woollen), handicrafts, beverages (tea and coffee), light engineering goods, jute manufactures and consumer goods such as tinned fruits and vegetables, cigarettes, shoes, etc., were the principal commodities in which the import organization showed keen interest. Here is good scope for Indo-Soviet trade. In fact, a number of contracts have already been concluded by the Soviet authorities for the import of some of these items, particularly shoes, cigarettes and some other consumer goods. Several more deals are expected to be signed in the next few days.

Among cotton textiles, the varieties that can command a good market in the USSR are towels, poplins (bleached, dyed and printed), superior quality sheetings, tapestry and tarpaulins. In the case of cotton clothing, check designs are favoured for men's wear and attractive prints for women's wear.

Among woollens, too, the interest is mainly for superior varieties. Rayons offer only a limited scope for exports, presumably owing to the fact that their domestic supplies and production are quite adequate. Printed rayon cloth is the favoured variety.

As regards handicrafts and handlooms, keen interest is shown in decorative pieces and materials. Among the items fancied are silver ware, ivory craft, reticules, table cloths, etc.

In engineering goods, there is considerable scope for export of textile equipment, particularly looms. Bicycle exports have very little chance. The interest of the U.S.S.R. authorities in Indian engineering manufactures seems to emanate primarily from balance of payments considerations.

A very lucrative trade can be developed with the Soviet Union in fresh as well as tinned fruits and tinned vegetables. Fresh lemons also offer a particularly good scope; they are used in the making of tea. Fresh fruits, especially bananas, can also command a good market. Indian cigarettes are providing a hot favourite with the Russians. A good market can be developed for Indian cosmetics and toilet goods also. The trade in shoes, tea, coffee and jute goods can be stepped up considerably. There is scope for export of linoleum.

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The decision of the European Economic Community's Council of Ministers to abolish all duties on loose tea imports with effect from January 1, 1964, has come as a pleasant surprise to New Delhi. Barely a fortnight ago reports from Brussels had suggested that the question of nil tariff on tea would be reviewed by the EEC towards the close of the year. This naturally had caused a good deal of disappointment here since during Britain's negotiations for entry into the Common Market an understanding was stated to have been reached to apply nil tariff on all tea imports, both by the EEC and Britain, with effect from July 1, 1963.

The decision of the EEC to retain a tariff of 5 per cent on imports of tea in packets is not expected to affect adversely Indian exports. There might be some slight set-back to tea exports to the United Kingdom where the blenders pack loose tea in small packets for export to the Continental countries. But this loss is expected to be more than offset by increased intake by the EEC. A pre-requisite to this, however, is an extensive propaganda campaign by the major tea exporting countries, severally or jointly, to allure the EEC population to tea drinking. A substantial part of this population, particularly in West Germany, is at present coffee drinking.

The EEC's decision on tea imports can be said to have wider implications as well. The Community presumably is veering round to the fact that in trade relations with the

under-developed countries, the developed ones should not insist on reciprocity. This presumption is based on the fact that the decision on nil tariff on tea had earlier been postponed by the EEC on the ground that a surcharge had been levied by Ceylon on her imports from that source.

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The dates of commissioning of the four new washery projects currently under execution by the National Coal Development Corporation are understood to have been postponed by another six to nine months. The Kathara and Gidi washeries are now expected to start production only in December, 1965. The Swang washery may go into production in January, 1966. According to the 1961-62 balance sheet of the N.C.D.C., these three washeries were expected to be commissioned by April, 1965. The fourth washery at Ramgarh is not likely to be commissioned during the current Plan period.

The Kargali Washery Expansion Scheme has also been delayed. The probable date of commencing production under this scheme is now May, 1965.

The production envisaged from the expanded Kargali washery and the Swang, Kathara and Gidi washeries in 1965-66 is of the following order: Kargali 1.50 million metric tons; Swang 1.10 million metric tons, Kathara 0.40 million metric tons and Gidi 0.30 million metric tons. Their target input capacities are two million metric tons, three million metric tons, 2.8 million metric tons and about one million metric tons, respectively.

The existing Kargali washery, it is further understood, continues to suffer from various handicaps. In June last, its output amounted to 107,854 metric tons. The production, it is stated, could have been higher but for insufficient raw coal receipts from Kargali mines due to a major landslide there and non-availability of adequate number of wagons, particularly box wagons. The Railway Board, it is learnt, has been asked to ensure adequate supplies of box wagons so that the production of washed coal does not suffer from lack of movement from washeries to consuming destinations.

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As a measure of import substitution, the Planning Commission is understood to have advised the Railway Board to take to the use of wooden sleepers more and more in place of cast iron sleepers. Pre-stressed concrete sleepers, which are another substitute for cast iron sleepers, however, are not favoured; they involve the use of cement and high tensile steel. Cement is in short supply and high tensile steel is mostly imported.

With a view to not delaying the railways' development programme, pig iron allocations, however, are not to be curtailed in the current year. From 1964-65 onwards, these allocations may be reduced as the availability of timber sleepers increases in consequence of the measures proposed to be taken for augmenting their supplies. The State Departments of Agriculture have been asked to implement the decision arrived at in the meeting of the Central Forestry Board held in November, 1962, which stipulated that each State should supply to the railways at least 12½ per cent of its total production of timber of species suitable for sleepers. The Union Ministries of Home Affairs and Agriculture have been asked to work out a suitable scheme for better exploitation of timber resources in the Andaman and Nicobar Islands and to proceed with its implementation at an early date. The scheme is to take into consideration the seasoning of timber which increases the life of timber sleepers from 10-15 years to about 25-30 years.

The Railway Board has also been advised to consider steps for increased utilisation of ferrous scrap.

The substitution of cast iron and sleepers by wooden sleepers should help in better utilisation of the foundry industry in the country. Till lately, the supplies of pig iron effected to the class "A" foundries amounted to about 46 per cent of their requirements. Class "B" and Class "C" foundries' requirements could be met only to the tune of 27 per cent and 20 per cent, respectively. The railways used in 1961-62 as much as 390,000 tonnes of pig iron.

In 1962-63, there was experienced a shortage of pig iron to the extent of 0.4 million tonnes. By 1965-66, the deficit in supplies is expected to grow to about 0.8 million tonnes; demand in that year is estimated at about 2 million tonnes and the anticipated indigenous production at not more than 1.2 million tonnes.

Pig iron imports have already been arranged to the tune of 100,000 tonnes at a cost of about Rs. 2.5 crores. Further imports may be necessary if the indigenous production fails to catch up with demand.

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The Government of India recently approved of a scheme for the manufacture of Starch and Dextross Powder in collaboration with an American firm, Pan-Alliance Corporation. The American firm will provide the necessary drawings etc. for the part of the plant to be indigenously fabricated as also the necessary know-how etc. for manufacture of the products.

For the continuous supply of know-how and research and development of technology etc., Pan-Alliance will be paid royalty at 2½ per cent subject to Indian Income Tax on the net ex-works value of products meant for internal sale.

The American firm will assist in promoting exports and will be paid a royalty at five per cent (subject to Indian Income Tax) on the f.o.b. value of the products exported.

The Indian company will undertake to export at least 75 per cent of its production of Starch and Dextross Powder and will furnish satisfactory guarantees towards this end.

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The Ministry of Heavy Industries had a meeting with the manufacturers of ball and roller bearings during the week when it was agreed to rationalise production, as far as it was



"That is too much Panditji, just a berth for Bombay will do."

feasible and practicable. A Committee was set up for the immediate examination of the problem of phasing the production of railway and automobile ball bearings in the country. An advisory panel for the industry was also set up.

The break-down of the estimated annual requirements of ball and roller bearings at the end of the third five-year Plan (1965-66) is as follows:

Consuming Industry	Ball Bearings upto 2" dia bore	Above 2" dia bore	Roller Bearings.	Total
Electric fans	3,500,000	—	—	3,500,000
Electric motors	600,000	—	—	600,000
Passenger cars	300,000	120,000	420,000	840,000
Commercial vehicles	1,020,000	—	1,518,000	2,538,000
Jeeps and station wagons	30,000	—	220,000	250,000
Motor-cycles and scooters	400,000	158,000	—	558,000
Diesel engines	5,500	49,500	4,600	59,600
Power driven pumps	247,000	45,000	34,500	327,000
Tractor and earth-moving equipment	44,000	341,000	88,000	473,000
Textile machinery	675,000	9,000	279,000	963,000
Sugar machinery	75,000	—	—	75,000
Heavy machine building plant	821,700	91,300	51,000	964,000
Railway wagons including coaches and locos	—	—	150,660	150,660
Miscellaneous industries including machine tools, H.E.P.	650,000	331,000	50,000	1,031,000
	8,368,700	1,144,800	2,815,760	12,329,260

In addition, the replacement requirements have been estimated at 2.7 million bearings by 1965.

The present installed capacity is 3,270,500 bearings per year divided between two enterprises, on three shift basis. Production in 1961 was about 3,228,000 bearings. A third unit has recently come into production.

In order to reach the production target of 15 million bearings by 1965, 11 enterprises have industrial licences from the Government of India to set up new units or expand existing ones.

Some of these companies have secured foreign collaborations, approved by the Government of India for the total production of around 10,000,000 bearings per year. Actual production of some of the additional units is expected to start in 1963-64.

Imports		
Year	Value (Rs. million)	(\$ million)
1957	33.60	7.06
1958	20.80	4.37
1959	20.15	4.23
1960-61	36.88	7.74
1961-62	46.98	9.86

In 1961, the effective domestic demand for original equipment as well as spares was placed at 6,300,000 bearings. As the production was 3,228,000 bearings, it appears that almost 50 per cent of the consumption of ball bearings was covered by imports.

At the moment high carbon chromium steel bars, tubes and wires are still being imported. These materials are expected to become available within the country in two or three years when the alloy and tool steel plants which are being established come into production.

The other important raw materials, namely, mild steel bars, plates and tubes used for nuts and sleeves of adapter bearings, mild steel wire, bars, strips and rods for rivets, cages etc. are available within the country. In addition, production materials and tools, like emery lapping compound, grinding wheels of special types and sizes, machinery spares, special alloy and tool steel for tools and dies and some chemicals like heat treatment salts, are imported.

The ball bearing industry being a comparatively new one in India, is protected by an import duty of 95 per cent ad valorem. The protection will continue at least till December 31, 1965.

In this sheltered market, moreover, the demand is likely to outstrip the supply for a number of years to come.

At the invitation of the Government of India, a Nepalese delegation led by His Excellency Mr. Yadu Nath Khanal, the Royal Nepalese Ambassador, visited Delhi from July 26 to August 2, 1963, and had talks with officials of the Government of India concerning transit facilities required by Nepal and other matters connected with Nepal's trade.

The delegation asked for transit facilities from Radhikapur on East Pakistan-India border and Wagah on West Pakistan-India border. The Government of India agreed to provide them, within the framework of the Indo-Nepal Trade and Transit Treaty of 1960. Nepal was requested to indicate the expected volume of its trade, requirements of wagons and the points of destination etc., so as to enable the authorities in India to determine the character and quantum of facilities to be provided.

The Bond System provided for in the Indo-Nepal Treaty to regulate Nepal's transit trade was also discussed. The Nepalese delegation contended that the system stood in the way of the normal development of Nepal's transit trade, and suggested that it should be abolished. But the Government of India undertook to remove any practical difficulties arising out of the operation of the Bond System. The two delegations agreed to resume discussion on this question of the Bond System at Kathmandu during the next series of talks scheduled for October, 1963.

The Indian delegation stated that some of the tariffs of the Nepalese Government seemed to discriminate against India, and that the rates of import or export duties on some goods coming from or going to India had been increased contrary to what, in the view of the Government of India, was contemplated in the Treaty. The Nepalese delegation gave the assurance that rectification, where necessary, would be promptly effected. It was agreed that there should be further exchange of information in this connection.

Nepal's needs of iron and steel goods, galvanised iron

sheets etc., and the ways and means of supplying the same from India were considered at some length. The Nepalese delegation was assured that India would continue to endeavour to meet Nepal's requirements to the full, despite shortages in India and India's own pressing requirements.

It was agreed that as envisaged in the Treaty of Trade and Transit between Nepal and India, periodic consultations should take place between the Nepalese Government and the

Reactions to Shipping Rates

From Our Correspondent

BOMBAY:

THE DECISION of the Karmahom Conference to effect a general increase of west-bound freight rates to a maximum of 12½ per cent from August 1 has come as a 'surprise and disappointment' to shippers in Western India. Simultaneously with this announcement the news has come that the Government of India has recommended that the general increase in freight should be restricted to 7½ per cent on the India-UK-Continent trade. The Union Government has further stressed the need to exclude sensitive commodities like cotton piecegoods, cotton yarn, oil-cakes, vegetable oils, engineering goods and specified categories of ore from the purview of the above decision. Mr. Vallabhdas Mariwala, President of the Western India Shippers' Association, has expressed the feeling that the decision of the Conference 'does not reflect an adequate appreciation on part of the Conference' of the need for assisting the country's efforts to expand and promote the export trade. It would not be surprising if the Conference's decision encouraged shippers to opt for non-conference lines for effecting the shipments. He expressed the hope that the Conference would even now fully co-operate with shippers and the Government by restricting the increase in freight rates to not more than 7½ per cent as recommended by the Government.

Shippers Disappointed

Shippers of oil-cake particularly felt deep disappointment as they fear that they would be obliged to incur substantial losses against the export commitments for August, September and October deliveries. India is now exporting about 50,000 tons of oil-cake a month, mostly to the British market, at £35. sh. 15. per ton. Even with a drastic fall in Indian prices, Indian oil-cake exports would be priced out. The export prospects for castor oil and groundnut oil would likewise be affected. It has been reported that the Government of India has taken a serious view of the Kharmahom Conference decision and, according to current indications, it is likely that the British Government might be approached to dissuade the Conference from implementing the decision.

A two-day conference on Krishna-Godavari Waters Allocation was inaugurated by the Maharashtra's Minister for Irrigation and Power at Poona. The Conference was presided over by Mr. N. V. Gadgil, the former Governor of the Punjab. Mr. D. R. Gadgil, President of the Deccan Agricultural Association, welcomed the gathering. Mr. S. Chavan, the Irrigation Minister, had discussions earlier along with the Chief Minister, Mr. Kannamwar, with the new Minister for Irrigation and Power, Mr. K. L. Rao, and the Prime Minister on the question of river waters. Mr. Chavan stated categorically at the conference that Maharashtra would not agree to any fresh commitments for the allocation of the Krishna waters to Andhra Pradesh after September 1976 when the physical commitments on Nagarjunasagar Project would take effect.

He also pointed out that the recent interview with the

Government of India at regular intervals, and that delegations of the two countries should meet for this purpose, once every quarter, at Delhi or Kathmandu, as convenient.

The Government has approved of the scheme of Parry and Company of Madras to raise a 27 million dollar loan from the Export-Import Bank of the U.S.A. to finance its Vizagapatam fertilizer project. Parrys have two U.S. firms as collaborators, together holding 43 per cent in equity capital.

Prime Minister at Delhi was encouraging and held out hopes that justice would be done to Maharashtra. It was revealed that Mr. Nehru would be giving personal attention to the dispute to solve the problem of river waters on the basis of universally accepted principles. Mr. N. V. Gadgil complained earlier that political considerations had entered the discussion of the problem during the last 15 years. 'It has been our experience that even obviously legitimate demands of the people of Maharashtra have been opposed and we have been able to get our claims accepted only after great trouble and trials.' The Union Minister had overlooked the claims of Maharashtra and had virtually allocated the Krishna waters up to 1976. The Conference has organized an exhibition to explain the needs of the three States—Maharashtra, Andhra and Mysore—in the river waters dispute. The exhibition will be taken to Bombay, Delhi and other parts of the country to enlighten the public all over the country.

The small savings collections in Greater Bombay during the first four months of 1963-64 reached a record figure of Rs. 7.3 crores. This is in excess of the quota for six months while the target for the entire year is Rs. 14 crores. During the corresponding period of last year, the collections were of the order of Rs. 3.6 crores. Even during the month of July, 1963 when the Compulsory Deposit Scheme was enforced and the Union Government floated many loans, the net collections touched a record figure of Rs. 2.6 crores; last year, during the same period, the sum realised was Rs. 1.1 crores. In contrast, the collections of small savings in districts did not show a promising trend. After the harvest, the buying tempo might gather momentum. Four festival cricket matches would be played towards the end of the year at Bombay, Poona, Nagpur and Aurangabad to swell the collection of small savings. Foreign players would be participating in the matches. The State Government has suggested to the Union Government to allow commission on cumulative time deposit schemes also to agents to make them popular.

The long-awaited Bill on the ownership of flats in Maharashtra has been published. It follows closely the recommendations of the Paymaster Committee whose Report was published 15 months ago. The Bill's main aim is to provide security to ownership flat purchasers and to remove the defects in the system. The promoters of building societies are required to maintain separate accounts of money paid by prospective purchasers and to refund it if the flat is not handed over by the agreed date. The promoters are also enjoined to take steps within the prescribed time for the formation of co-operative societies and to convey their right, title and interest to them. These provisions should put an end to the principal abuses of the ownership racket in Bombay.

A most salutary provision of the Bill is the compulsion on promoters to rectify defects which come to light within a year of the handing over of the flat or to pay compensation if the

defects cannot be rectified. There are several punitive clauses in the Bill which subject the promoter to a year's imprisonment or a fine of Rs. 2,000 or both for failure to comply with the provisions. A more heavy punishment is enjoined for criminal breach of trust of monies advanced or deposited with the promoters. "Black money" will continue to be paid probably by the needy persons as before. It is to be seen whether while preventing the more glaring abuses, the Bill would in no way inhibit the ownership flat system. It should be remembered that it (ownership system) serves a very useful purpose and has, to a large extent, helped in the solution of housing problem in cities at least for those who are able to pay. As the Paymaster Committee Report opined 'nothing should be done to affect adversely the construction activity called forth by the ownership flat system.'

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The share and commodity markets staged a steep nose dive on the reported intrusion of Chinese troops into the border area. The sharpest fall was recorded in cotton where the Jarilla August Contract lost nearly 18 points from the previous overnight closing on Wednesday (July 31). Many popular scrips in the share market lost nearly 5 per cent of the grains suddenly. Later on, the share market staged a recovery mainly due to short covering and investment support by the LIC at lower levels. The Union Deputy Minister for Finance, Mrs. Tarakeshwari Sinha, in an address to the Surat Chamber of Commerce on the next day deprecated the 'crisis' mentality of the Bombay Stock Exchange operators. She also criticised the President of the Surat Chamber for presenting a gloomy picture of the economy. She attributed the strains and stresses in the economy to a speedy and unexpected capital formation right from the middle of the second

Uncertainties in Jute

From Our Correspondent

CALCUTTA:

THE GUNNY market is currently experiencing rather steady conditions—thanks mainly to sustained speculative interest following the renewed threat of Chinese aggression. The improvement, however, is mainly confined to the sacking section where prices have gained sizable ground during the past few days. Operators have evidently been encouraged to extend commitments by the expectation that substantial buying on Government account will ensue in coming weeks in view of the Chinese threat. To a certain extent interest has been sustained by the belief that supplies will diminish as mills' working continues to be adversely affected, if only to a smaller extent than in May last, by power shortage which has again come to pose a problem in the Calcutta and industrial regions as a result of a diminution of supply from Rihand. Even so, the industry continues to feel concerned about its prospects for two reasons.

In the first place the fact that raw jute prices have been sought to be maintained at Rs. 30 per maund basis Assam Bottoms is deemed to be unrealistic in the context of the declining trend of jute goods prices. The experience of the past seven or eight weeks is that overseas buyers naturally expect the prices to decline in line with the plentiful availability of raw jute in the current season. As against this reluctance of overseas buyers to pay the current level of prices, there is the determination of the authorities, reiterated by the Jute Commissioner, to maintain the minimum operational price for jute. According to the Commissioner, Government has already initiated measures to give support to the raw jute market. Evidently, the policy of allotting compulsory purchase quotas to jute mills is to be

Plan, which had created an imbalance in several other sectors including raw materials, steel, electricity and foreign exchange. She had voiced much the same sentiments a little earlier at Bombay while addressing the Progressive Group.

Mrs. Sinha visited Panjim (Goa) to inaugurate a branch of the United Commercial Bank. She urged bankers to form a consortium and co-ordinate their resources to finance industrial development under a phased programme and establish institutions for training personnel for banking work. She found fault with Indian bankers on the ground that they were too cautious. Successful businessmen always took risks, but with intelligence, imagination and drive. If some banks had failed, it was, according to Mrs. Sinha, not because they took risks but because 'mistakes were deliberately committed.'

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The Kamani Metal Works, a leading non-ferrous metal products manufacturing firm of Bombay, has agreed to provide technical collaboration to an Iranian firm. The Ayineh Company of Iran will manufacture non-ferrous metal sheets with Kamanis and the Development Bank of Iran has blessed the project, the Indo-Iranian venture, by granting a loan of the order of Rs. 25 lakhs. This is probably the first time that a Bombay firm is collaborating with Iran. The investment of the Kamanis in the venture is placed around Rs. 10 lakhs. The Iranian Government has agreed to the repatriation of profits and capital. Although Kamanis are exporting substantial quantities of non-ferrous products to the Iranian market it was stated that the new venture would not affect Indian exports. It is interesting to note that Kamanis have provided technical collaboration for some projects in other neighbouring countries such as Ceylon and Sikkim.

continued. As against the 440,000 bales allotted last month, the compulsory quota for the current month has been increased to a total of 650,000 bales — 600,000 bales for IJMA mills and 50,000 bales for the rest of the industry. According to the Commissioner, the State Trading Corporation and jute co-operative societies are expected to acquit themselves better than last year.

A serious limiting factor to large scale purchases by these sources had been the lack of storage space and this year the difficulty will be somewhat reduced as provision has been already made for building additional storage capacity to the tune of 200,000 tons of jute. Even so, the problem of satisfactory disposal of the crop this year will not be quite easy. It is to be noted that the Jute Commissioner himself only believes that it will not be as acute as last year. For according to official estimates the new crop is expected to be of the order of seven million bales and this together with the large carry-over from last year and the quantity that had entered India across the border from Pakistan last year will swell the total availability of raw jute this year to near about 10 million bales. Mill consumption will account for about 7 million bales and still there will be about 3 million bales to be accounted for. This calculation does not include any jute that may be smuggled into India from Pakistan this year also. Unlike last year the problem of unauthorised jute has been receiving the attention of authorities in India and now we have the assurance that everything possible will be done to ensure that supplies do not enter our country across the border. But the possibility of contraband jute finding its way into India from Pakistan cannot be lightly dismissed so long as a wide disparity in raw jute prices in the two neighbouring countries exists. A redeeming feature, however, is

that this year's crop has shown an improvement in quality. This will facilitate mill purchase as well as exports.

The second concerns export prospects. The USSR may be increasing its offtake of jute goods in view of the recently concluded trade agreement with India and a delegation is shortly leaving for the Soviet Union and other countries of the Communist bloc to explore market possibilities for jute goods. The steps that are being taken to ensure stricter quality control of jute goods and to explore new markets may be expected to give a fillip to exports. But it is unfortunate that one of the major problems affecting our exports of jute goods is yet to be effectively tackled. So long as Indian sacking continues to be elbowed out of most of its traditional markets by Pakistan, other remedies will be of little avail. It was generally believed that the Shrivastava Committee would make a suitable recommendation in this regard. But the Committee's recommendations published on Friday last are silent on this important point. Its main recommendations are for the establishment of a Jute Development Board and a Buffer Stock Agency for jute goods to be administered by the existing Jute Buffer Stock Association. It has also recommended the discontinuance of the Working Time Agreement of the Indian Jute Mills Association under which the industry has been regulating the production of jute goods for over thirty years now.

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Although it is too early to come to a valid conclusion about the size of this year's tea crop, the trend so far is rather discouraging. In the first six months of 1963, production of both north and south Indian tea gardens has been lower. As compared to the corresponding period of last year, production in Northern India is 15 million lbs. lower while in the case of South Indian tea gardens, the decline is much less at one million lbs. The declining trend has brought into focus the prospects for hitting the third Plan targets for tea. Production last year had been lower than in the previous year and if again the current year shows a fall, there will be only two years left of the third Plan to make up the shortfall. It will be unfortunate if production cannot be stepped up to the requisite level year by year because considerable effort is being put forth to promote tea exports both to our traditional markets and to new ones. The abolition of import duty on tea by the EEC countries on an experimental measure for two years beginning from next year has afforded the Indian tea industry a very good opportunity to foster tea consumption in the European countries where

tea is yet to make headway. The abolition of the export duty on tea in the last budget coupled with the vigorous propaganda for our tea abroad is bound to expand the market. The essential prerequisite for reaping a dividend from these efforts is steadily increasing availability of tea. But the outlook for stepping up production to the extent required does not appear to be quite bright as the progress of replanting has been slow.

Although from time to time Government has been telling the industry that it will get all the incentives needed to expand production, in actual practice the facilities and the fresh burden heaped on the industry cancel themselves with the result that much needed funds are simply not available for the industry to get on with its development work so essential for increasing production. What little is available by way of assistance is so difficult to get that its usefulness is greatly reduced. An instance in point is the loan assistance that is being given by the Tea Board. It is pointed out that though a large number of applications has been made to the Board for assistance, the actual disbursement uptodate adds up to only a few lakhs of rupees. It will be wrong to suggest that the Board can dispense financial assistance just across the table as it were; but the Board which is quite conversant with the problems of the industry should know that long delays in processing the loan applications will correspondingly delay much needed improvements in the applicant tea estates and consequently the hitting of the third Plan targets.

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Although there has been slight recovery in sentiment on Lyons Range lately the undertone continues to be unsettled. It would appear that the main influence governing the behaviour of the stock market will continue to be the border situation. The slight improvement in sentiment noticeable at the time of writing is attributed to some buying by the Life Insurance Corporation. It is quite on the cards that this institution which is the largest single investor in equities in the country may step up its buying in the coming weeks now that the Central Loans are out of the way. The recent sharp decline in equity values appears to have spoiled the chances of any relaxation in the rules governing forward trading. Stock exchange authorities who have been asking the Government to relax the rules will now be hard put to it to advance their claim. On the contrary, already there is the demand in some quarters that margins should be more rigorously enforced with a view to preventing wide fluctuations in prices as had happened during the past few days.

Mysore Asks for Rail Link

From Our Correspondent

MADRAS:

MYSORE HAS been frequently impressing on the Central Government the need for taking up construction work on the Mangalore Port and the Mangalore-Hassan railway line. Sometime back, when Mr. S. V. Ramaswamy was in this part of the country, it was represented to him that the Centre was not keen on construction of the railway line and there was every danger of both the projects not being taken up in the immediate future. It was indicated then that the delay was mainly due to the absence of any final decision about the location of the Mangalore Port and also the difficulty in deciding about the alignment of the railway line. Sardar Swaran Singh, however, stated recently that the final report about the alignment of the railway line had been submitted to the authorities and that it was being considered by experts. He gave the assurance that both the port and the railway

projects would be taken up as early as possible and, in the absence of any announcement to the contrary, there was no reason for fear that these projects would be dropped. It is emphasised that the alignment of the railway line has to take into consideration many factors as the construction had to be taken up on a difficult terrain. The ghat section also has to be carefully planned as heavy loads will be involved. Provision is also being made, when constructing tunnels and bridges, for the conversion of the metre-gauge line into broad-gauge, if this was found necessary at a later stage. Indeed, the Railway Minister indicated that the ultimate objective was to have a broad-gauge line up to Goa depending upon the availability of iron ore reserves in the hinterland. The Karwar port is being developed along with the necessary railway facilities as it is felt that iron ore shipments from Bellary-Hospet area can be increased to as much as one million tons. Exports last year, however, amounted to

only 4 lakh tons. The Mangalore port, too, would be able to handle larger quantities of iron ore and other minerals, when it is converted into an all-weather port and the necessity for additional railway and port facilities on the west coast of Mysore has been recognised. There is naturally anxiety to know when the new projects will take concrete shape.

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The cement industry in Madras State has grown considerably in stature in the past few years and at the present moment four units alone are accounting for nearly 15 per cent of the country's output. While one of the established companies is busily engaged in the construction of a new factory having an initial capacity of 2 lakh tons annually a recent entrant into the field, Madras Cements Limited, commissioned into production a second kiln having a capacity of 400 tons daily taking the total to 600 tons daily. The plant and machinery for the expansion project were imported from Czechoslovakia against rupee payment. The first stage also was completed with machinery supplied from the same source. The company can expand its capacity further as large deposits of high-grade limestone are available from nearby quarries. The lighting up of the second kiln was done by Mr. R. Venkataraman, Minister for Industries and Power.

While the possibility of establishing another cement unit in Ramanathapuram District is being explored, it has been announced that a new company has been formed by name "Chettinad Cement Corporation Limited" for erecting a factory at Karur in Tiruchirapalli District. The company has secured an industrial licence for installing a plant which will have a capacity of 4 lakh tons annually. It is learnt that the required plant and machinery will be imported from West Germany and in about 2 years the first kiln having a capacity of 600 tons daily will be commissioned. The second kiln having a similar capacity is expected to be in operation by the third year. There are large limestone deposits in the Karur-Dindigul area and it is stated that the factory's capacity can be raised to very much higher levels in later years. The Corporation has received permission from the Controller of Capital Issues for raising Rs. 2.8 crores consisting of equity shares of Rs. 10 each for Rs. 2.3 crores and of 9 per cent gross preference shares of Rs. 100 each for Rs. 50 lakhs. The promoters belonging to the Raja of Chettinad group expect to come on the market later in the year.

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Madras State has the reputation for being a large producer of salt and marine chemicals. Production of this essential commodity has increased at a fast rate in the first and second Plan periods. But with sharp rise in industrial consumption and the growing needs of the population, it has been considered advisable to manufacture larger quantities of salt in the State and elsewhere. In Madras particularly, industrial consumption has increased significantly in the past few years as both the heavy chemical units at Mettur in Salem District and at Athoor in Tirunelveli District have been expanding their capacity for manufacturing caustic soda and other products. Dhrangadhra Chemical Works Limited has just completed its programme of expansion raising the capacity to 140 tons of caustic soda, while Mettur Chemical and Industrial Corporation Ltd. is expecting to complete its plans for raising output of caustic soda to 100 tons daily by September next. As this company has also a proposal to manufacture the more sophisticated chemicals and the annual requirements of this industrial unit alone are around 75,000 tons of salt, it has been considered advisable to produce this raw material in larger quantities.

Salt for industrial consumption has got to be in a much purer form than the article in common use as some marine

chemicals have to be eliminated. These emerge as by-products and have their uses. Mettur Chemical has, therefore, thought it is advisable to have its own salt division and a large area has been acquired from the Madras Government on lease near the coast in Thanjavur District. The salt works at Vedaranyam was inaugurated by the State's Industries Minister only a few days back. It is the intention to produce annually 2 lakh tons so that the needs of other consumers also can be met from this source. The factory is expected to be fully mechanised and will be the most up-to-date of its kind in the East.

The Madras Government is anxious that some more chemical units should be started. They have actually asked a Japanese team of experts to draw up a project report for establishing a caustic soda plant. It was also announced at the industrial seminar held in Karaikudi recently that there was scope for establishing a soda ash plant in the coastal area of this backward district. The chemical industry can, therefore, be expected to grow in stature considerably in the coming years.

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The Pierce Leslie group is not very much in the lime-light now because of the slump in stock market, following disturbing reports from the northern border. Even earlier, there was no aggressive buying on behalf of the interested parties and prices were tending to come down with larger offerings from investors. The results of some of the companies in the group for the last accounting period have not also been encouraging. Cochin - Malabar Estates particularly has done very badly during the year ended February 28, 1963, and the dividend on ordinary shares had to be reduced to 12 per cent, taxable, from 20 per cent, taxable, for 1961-62. The output of rubber was slightly lower on account of a larger area coming under the re-plantation scheme and the decline in the number of rubber yielding trees. The output of rubber was thus lower at 11.05 lakh kg. against 11.60 lakh kg. in the previous year. As working expenses were also higher, the profit declined sharply to Rs. 10.54 lakhs from Rs. 16.87 lakhs in the previous year. There were necessarily reduced allocations to reserves. The chairman has pointed out that, for sometime, there will be a decline in the output of rubber. But once the re-planted areas come into the production stage the trend will be reversed.

Chembra Peak Estates, however, has maintained its dividend on ordinary shares for the year ended March 31, 1963, in spite of a decline in the profit to Rs. 6.06 lakhs from Rs. 7.16 lakhs in 1961-62. After making provision for taxation, depreciation and other reserves, the dividend on ordinary capital has been maintained at 20 per cent taxable.

★★

Even under difficult conditions in the capital market, Madras Rubber Factory Limited has been lucky to make a success of its issue of additional capital in equity shares for Rs. 62.50 lakhs. In order to find part of the funds for implementing the expansion programme, a licence has been received for raising the capacity to 3.6 lakh sets of tyres and tubes from 3 lakh sets of tyres and tubes, and also ease the ways and means position. The company was permitted to issue new equity shares of Rs. 10 each at par to the existing shareholders in the proportion of one share for every two shares held. As the rights for the new issue were quoted at a premium of Rs. 3 per share there was enthusiastic response from the shareholders. It is understood that quite a number of small shareholders have asked for an additional allotment and the issue was oversubscribed to the extent of 50 per cent. This is indeed a creditable achievement in the present circumstances.

The moving finger writes

NEW DELHI is not by any means the most cheerful spot these days on God's good earth. But a recent visit to Calcutta and Bombay (which, by the way, helped me to play truant from these columns last week) showed that gloom over national affairs was not by any means confined to the Capital. From the talks I had with people in various walks of life in those two metropolitan cities, I have come back with a feeling that distance does not serve to blunt the public's disappointment (and even resentment) with the Central Government's attitudes of drift and dalliance in defence and development matters.

★★

In Calcutta, however, I was glad to hear informed people talking well of Mr. P. C. Sen's leadership of the State Government. He has already won quite a reputation as a purposeful and clear-headed administrator. His training and background as a Chartered Accountant seem to have stood him in good stead. Mr. Sen is credited with the capacity for taking decisions promptly and with a minimum of paper work. It is also said that his instructions to his officers are always firm, clear and precise. I found many Calcutta citizens speaking admiringly of the "I will stand no nonsense" attitude which the Chief Minister has apparently taken up in his efforts to discipline that monstrous leviathan, the Calcutta Municipal Corporation. Legislation is being sponsored for curbing the wayward behaviour of that body by vesting more authority in the Commissioner. Indeed, so impressed was I by all that was being said about Mr. Sen's performance and potential that I even had the illusion that Shambazar had already become a little less noisy and a little less smelly than it used to be.

★★

I am glad to find the Finance Ministry developing, so to speak, a split personality. While one part of it is arguing for public consumption that there is no truth in complaints that fiscal policies, climaxing in the super profits tax, are killing industrial expansion, another (and a wiser) part of it is trying behind the scenes to undo at least some of the mischief that has been done. I learnt on good authority in Bombay that the virtual collapse of the new issues market has got the Finance Minister worried more than he might care to admit. This explains the frequent consultations which Mr. L. K. Jha has lately been having with the heads of various institutions concerned with the capital market. One of the consequences of these consultations, apparently, is the selective purchases of equities which are now being made by the LIC to lend support to the share market.

Another result is that the Industrial Finance Corporation and the Industrial Credit and Investment Corporation of India (ICICI) may hereafter be more forthcoming in under-writing new floatations. These steps would no doubt help, but their utility will clearly be very limited. The LIC purchases should release funds to the capital market, but much of this finance is likely to be used up in the further extension of their existing businesses by corporate investors selling their holdings to the LIC. Hence there will be no great direct support on this account to the new issues market. As for more and readier under-writing by the IFC and the ICICI, it is clear that neither of these institutions has unlimited funds for carrying unsubscribed stock. These two bodies cannot remain in busi-

ness indefinitely if public investment demand for new issues does not pick up within a reasonable period. The present position is that banks and under-writing firms have been put out of business through repeated failures of new issues which, in many cases, have left the under-writers concerned nursing up to 70 per cent of the issues. A Finance Minister, less intellectually honest or politically courageous than Mr. Desai, may hesitate to recognise that the prevailing fiscal policies are inconsistent with industrial expansion, but he himself should not.

★★

I should be surprised if the Prime Minister does a Hamlet in the matter of Mr. S. K. Patil. I am not concerned here with the merits of his decision to shift the latter from the Food and Agriculture Ministry to the Railway Ministry. I should also agree readily with those who might be disposed to point out that, while the transposition of Mr. Patil and Sardar Swaran Singh may perhaps result in a gain to the Railway Ministry, it is not by any means equally likely that it will result in a similar advantage to the Food and Agriculture Ministry. All that I am interested in, for the moment, is that Mr. Nehru himself seems to be unusually determined in effecting the transfers. Mr. Patil for his part is not objecting to a change of portfolio as such. Indeed he has apparently consented to his transfer provided it could be effected in such a way as to avoid any suggestion that he is deemed to have failed in his present job. In the circumstances there is obviously scope for Mr. Lal Bahadur Shastri to spread sweet reasonableness all around and secure a result which would meet Mr. Nehru's wishes without hurting Mr. Patil's feelings. In other words, it is only a question of time before the Food and Agriculture Ministry has a new Minister.

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There is, of course, no truth in the report circulated in a section of the Tamil Press and denied by Mr. C. Subramaniam that he is likely to return to the Madras Government. This report evidently was prompted by the fact that the Minister for Steel and Heavy Industries recently accompanied Mr. Kamaraj Nadar to Hyderabad where the Madras Chief Minister met Mr. Nehru. At that meeting Mr. Nehru was supposed to have discussed with Mr. Kamaraj the latter's suggestion that Congress Ministers should relinquish office to take up organisational work with a view to putting new life into the Congress Party. Even if this suggestion becomes a policy and Mr. Kamaraj, in pursuance of it, relinquishes Chief Ministership for a time, he is more likely to pick on Mr. Bhaktavatsalam, the present Finance Minister of Madras, to deputise for him and keep the 'gaddi' warm for him than make it necessary for Mr. Subramaniam to go back to State politics.

My own explanation of Mr. Subramaniam's presence at the Hyderabad meeting would be that he was needed as an interpreter. Mr. Kamaraj's knowledge of English is no better than his acquaintance with Hindi, while Mr. Nehru can hardly be said to possess a working knowledge of Tamil although he has gone on record as saying that Tamil is a great language which northerners might try to learn as part of the grand process of national integration.

V.B.

Trade Winds

FREIGHT RATES ON EXPORT CARGOES

THE GOVERNMENT of India has accepted the recommendations of the Maritime Freights Commission to increase the freight on west-bound cargo carried by the India-Pakistan-U.K.-Continent Conference Lines. The Conference had demanded a general increase of 15 per cent but the Commission agreed to only 7½ per cent for a period of two years subject to the condition that certain sensitive commodities whose export prospects are likely to be adversely affected, should be exempted. The sensitive commodities are cotton piece-goods, cotton yarn, coir fibre, coir yarn, coir carpets, mats and matings, oil cakes, vegetable oils, coffee, hides and skins (tanned and dressed), engineering goods, kyanolite ore, magnesite and chrome ores and manganese.

The plea of the Conference Lines delegates was that costs of operations had been steadily increasing and in the present day conditions shipping industry as a whole was not obtaining a capital return of 12½ per cent and there was a deficit of 33 per cent. It was also put across that there had taken place an increase in freight rates in coastal shipping, railways, road transport etc., during the last two years. Besides, there had been increases announced by the Conference Shipping Lines on various trade routes all over the world since 1960. It is claimed by the Lines that if the deficit has come down from 47 per cent in 1961 to 33 per cent now, it is because of the vigorous action on the part of the Lines themselves. This may be true, but it does seem odd that a 15 per cent increase should be asked for whereas a ten per cent increase was considered adequate when the deficit was far larger.

The Karmahom Conference has announced its decision to restrict its general increase in west-bound rates of freight to a maximum of 12.50 per cent instead of the flat 15 per cent which it had originally contemplated. Though the figure is less than the flat rate of 15 per cent which the Conference had asked for earlier, it is far above the 7.5 per cent increase recommended by the Maritime Freights Commission and accepted by the Government of India. The relief of 2½ per cent is, therefore, a poor consolation when the export trade is almost under great strain. Under the rates fixed by the Karmahom Conference an increase of 7.50 per cent will be made on crushed bones and canned provision, while the rate on oilcake will be sh. 125 per 1,000 kg. gross. The freight on manioc meal and rice bran extraction will be increased to sh. 125 and sh. 117.6 respectively, both for 1,000 kg. The rate on tea from Calcutta and East Pakistan as also from Malabar will be increased by 12.50 per cent. All this re-emphasizes the need for rapidly increasing our shipping tonnage and larger share for it in the exported cargo.

JUTE PROMOTION

A long range research and development programme for jute products has been launched in the US by the Indian jute industry. Following approval by the Government of India a contract has been signed by the Indian Jute Mills' Association with Fabric Research Laboratories of Dedham, Mass. to conduct a product development programme designed to expand the uses of jute fabrics as packaging, industrial and consumer textiles in the Western Hemisphere. The decision to pursue the research effort in the US on behalf of the Calcutta producers of burlap was made in the belief that the best results would be insured in the progress of the programme by working closely with US converters and consumers with the object of adapting jute textiles to the requirements of

American market and meeting competition from synthetics and other natural fibre substitutes.

The contract with Fabric Research Laboratories will continue for several years and involves a substantial fee. It is a follow-up to a market and product analysis study completed for IJMA in 1961 by this leading textile research organization. The initial phase of the Fabric Research Laboratories project will include field investigations of potential new uses for Indian jute fabrics, laboratory development of new or modified fabric constructions and recommendations for the production of woven jute fabrics to yield better quality and uniformity.

Future targets of the programme envision many new and varied uses for jute as the fibre of the Centuries. Costing only ten cents a pound, Indian jute is the cheapest fibre available in volume in the world and is approximately one third the cost of cotton and as much as 90 per cent cheaper than some leading synthetics. Potential applications which are considered promising as products of the research programme include re-enforced coated fabrics and laminates for industrial uses, improved protective coverings and a wide range of decorative fabrics where interesting surface appearance is desired.

PUBLIC SECTOR STEEL

Following a recommendation of the Public Accounts Committee, the Ministry of Steel and Heavy Industries has decided to set up a three-man committee to make a comprehensive study of steel plants in the public sector. The Committee will consist of Mr. S. Ratnam, formerly Secretary, Union Finance Ministry (Chairman) and Mr. B. S. Sindhu, retired Member (Engineering), Railway Board and Mr. U. Ananda Rau, retired Special Engineer, PWD, Madras, (Members). The terms of reference of the Committee will be to study the problems connected with the setting up of the first phase of the three steel works of Hindusthan Steel Limited in the public sector viz. the one million ton plants at Bhilai, Rourkela and Durgapur, with particular reference to the agreements with consultants, project reports, contracts, and arrangements made for training of personnel. The Committee will also examine in particular the contracts for civil engineering works, blast furnaces and rolling mills at Rourkela and more generally the other contracts entered into by Hindusthan Steel Limited in the past. The increase in estimates of the cost of the power plant at Rourkela will be examined by the Committee.

FERTILIZER PROGRESS

The Trombay fertilizer plant will start production by the middle of 1964. This public sector plant is being set up by the Fertilizer Corporation of India and will have a designed capacity for production of 99,000 tonnes of urea and 3,30,000 tonnes of nitro-phosphate per year. It is estimated to cost over Rs. 33 crores. Good progress is reported in the erection and installation work. Contracts for the supply of raw materials for the production of ammonia, namely, refinery gas and petroleum naphtha have already been signed with nearby refineries. It is learnt that Burmah-Shell will supply 50,000 tons of refinery gas per year for ten years, while ESSO will provide 45,000 tons of petroleum naphtha per year for ten years. The State Trading Corporation will arrange for the supply of rock phosphate; the factory's requirements are estimated at 126,000 tons of rock phosphate per year. Arrangements for the supply of water and power have also been made. About six to eight million gallons of water per day will be supplied by

the Bombay Municipal Corporation. Messrs. Tata Power Company will provide 35,000 kw of power for the fertilizer group of plants and 5,000 kw of power for the methanol plant. As for technical personnel about 50 engineers have already been posted after completing their training and about 200 apprentices are under training at Sindri and Nangal.

EXPANSION OF BOMBAY PORT

The port of Bombay is being expanded by four additional deepwater berths in the Alexandra docks and a new landing-place for ferry-boats near the Prince's dock to make room for three deepwater berths. The Ballard pier will be extended by 750 feet to allow construction of another berth. The main channel will be deepened to 32 feet.

The port of Madras will receive new ore handling equipment, handling capacity being three million tons a year and costs 25 million rupees. The Government plans to expand and modernise the port of Marmugao in Goa. The costs will come to Rs. 24.71 crores.

EXPORT PROMOTION TECHNIQUES

For promoting India's exports, the US Government have extended dollar and rupee grants totalling Rs. 25 lakhs to the Government of India. A team of five industrial and commercial experts and a number of short-term specialists will be assigned to the Engineering Export Promotion Council under this project. The specialists, whose services will be made available by the US Agency for International Development, will undertake a demonstration study of modern techniques for improved sales by the engineering industry in all world markets. In recent years, the Indian engineering industry has effected a large increase in its exports, but it is felt that, with the adoption of the latest marketing techniques, the industry could make a significantly higher contribution towards earning foreign exchange for India.

EMPLOYEES' PROVIDENT FUND

To provide non-refundable advances to the members of the fund to the extent of Rs. 30 or their own share of contribution whichever is less to enable subscribers to buy shares from a consumers' co-operative society with a minimum membership of 250, the Employees' Provident Fund Scheme framed under Employees' Provident Fund Act, 1952, has been amended. Members desirous of availing of this facility may apply to the Regional Provident Fund Commissioner in the prescribed form accompanied by an authorisation for payment to the society and an undertaking by the society that the shares will not be transferred without prior approval of the Regional Provident Fund Commissioner.

CONSTRUCTION OF PIPELINES

A contract between Indian Refineries Ltd., and ENI was signed recently for the construction of two petroleum product pipelines in the eastern part of the country. The contract is valued at about Rs. 11.33 crores. The foreign exchange cost of about Rs. 5.30 crores will be met out of the \$100 million of credit which ENI had offered to the Union Government in August, 1961 for various oil projects. Construction of the lines—one of the largest single systems in the world—will involve crossing of 78 rivers, 42 railway tracks, 300 roads and 150 canals and water courses. The first line, 530 Km. long will start from Haldia and terminate at the Barauni refinery. The second line, 680 Km. long starting from the Barauni refinery will end at Kanpur. The Haldia-Barauni pipeline will be a two-way line capable of carrying products to

Haldia and crude from Haldia to Barauni. This is the fifth contract signed in pursuance of the credit agreement.

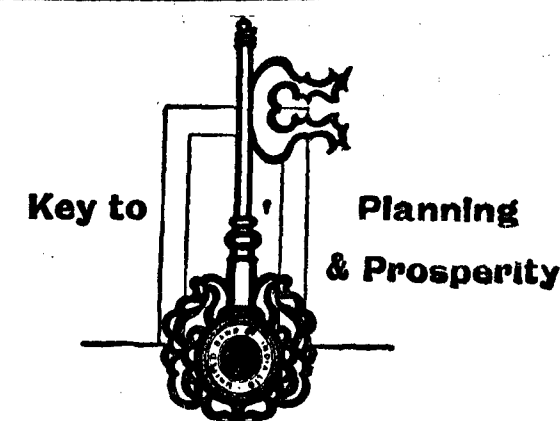
EXPORT OF SEWING MACHINES

It has been announced by the Jay Engineering Works that they will be exporting 720,000 Usha sewing machines to West Germany during the next three years. This is the largest single export order that Jay Engineering Works has received in recent years. The company is exporting monthly 1,500 Usha sewing machines to the USA and 1,000 machines to the UK. Pioneers in the export of light engineering goods, Jay Engineering Works has broken all records in the exports of sewing machines and fans.

SWEDISH PULP AND PAPER

The demand for Swedish pulp and paper has been increasing of late. Sales of Swedish cellulose at the end of the first half-year amounted to 70 per cent of the estimated annual output of just over three million tons. Deliveries in the first six months totalled over 1.4 million tons compared with 1.2 million tons in the depressed market situation last year. Even if production so far this year has been 10 per cent larger than in 1962, most sectors of the cellulose industry are still working below capacity. Since the fall in prices ceased towards the end of last year, sales in the first and second quarters of this year were made on a uniform price level. At the beginning of May prices for paper pulp were adjusted upwards by 4–5 per cent and for dissolving pulp by 2 per cent, a level now accepted by purchasers for the third quarter. Yet, current prices are still 5–10 per cent below those quoted at the beginning of 1961.

Production of paper and paperboard during the first four months of this year was 8,72,000 tons, an increase of close on 9 per cent on the corresponding 1962 figure. A similar development was noted in May and June. Sweden's total productive capacity for all kinds of paper and paperboards is about 2,870,000 tons. This capacity cannot at the present moment be utilised to the full, particularly in the newsprint and kraft paper sectors. Minor price increases have lately been effected for kraft and sulphite wrappings.



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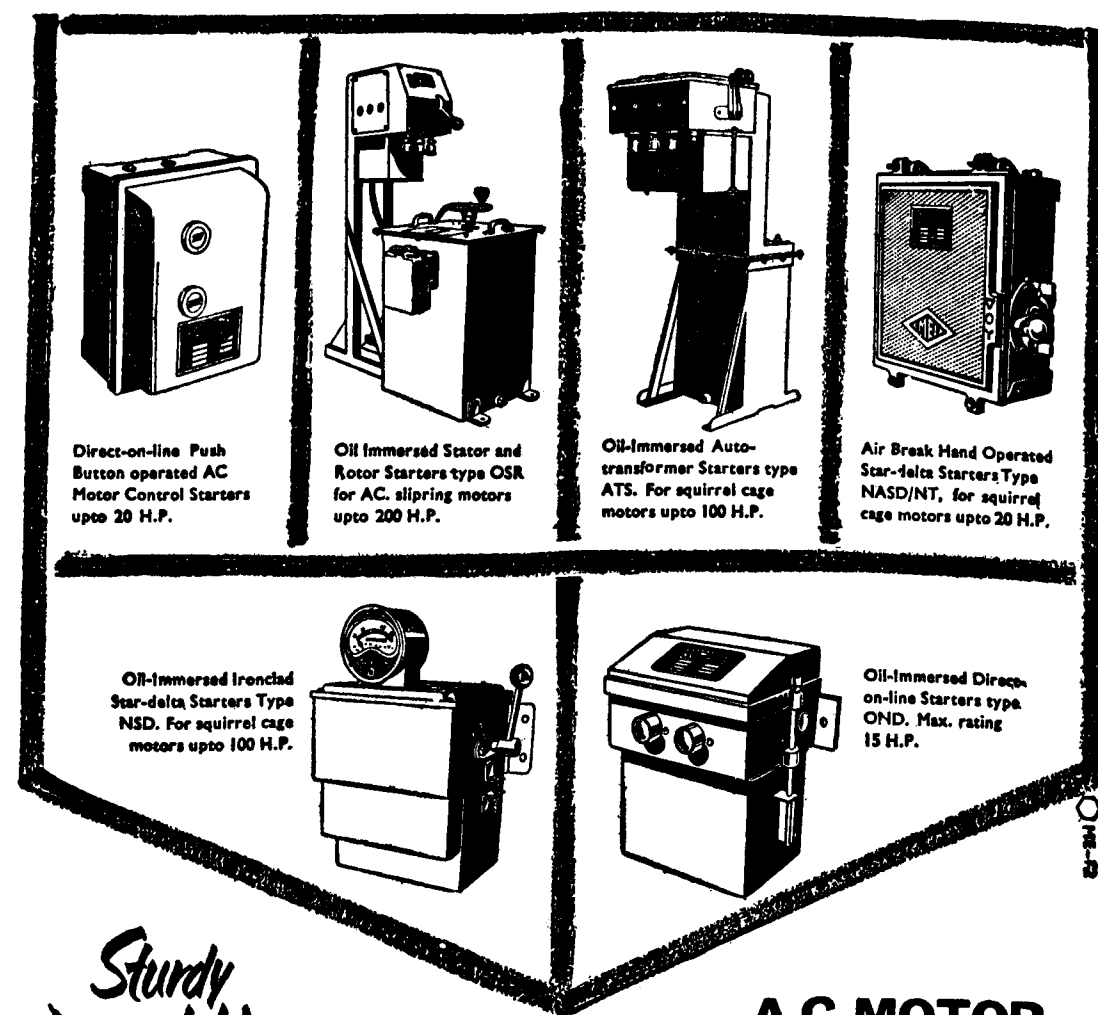
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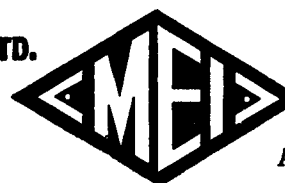
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Company Affairs

TISCO EXPANSION

MR. J. R. D. TATA, Chairman of the Tata Iron and Steel Company Ltd., has informed the shareholders in the annual report for the year ended March, 1963, that there was a possibility of further expansion and modernisation of the unit. The Government of India is currently studying proposals for the fourth five-year Plan and discussions are being held for further expansion of the steel industry in the private sector. The Government has sounded TISCO if it would be interested in further expansion during the fourth Plan period.

The expansion programme, however, is at an exploratory stage and a final decision will be taken after considerable time. A preliminary study of the expansion project is being made. The overriding consideration for the adoption of the expansion plan would be the availability of finances. Mr. Tata has stated that an effort would be made to save the Company from undue strain on its resources and, at the same time, the interest of the shareholders would also be safeguarded.

Preliminary studies made so far have indicated that further expansion of the plant from 2 to 2½ or 3 million tons might be feasible within the existing plant area. In any case the final decision in regard to expansion will be taken after studying the technical and economic soundness of the project, the financial stability of the Company and the interests of both the shareholders and the country.

According to rough, preliminary estimates the total cost of expansion may be around Rs. 100 crores for a million tons. Half of this amount is likely to be in foreign exchange. Consultations will have to be held with the World Bank from which the Company took loans amounting to Rs. 32 crores for the doubling programme.

Assessing the overall steel situation for the fourth Plan, Mr. Tata gave the opinion that the fourth Plan target may not exceed 15 million tons. In view of the vast scale of finances needed for steel plants, the private sector may not be in a position to set up additional plants or expand the existing ones without Government help.

Mr. Tata also referred to the statutory control over steel prices and distribution which had been in force since 1941. He stated that the industry would welcome de-control of steel provided such steps, as were necessary, were taken to ensure smooth transition and the industry was promised fair prices. If the industry was allowed to conduct its own affairs, he said, under a carefully thought-out scheme, it might benefit all sections associated with the steel industry.

The working results for the year ended March 31, 1963, which have already been reviewed in these columns, indicated a healthy growth both in gross revenue and in net profit. The gross revenue indicated a sharp increase from Rs. 92.99 crores to Rs. 103.44 crores. Net profit was higher at Rs. 9.76 crores against Rs. 6.09 crores last year. The Directors' report had indicated that even though the profits for the year had showed a gratifying increase, the return on the total capital employed was not sufficient keeping in view the legitimate needs of a heavily capitalized industry such as steel.

HINDUSTAN MOTORS

Hindustan Motors Limited has made considerable progress towards self-sufficiency by increasing the indigenous content of its Ambassador car and Bedford truck. The output for the year ended March 31, 1963, the Directors stated in their annual report, could have been still higher but for the fact that there was a drastic cut by the Government in the company's foreign exchange allocation for the import of components. The company's application for a loan from the US Agency for International Development for \$15.8 million

has been sanctioned. This will enable the company to raise the indigenous content of its vehicle and to increase, to some extent, its truck manufacturing capacity and will also help in renovating some of its old equipment. The implementation of this scheme has already commenced and orders for most of the plant and machinery have been placed. The company has further negotiated for a loan of 60 lakhs from the Commonwealth Development Finance Company Limited, UK, which has agreed to sanction the required amount. Besides, cash licences for the import of some machinery from the UK and Germany have also been received. After the installation of these machines, the company will be able to reach the target of indigenous content for cars and trucks.

The expansion of the company's manufacturing capacity for trucks to 15,000 a year has been sanctioned by the Government along with the company's programme for the manufacture of Bedford diesel and petrol engines. Negotiations for the requirement of capital goods for this programme are in progress. The company has been permitted to fit its own manufactured Bedford engines from September, 1965, by which time the manufacture of engines is hoped to be completed. The programme for increasing the manufacturing capacity of trucks will be taken in hand simultaneously with the manufacture of engine components, while foreign exchange will be arranged from such sources as may be suggested by the Government. An application to the US Agency for International Development for a loan for equipment to manufacture shovels is still pending before the Government. It is expected that the decision will be taken by AID before long when orders for machinery will be placed.

In spite of the various difficulties such as drastic cut in foreign exchange allocation and shortage of power and raw materials, the company has reported satisfactory working results for the year ended March 31, 1963. Sales have risen to Rs. 29.29 crores from Rs. 24.90 crores while the net profit after providing for depreciation amounts to Rs. 350 lakhs against Rs. 313.12 lakhs last year. The allocation for taxation is considerably higher at Rs. 222.50 lakhs against Rs. 152 lakhs last year. The net profit naturally has fallen to Rs. 127.50 lakhs from Rs. 161.20 lakhs. Provision for depreciation is Rs. 71.50 lakhs and for general reserve is Rs. 25 lakhs. Development rebate reserve absorbs Rs. 9.75 lakhs. The Directors have proposed a dividend of Rs. 1.15 per share against Rs. 1.25 last year on ordinary shares.

ORISSA CEMENT

Mr. J. Dalmia, Chairman, Orissa Cement Ltd., praised the incentive scheme introduced by the Government for maximising production of cement, while addressing the annual general meeting of the Company. The objective underlying is indeed commendable but he indicated that it should be spread over to be valid for years beyond the current one. He suggested that the norm should be related to the average production of each unit during the last three years, instead of maximum production attained in any calendar year, during 1960-62. He also informed the shareholders that the Government has allowed an increase of Rs. 2.75 per tonne in the retention prices payable to the cement producers with effect from June 1, 1963. This he felt, however, fell short of the demand made by the Company.

He spoke about the refractory industry which is facing a problem of demand. The expansion of refractory industry was based on the steel production capacity reaching a target of 10 million tonnes per annum by the end of the third Plan. If the installed capacity for fireclay, silica and basic bricks increases to 12,00,000 tonnes during 1965, he indicated that the industry would have an idle capacity of as much as 50 per cent. There is a possibility, he added, that

there is an over-estimation in the rate of consumption of refractories per tonne of steel production. He pointed out that fortunately the Company has developed the manufacture of certain special types of refractories, such as, silica coke oven bricks, forsterite bricks, blast furnace bricks, burnt basic roof bricks, chemically bonded steel clad basic roof bricks etc. which, to a great extent, were being imported till now.

IMPERIAL TOBACCO

The Directors of the Imperial Tobacco Company of India Limited have decided to recommend, at the forthcoming annual general meeting the payment of a final dividend for the year ended 31st March, 1963, of 3 per cent (subject to tax) which, together with the two interim dividends of 2½ per cent (subject to tax), makes a total of 8 per cent for the year as against 9 per cent for 1962. The net profit for the year is Rs. 1.80 crores as against Rs. 1.46 crores after deducting all charges and expenses and after providing for taxation amounting to Rs. 2.62 crores against Rs. 1.76 crores last year. The Directors also intend to declare a first interim dividend of 2 per cent (subject to tax) in respect of the year ending 31st March, 1964, as against 2½ per cent declared for 1963. The impact of the 1963 Budget on the Company's business has been severe and the Directors have considered it prudent to recommend a reduction in the final dividend and to declare a lower first interim dividend. The final dividend, if approved, and the interim dividend will be payable on 30th September, 1963.

DHRANGADHRA CHEMICAL

The working of the Dhrangadhra Chemical Works Limited for the year to March 31, 1963 shows a gross profit of Rs. 90.30 lakhs against Rs. 52.10 lakhs last year. Consequently, net profit has risen from Rs. 20.49 lakhs to Rs. 55.60 lakhs. Directors have proposed to step up equity dividend from six per cent taxable to eight per cent taxable on increased capital of Rs. 107.50 lakhs against Rs. 64.50 lakhs. Higher gross output is the reflection of increased production and improved efficiency of both the soda ash and caustic soda units. The installed capacity of the caustic soda plant has been raised from 80 tons to 140 tons per day. The production level at present is 110 tons per day and is expected to reach the installed capacity of 140 tons per day in about a month. The company has signed an agreement with a Japanese firm for the import of plant and machinery under the second yen credit from Japan for setting up a liquid chlorine plant with an installed capacity of 60 tonnes per day. The Directors proposed to finance this project from internal resources and borrowings. Plastic Resins and Chemicals Limited, sponsored by the company, has entered into collaboration agreement for technical know-how and supplying of plant and machinery with a Japanese firm for the manufacture of PVC and calcium carbide. The company is expected to enter into capital market at an appropriate time.

INDIAN CABLE

Indian Cable Company Limited has reported a higher net profit of Rs. 156.85 lakhs during the year ended March 31, 1963 against Rs. 136.47 lakhs last year. As the taxation provision is substantially higher at Rs. 93 lakhs against Rs. 69.50 lakhs last year, the net profit works out to Rs. 63.85 lakhs—slightly lower than last year's figure of Rs. 66.97 lakhs. Taking into account Rs. 29.56 lakhs being provision no longer required and Rs. 60.15 lakhs brought forward from the previous year, there is an amount of Rs. 153.56 lakhs out of which the directors have transferred Rs. 87.40 lakhs to reserves. The dividend is proposed to be maintained on 22.5 per cent, less tax.

BAJAJ ELECTRICALS

A sizable increase in gross profits for the year ended March 31, 1963, has been reported by Bajaj Electricals Ltd. As against the gross profit of Rs. 16.69 lakhs last year, the

profit for the year under review was Rs. 27.04 lakhs. A part of the explanation in the happy financial results lies in the improved sales from Rs. 2.84 crores in the previous year to Rs. 3.58 crores in 1962-63. Amongst the allocations mention needs to be made of Rs. 14 lakhs for taxation, Rs. 2.17 lakhs for depreciation, Rs. 13,000 for development reserve and Rs. 4.05 lakhs for general reserve. A sum of Rs. 6 lakhs has been transferred to dividend reserve out of which all dividends — preference, equity and deferred — will be paid.

Hind Lamps Ltd. in which the Company has 50 per cent interest has raised its output of electric lamps, fluorescent tubes and lamp components and a further increase is expected in the current year. Because of the foreign exchange shortage the Government has turned down the application of the Company for a further expansion in capacity. A new instruments factory is proposed to be set up at Poona; land for this purpose has already been bought and construction is likely to commence shortly.

MACHINERY MANUFACTURERS' CORPORATION

The net profit of the Machinery Manufacturers' Corporation rose from Rs. 18.94 lakhs to Rs. 22.75 lakhs for the year ended March 31, 1963. Sales improved sizably from Rs. 149.26 lakhs to Rs. 203.64 lakhs. The appropriations include depreciation at Rs. 10.27 lakhs, development rebate reserve at Rs. 1.91 lakhs, provision for gratuity at Rs. 3.50 lakhs and taxation at Rs. 17 lakhs. The ordinary dividend of Rs. 1.50 per share (of Rs. 10 each) will absorb Rs. 4.52 lakhs.

An encouraging feature of the working of the Company is that its order book is full with orders. Even though the shortage of coke and pig iron and of power at Sonai works slowed down the tempo of production, yet both production and despatches of cards increased by 15 per cent.

POLYCHEM

A lower profit has been declared by Polychem Ltd., for the year ended March 31, 1963, despite a substantial increase in sales. Whereas sales rose from Rs. 163 lakhs in 1961-62 to Rs. 196 lakhs in the year under review, the gross profit declined from Rs. 39.87 lakhs to Rs. 38.49 lakhs. The provision for depreciation has been reduced from Rs. 7.06 lakhs to Rs. 6.30 lakhs while the allocation for taxation has been raised from Rs. 15.50 lakhs to Rs. 17 lakhs. Development rebate reserve at Rs. 2.44 lakhs was almost eleven times the provision in the previous year at Rs. 0.22 lakhs. The disposable profit, therefore, was lower at Rs. 12.69 lakhs as against Rs. 16.74 lakhs in the last year. As against the allocation of Rs. 6 lakhs to general reserve in the preceding year, no allocation was made this year. The transfer to the dividend equalization reserve was also reduced from Rs. 3 lakhs to Rs. 2 lakhs. The taxable dividend (proposed) at Rs. 7.50 per share will be paid out of a dividend reserve of Rs. 12 lakhs earmarked for this purpose. The styrene monomer and alcohol plants have been completed and are expected to be commissioned shortly.

SIDHPUR MILLS

The gross profit of the Sidhpur Mills Ltd., for the year ended March 31, 1963, declined to Rs. 2.61 lakhs as against Rs. 15.82 lakhs in the preceding year. The down turn in profit has resulted in a reduction of the dividend from 12 per cent to 8 per cent, though the lower dividend is on the enhanced capital. The provision for depreciation is slightly lower at Rs. 4.91 lakhs as compared to the preceding year's allocation of Rs. 4.96 lakhs. There is a sizable drop in the managing agents' commission from Rs. 1.01 lakhs to Rs. 40,000. The statutory development rebate reserve has been allocated a sum of Rs. 25,600 (Rs. 1.23 lakhs in the last). The proposed dividend would absorb Rs. 1.60 lakhs. The Company is continuing its modernization programme so as to improve the quality of its products and make them more competitive

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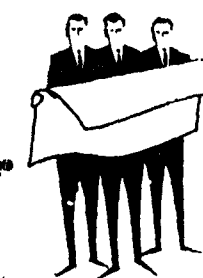
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in the local and the export markets. The Company also proposes to convert its boilers to oil firing in view of the difficulty in obtaining coal supplies.

CAPITAL ISSUES

The following eight companies have been authorized to raise capital totalling about Rs. 12.72 crores. The consent is valid for 12 months.

The Fertilizer Corporation of India Limited, Delhi, a Central Government undertaking, has been accorded consent to issue further capital of Rs. 7.60 crores in equity shares of Rs. 1,000 each, for cash at par. The entire issue will be subscribed by the Central Government.

The Nagargali Cement Company Limited, Hubli, will issue capital of Rs. 1 crore divided into 10,00,000 equity shares of Rs. 10 each for cash at par. Of this, 7,50,000 shares will be offered for public subscription. The money will be used for setting up a factory for the manufacture of portland cement.

Graphite India Limited, Calcutta, is to issue capital of Rs. 90 lakhs in equity shares of Rs. 10 each. The capital is required for the manufacture of various types of graphite and carbon products in collaboration with the US firm of Great Lakes Carbon Corporation, which will subscribe Rs. 25 lakhs.

The Indian Graphic Arts Equipment Company Limited, a new company to be incorporated in Madras State for doing business as manufacturers, dealers and assemblers of all types of printing presses and machinery for the graphic art, is issuing capital of Rs. 30 lakhs. This amount is divided into 3,00,000 equity shares of Rs. 10 each for cash at par. Out of this shares for Rs. 15 lakhs will be offered to the company's foreign collaborators Miehle-Goss-Dexter Inc. of Chicago, against supply of plant and machinery.

Bellary Spinning and Weaving Company Limited has been given consent for a further issue of Rs. 26,85,500 divided into 26,855 equity shares of Rs. 100 each, to be issued for cash at par. Of these, not less than 14,700 shares will be offered for public subscription by prospectus. The capital will be used for setting up a spinning mill at Bellary (Mysore State). This consent is in supersession of the one granted previously for Rs. 25 lakhs.

Ahmedabad Electricity Company Limited will issue 7½ per cent debenture stock of the value of Rs. 2 crores in units of Rs. 1,000 each for cash at par. The money will be spent in strengthening its distribution mains and other power service facilities.

Kalyan Pulp and Paper Mills Private Limited, Bombay, is to issue capital of Rs. 34,93,000 divided into 2,99,300 equity shares of Rs. 10 each and 5,000 redeemable cumulative preference shares of Rs. 100 each, for cash at par. Out of this, equity shares worth Rs. 18 lakhs and all the preference shares will be offered for public subscription. The capital will be used for the establishment of a new project for the manufacture of pulp and paper.

Ajanta Textiles Limited, Delhi, recently incorporated for manufacturing cotton yarn of various counts, will raise capital of Rs. 30 lakhs (inclusive of Rs. 15,040 already issued, subscribed and paid-up capital by the company) divided into Rs. 25 lakhs in equity shares of Rs. 10 each and Rs. 5 lakhs in 9.3 per cent cumulative redeemable preference shares of Rs. 100 each for cash at par.

LICENCES ISSUED

Following licences have been issued under the Industries (Development and Regulation) Act, 1951 — during the week ending 27th July, 1963. The list contains the names and places of licensees, articles of manufacture and annual installed capacity.

Atta's Iron Foundry 171, Grand Trunk Road, Salkia, Howrah, (West Bengal) — C.I. Railway sleepers and other

C.I. Products 7,000 tons. **Sri Ramakrishna Steel Industries Ltd.,** 1/9, Naranapuram, Pappanaickenpalayam, Coimbatore-1 (Coimbatore, Madras) — Steel castings 4,800 tons per annum on the basis of maximum utilisation of the Plant capacity.

ELECTRICAL EQUIPMENT

The Bihar State Industrial Development Corporation Ltd., Sikandar Manzil, Fraser Road, Patna, Proposed name: **The Bihar General Electric Co. (Tatisilwai, Dist. Ranchi, Bihar)** — L.T. Oil Circuit Breakers 300 Nos. per annum, Motor Starters 3,600 Nos. **Bihar State Industrial Corporation Ltd.,** Sikandar Manzil, Fraser Road, Patna, Proposed name: **The Bihar General Electric Co., (Tatisilwai, Dist. Ranchi, Bihar)** — A.C. Industrial Motors above 1 H.P. and up to 100 H.P. 63,000 H.P. p.a. on double shift basis. Aluminium Cables and Conductors (U.P.) Private Ltd., 47, Hide Road Extension (Off Transport, Depot Road, Calcutta-27) — A.C.S. Rand, A.A. Conductors — 3,200 tons per annum on two shifts.

DRUGS & PHARMACEUTICALS

Martin and Harris Private Ltd., Mercantile Bldgs., Lall Bazar, Calcutta-1 (West Bengal) — Mand H. Cabalamine 500 inj., Mand H. Plax B. Inj., Mand Calcium C-250 Inj., Mand Inj. of Aminophylline B.P., Mand Adrechrome — Inj., Mand Inj. of Procaine Hydrochlor with adrenaline, Dienol, Durabolin, Deca-Durabolin, Menstrogen, Testanon, Progestin, Gestyl. Pregynl, Distilled water (0.5 phenol) — 13,00,000 ampoules per annum.

COTTON TEXTILES

Ankay Cloth and General Mills, Hathras (U.P.) — 6,184 spindles for manufacture of cotton yarn. **Ahmedabad New Cotton Mills Co. Ltd.,** Near Khokhra Mohmedabad, Ahmedabad (Gujarat) — 922 spindles for the manufacture of yarn.

MILK FOOD

The Officer-in-charge Composite Milk Plant, Department of Animal Husbandry, Amritsar (Verka near Amritsar, Punjab) (Skimmed Milk Food Powder) — 1,500 m. tonnes.

MALTED FOOD

Dyer Meakin Brewries Ltd., Mohan Nagar, Gaziabad (Uttar Pradesh) — Malt Extract 1,800 m. tonnes.

GLASSWARE

Bawa Glass and Croceries Private Ltd., Chandni Chowk, Delhi (Delhi, Administration) — Lead Crystal Glassware 1,800 tons.

CIGARETTES

Vazir Sultan Tobacco Co. Ltd., Post Box No. 6, Hyderabad-20, (Azamabad, Hyderabad, Andhra Pradesh) — Cigarettes 360 million pieces.

CHANGES IN NAMES

(During the week ending 27th July, 1963)

From M/s. Shah Steel Industries, Bombay to M/s. Shah Malleable Castings Ltd., Bombay. From M/s. The General Electric Co. of India Manufacturing Private Ltd., Calcutta. to M/s. The General Electric Co. of India Private Ltd., Calcutta. From M/s. Lalji Ramji & Co., Bombay to M/s. Magnotape Co., Bombay. From M/s. Tata Iron and Steel Co. Ltd., Bombay to M/s. Tata Robins-Fraser Ltd., Bombay. From M/s. Bayer Agrochem Ltd., Bombay to M/s. Bayer (India) Ltd., Bombay. From M/s. National Air Products, New Delhi to M/s. National Air Products Private Ltd., New Delhi. From M/s. New Pahlad Mills to M/s. Sayaji Mills No. 2, Bombay. From M/s. Viswan Mills (Spinning) Erode to, Name of the new owners: M/s. J. K. K. Angappan and Bros. Erode. Name of the new undertaking: M/s. Kandaswamy Spinning Mills, Erode.

LICENCES REVOKED

(During the week ending 27th July, 1963)

M/s. M. Dinesh & Co., Khadia, Char Resta, Ahmedabad. (M/s. Geeta Oil Industries (P) Ltd., Ahmedabad) Rice Bran Oil.

BOOKS BRIEFLY

Economic Consequences of Chinese Invasion

The Impact of Emergency on the Indian Economy: By Prof. M. S. Krishnamurthy: C. Nagiah Chetty and Co., Madras: Pp. 138: Price Rs. 4.

REVIEWED BY R. P. RAO

EXPANSIONIST China's mass invasion of India on the Himalayan border in October 1962 has brought about adjustments in the foreign and economic policies of the latter. Although the basic factors in both the fields have not been affected, there have been shifts and changes, variations in emphasis and directions. India continues to be non-aligned though it is moving towards the democracies without antagonizing the Soviet Communist camp. In the economic field, progress through the Plans continues to be its policy, though the urgent needs of defence have been given priority over other activities.

A study of the effects of changes is highly necessary not merely to meet the dragon's challenge but also to preserve India's sovereignty and freedom. India's success will be a success for Asia and all freedom-loving nations.

'The Impact of Emergency on the Indian Economy' tries to bring home to the readers the injury caused to India's economic life by Communist China. However, even a casual reader cannot overcome the feeling that the author could have spent some more time and made the book more informative, readable and interesting.

Prof. Krishnamurthy, like many of his Indian contemporaries, has generally narrated the various measures adopted by the authorities since the declaration of emergency in a chronological order. The book fails to present a critical analysis of the measures taken. This is necessary for a proper appreciation of the situation and to correct loop-holes, if any, in the present set-up.

Writing on the budget, deeply coloured by the impact of the emergency, the author says: "It is doubtful whether it would be possible to maintain this huge effort over a period, were the emergency to last a few years. The actual aggre-

gate expenditure works out to Rs. 3,672 crores. Even in 1961-62 the total of the revenue and capital budget was only of the order of Rs. 2,350 crores. Even in 1962-63 the Rs. 3,000 crore mark would not have been exceeded in case the emergency had not occurred." The arguments and the statistics do not tally with each other. If the expenditure rose between 1961-62 and 1962-63 by about Rs. 650 crores when there was peace in the country, there is no reason why almost an equal amount of extra expenditure between 1962-63 and 1963-64 should alarm any person, including the author, and why the peace-time rate of increase in expenditure should not be maintained even in times of emergency?

Speaking about the gold bond scheme, Prof. Krishnamurthy says: "As a policy, the Government probably decided to possess all gold available in the country on Government account only. It might have been the result of the Government's resolve to follow its non-alignment foreign policy by purchasing arms and defence equipments only against payment. Such a step might have been the outcome of the country's foreign exchange reserves having declined very near to the statutory minimum level." The author has obviously not given sufficient thought to the problem. It is difficult for any democratic Government to entertain hopes of possessing all the gold in the country on its account. It is much more so in a country like India. Further, even a casual study of the scheme does not warrant any such conclusion because it does not cover existing jewels of even 22 carat and also allows free circulation and manufacture of new jewels of 14 carat gold. It surpasses the imagination of this reviewer how the learned professor entertains the fantastic impression that the Government's motive behind the Gold Control Order is to acquire monopoly ownership of all the gold in the country. The basic idea is to prevent smuggling and put a stop to the drain on the foreign exchange.

In spite of the few shortcomings the book deserves to be read by all persons interested in the economic growth of this country.

Readers' Roundtable

QUESTIONS FOR HMT

Sir,—The Hindustan Machine Tools deserves a pat on the back for its reported performance of 33 per cent net profit on share capital in 1962-63. There are, however, some claims of HMT which need clarification. The Parliamentary Estimates Committee, in its 94th report, had observed: "The sale price of all machines produced by Hindustan Machine Tools is stated to be below the landed cost of the imported machines, although the landed cost of such machines has not been given in the Report." This deficiency has now been made good. HMT's Annual Report for 1962-63 claims that its current selling prices, in force from 15th April, 1963, are uniformly 15 per cent below the current landed cost of European machines of equivalent quality. A set of figures is also given. But clarification is needed (a) on the range of prices compared, (b) comparability of the HMT machines with foreign ones and (c) prices of accessories, etc.

(i) The report cites a price of Rs. 33,000 for a high precision lathe as against the "comparable landed cost of imported machine" of Rs. 48,362. But HMT's price list (Cir. No. 6/15-4-1963) gives 'ex factory' prices for different high speed precision lathes (Model H-22) from Rs. 41,000 to Rs. 49,000. Similarly, milling machine price in the Annual Report is Rs.

39,500; "comparable landed cost" given in the report is Rs. 51,802, but the HMT price list quotes 'ex works' price from Rs. 44,000 to Rs. 70,000. How does this difference arise between the Annual Report and the price list? Which machine in the group is quoted against the foreign one?

(ii) A machine tool is judged by the 'rate of metal removal' and sustained accuracy over a number of years. The design of HMT's lathe is said to be about 12 years old, while machine tools abroad have progressed considerably both in rate of metal removal and convenience of operation. How does the comparison work out on this basis?

(iii) Comparison with foreign machines becomes difficult when it is said that HMT charges extra for many of the accessories and also for packing. Inland packing charges alone cost anywhere between Rs. 750 and Rs. 1,400 per HMT machine. The landed cost of foreign machines, which includes freight and insurance charges, would be less if India were a free market for them as bulk rates would be quoted in that event.

It should be useful if the HMT would throw light on these points.

Bombay.

"ARISTIDES"

COMPANY MEETINGS

THE INDIAN IRON & STEEL COMPANY LIMITED

The following statement by Sir Biren Mookerjee, Chairman of the Indian Iron & Steel Company Ltd., dealing with Company's working for the year ended 31st March, 1963, has been issued to Shareholders. The Annual General Meeting of the Company will be held on Tuesday, the 3rd September, 1963, at 3 p.m. at the Royal Exchange Hall of the Bengal Chamber of Commerce and Industry, 6, Netaji Subhas Road, Calcutta-1.

The highlight of the year under review was the attainment by the Burnpur Works of a production of iron and steel approximating to the rated capacity of the plant, an achievement which reflects great credit on the entire operational staff, who have refused to admit defeat in the face of the many adverse circumstances with which they have had to contend.

ACCOUNTS:

The effect on profits of the increase in production is not immediately apparent from the Profit and Loss Account. I should, therefore, perhaps point out that in the 1961-62 account there was included a sum of Rs. 2,28,51,875 arising from the retrospective increase in retention prices but relating to the year 1960-61. Against this has, however, to be set the adjustment of Rs. 1,40,01,141 relating to previous periods by which the value of the sales for 1961-62 had to be reduced by reason of the disallowance by Government of an element in the retention prices to compensate the interest chargeable on their Special Advance. The net special inclusion was accordingly Rs. 88,50,734 and if this is deducted from the gross profit of Rs. 9,18,78,416 shown for 1961-62, the comparative gross profit figure for that year becomes Rs. 8,30,27,682 in relation to the gross profit of Rs. 9,11,89,201 earned in 1962-63.

The 1963-64 Budget proposals in regard to the levy of a Super Profits Tax at penal rates on profits earned in excess of 6 per cent on Capital and Reserves caused us grave anxiety, since in their original form they would have imposed on our Company a liability for the year exceeding Rs. 1 crore. As a result of widespread protest, these proposals were, however, subsequently considerably modified, the concessions primarily affecting us being the allowance of a deduction of 10 per cent of total income in the computation of chargeable profits and the inclusion in Reserves of Development Rebate Reserve (in our case amounting to some Rs. 867 lakhs) not originally admissible. Although, in the result and in the circumstances explained in your Directors' Report, the possible immediate liability for the year is in our case now small, I cannot but regard the tax as ill-conceived. I say this for the reason that the tax can so readily operate to impose a penalty on efficiency and to constitute a positive disincentive to the expansion of the industries of India on which the entire future of the country depends.

OPERATING CONDITIONS:

You will be fully aware from my previous Statements of the difficult conditions under which operations are perforce carried on at Burnpur, the transport position, both as regards irregularity in the movement of wagons and the utilisation of wagons of unsuitable types, posing a constant problem in the handling of raw materials and the quality of purchased coal and limestone being a matter of the gravest concern. The position in regard to the latter materials was rendered still more acute by the commissioning of the remaining blast furnaces of the Hindustan Steel Limited during the year which led to a further deterioration in the quality of our supplies, the average ash content of our coal being 18.22 per cent as against 18.01 per cent for the previous year.

We are, in the matter of raw materials, contending against conditions far worse than those being experienced by the other

producers due to our very small allotment of washed coal (about 8 per cent of our requirements against nearly 100 per cent in the case of all other producers) and might, therefore, with some justification boast of our production achievements in keeping with the example set in certain other quarters. I must, however, confess to some feeling of inquietude at the position which has been forced upon the industry by the apparent view of the Steel Ministry that quantity of production alone shall be the criterion of efficiency without regard to quality. For the two years ended 31st March, 1962, in our fight to maintain quality, we produced to approximately 90 per cent of our rated capacity, about 80 per cent of our outturn of saleable steel being of tested quality. This position was accepted by the Tariff Commission after full investigation and their recommendation as to the sales retention prices for the period based accordingly. Despite this and the fact that a basis of 90 per cent capacity production constitutes also practically a world standard for the steel industry, these recommended prices, as I advised you last year, were cut by the Steel Ministry by no less than Rs. 19.50 per tonne, the major part of this reduction being made on the grounds that "the plants should have worked at 100 per cent of capacity instead of 90 per cent optimum mentioned by the Tariff Commission." The effect of the cut made by Government was in our case to impose on us a penalty by way of loss of gross earnings for the two-year period of no less than Rs. 405 lakhs. Faced with such a position where we have been penalised for our performance in place of the commendation we might justifiably have expected, we have had no option but with the greatest of reluctance to lower standards, for the maintenance of which I have fought throughout my entire association of over thirty years with the Company, and the attainment of a production of 100 per cent of rated capacity has been achieved only at the expense of a drop in the proportion of tested quality steel to about 60 per cent of the total outturn, the rest being of commercial quality, with further reduction possibly still to come.

A constant drive for more and more production is fraught with many risks which, although apparently contrary to the views of those in authority, I cannot help but feel should not be taken, particularly having regard to the period of emergency through which the country is now passing. With the present quality of raw materials and the irregularity of their supply, the task of maintaining production is difficult enough in all conscience, for the efficient working of a steel plant is, in effect, a combination of art and science superimposed on an essential and fundamental background of rhythm. To the extent that more constants can be established so is the rhythm improved but where there are many and serious variables as now, then is the rhythm broken, this in turn cutting into production and quality — a set of conditions which the steel producer most dreads.

A modern steel plant is robustly built but nevertheless there are many delicate sections in it where constant care and vigilance is needed. Hence, maintenance must get the highest priority even at the cost of some loss in production. Just like the human body, where, although the stomach can stand a lot, the heart, brain and lungs are very delicate, so in a steel plant the Turbo-Blowers, the Ilgner Plant and the Cogging Mill are the vital points. Unless these are attended to regularly with special attention at the slightest sign of

irregularity a major breakdown may ensue. The position is particularly hazardous in the case of our Indian steel mills where the holding of a large quantity of spares of all kinds is not possible owing to foreign exchange shortage and where any major breakdown could accordingly involve a prolonged and very serious loss in production. If, therefore, at the goad of the Steel Ministry capacity production must be obtained to avoid penalty, there is always the danger of chances being taken which might result in disaster. These are commonsense and practical matters allowing no scope for arbitrary decisions which, I suggest, should not have been and should not be made without the support of the highest expert advice available within or, if necessary, without the country.

FURTHER EXPANSION

I advised you last year that dependent upon the availability of raw materials in general of the requisite quality and, in particular, of coking coal of reasonable ash content, there existed a potential for further expansion of the production capacity of the Burnpur Works by approximately one million tonnes of crude steel per annum and that such expansion for planning purposes had been phased into two parts. Phase I, which is that under immediate consideration, would cater for an increased annual production of some 300,000 tonnes of equivalent ingot steel to be processed in the existing Rolling Mills, while Phase II, to follow in due course to accord with the overall planning of Government, would cover the balance increase of some 700,000 tonnes of crude steel, the form of final processing of which would be dependent upon the future requirements of the country. The World Bank has expressed its interest in the implementation of Phase I and the position so far as Government are concerned is that they have officially announced that there is no objection in principle to the further expansion of the Private Sector steel plants and have called for technical and financial reports in regard to this first phase of the Company's expansion programme.

It has been pointed out to Government that the availability of adequate quantities of good quality metallurgical coal is a prerequisite to any further expansion and that since Government have previously indicated that the Private Sector plants must make themselves self-sufficient in the matter of their coal requirements, the position, of necessity, hinges upon the ability of the Company to implement the Chasnalla Project for the development of the Company's coal-bearing properties, for the finance of the foreign cost of which a loan of \$19,500,000 has been negotiated with the World Bank as reported last year. The difficulty in this matter lies, therefore, not in connection with the foreign cost which is fully covered by the loan, but in the finding of the finance necessary to cover the local cost of the Project in view of the fact that the position in this latter respect has gravely deteriorated since arrangements were concluded with the World Bank in December 1961.

This deterioration is due to two factors. Firstly, an increase of Rs. 459 lakhs in the estimate of such local cost caused by (a) lack of Governmental support in the matter of land acquisition which has necessitated the abandonment of the proposed open-cast mining section of the project and a compensatory enlargement at considerably greater expense of the deep-mining section and (b) the very heavy impact of the 1963-64 Budget on construction costs by reason of the enhancement of import and excise duties, higher freight charges and increase in the prices of various controlled commodities, together with the general rise in the cost of all materials and services that must inevitably follow under the present economy of the country. And secondly, the severe loss of earnings, to which I have earlier referred, caused by

the drastic cut imposed by Government on the sales retention prices of steel that were recommended by the Tariff Commission.

Certain proposals by which the position could be covered have, however, been put forward to Government whose reply is awaited.

In view of the remarks made in the Report by your Directors you may perhaps question my present reference to the Chasnalla Project and I should therefore explain that since the date of that Report, an Order has been promulgated by Government under the Defence of India Rules, 1962, relaxing the provisions of Rule 52 in their application to the Company.

KULTI FOUNDRIES

To prejudice still further the financial position, another adverse factor has recently been introduced in the shape of attempt by the Steel Ministry to impose a cut on the supply of pig iron from Burnpur to Kulti and to divert supplies to such extent for the benefit of other and competing iron foundries and pipe manufacturers despite the fact that at the time the agreed decision was reached some years ago to scrap the two obsolete blast furnaces of Kulti it was made clear to and accepted both by the Ministry of Commerce and Industry

*Here with a loaf of
Bread beneath the bough,
a bottle of Gold Coin,
a book of verse and thou,
Beside me singing in
the wilderness—and wilder-
ness is Paradise enow.*

— with apologies to 'Omar Khayyam'

This fruit-ful
drink is delicious,
refreshing and so
nourishing. It is
really good for
health and beauty.

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(at that time having jurisdiction in the matter of iron and steel) and the Planning Commission that the full requirements of Kulti must be met from Burnpur before any iron could be made available by the latter Plant to outside parties. The effect of the proposed cut, if imposed, would be a curtailment of operations at Kulti which, apart from rendering surplus 3,263 staff and workers involving payment of retrenchment compensation of approximately Rs. 20 lakhs, would result in a loss of earnings to the Kulti Foundries to the extent of some Rs. 55 lakhs per annum. Moreover, such a situation would inevitably lead to the gravest impairment of labour relations not only at Kulti but also at Burnpur, the possible result of which could be disastrous both to the Company and to the country.

The Company has naturally made the strongest representations in the matter the result of which is awaited and I may perhaps be forgiven if, in the face of the many adverse circumstances with which we have to contend, I confess to some feeling of frustration at times at the difficulties it would appear are unnecessarily and without due consideration thrown in the path of the Company in seeming discouragement of its efforts towards the advancement of the industry of the country.

DECONTROL:

You will doubtless be aware that Government have presently under consideration the possibility of decontrol of the distribution and prices of steel. In this connection a meeting was convened in New Delhi by the Steel Minister on

the 6th July, 1963, which was attended by the Chairmen of the Public and Private Sectors of the industry when the overall aspects of the matter were discussed. The relaxation of one of the multifarious Governmental controls over the industries of the country would naturally be welcomed. It must, however, be appreciated that the steel industry is not yet in a position to meet the full demands of the country and that the fullest and most effective utilisation of capacity must therefore be ensured, this involving the elimination of wasteful competition and the most economic usage of the over-strained railway transport system. It will be apparent, therefore, that in the interests of the country, the consumers and the industry, direct Governmental control would of necessity have to be replaced by some form of possibly modified control on a voluntary basis by the industry itself and the detailed joint proposals of the main producers in this connection are now being worked out for submission to Government.

ACKNOWLEDGEMENTS:

In conclusion, I would express on behalf of the Board of Directors our appreciation of the services rendered by the General Manager, Mr. J. McCracken, the Executive Heads and the entire Staff and Workers of the Company who by their ability, determination and wholehearted effort have made possible the results that have been achieved.

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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THE TATA IRON AND STEEL COMPANY LIMITED

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 March 31, 1963, has been issued to shareholders. The Annual General Meeting of the Company will be held on Thursday, August 29, 1963, at 4-30 p.m. at the Birla Matushri Sabhagar, 19, Marine Lines, Bombay-1.

TO THE MEMBERS,

1. The year under review has been a difficult one for India, overshadowed by the Chinese attack on our Northern Frontiers. While military operations, which ceased abruptly with the Chinese withdrawal in December 1962, left substantially unaffected the country's territorial integrity, the economic aftermath of the invasion has been a serious one. Although viewed in retrospect the limited Chinese attack on India may prove in the long run to have been a blessing in disguise for having swept away dangerous illusions and policies based on them, concerning China's avowed friendship for India, it has placed on us a grievous, and possibly permanent, burden of additional defence expenditure at a time when all our resources were required for economic development. With the realisation of our military unpreparedness against such a powerful and ruthless enemy, the need to strengthen and modernise our defence apparatus at the cost of a much larger part of total available resources, slender as they are, became inescapable.

2. The Finance Act has made only too clear to us all the magnitude of this new burden. While there is, I am sure, none amongst us who would deny the need to provide whatever funds are required to strengthen our defences, much concern and doubts have been expressed in regard to specific provisions of the Act and particularly in regard to the Super Profits Tax. The matter was so fully argued and discussed both publicly and privately at the time that little purpose would be served by my using this occasion to repeat here what has been so thoroughly ventilated earlier. We can only hope that the Finance Minister who, much to his credit, gave the assurance that he would review this particular measure if it was found in practice to be detrimental to the country's economic growth, will, in fact, do so at a suitable opportunity. It is fortunate that, in our own case, the Super Profits Tax will place no burden on our Company, thanks to the large capital and reserves employed in our business.

3. Coming to our own affairs, shareholders will see from the Directors' Report and the Accounts that the Company made gratifying progress during the year under review. Both output and profits have risen appreciably and the Company has now begun to reap the fruits of its heavy investment in money and effort undertaken over the last seven years.

4. I am particularly happy, that the improved results have made it possible for the Directors to recommend a slightly higher dividend on ordinary shares. The fact that the dividend in the hands of the shareholders is still considerably less than prior to the Expansion Programme is solely due to the change in the tax laws of the country since 1960, but that is a matter entirely beyond our control the burden of which would have been felt even if the Expansion Programme had not been undertaken. In fact, there is no doubt in my mind that had we not grasped the opportunity of doubling the capacity of our plant, the position of the shareholders would be less favourable than it is today and it would progressively deteriorate year by year as the plant got older and more costly to operate.

5. Shareholders will remember that, when the Expansion Programme was first mooted and some of them expressed serious doubts as to the wisdom of spending so much money on expansion, I pointed out that the Company's prosperity and, in fact, its ultimate survival would depend on its continued ability to remain competitive in the changed situation in the Indian Steel Industry as a whole which would emerge from its rapid growth and the creation of a number of large modern plants.

6. Competitiveness, in a controlled industry like ours, means, in essence, the ability to produce steel cheaper, or at least at no higher cost, than the rest of the industry. We could never have achieved this with a plant most of which was built after the first World War and which required an unduly large labour force in relation to its output. In any field of industry, an enterprise that fails to grow and to replace old plant and machinery with new and more efficient equipment must inevitably decline and ultimately die.

7. I am sure that even our most sceptical shareholders are today glad that the Company embarked upon the Modernisation and Expansion Programme (MEP) and the Two Million Ton Programme (TMP) and I have no doubt that the wisdom of this step will become more evident as the years go by. I hope, at the same time, that they will realise that this process is a continuous one and that the Company, so long as it exists, can never afford to sit back and feel content that the modernisation and expansion achieved between 1956 and 1960 will be sufficient for ever after. We must be prepared not only to replace old plant and machines as they wear out and as new and better ones become available, but also to expand further if and when we are given the opportunity to do so on a sound remunerative basis. Efficiency and low costs nowadays are increasingly linked with large-scale production. Whereas a few years ago, a million ton steel plant and, say, a thousand ton a day blast furnace were considered exceptionally large and efficient, today even a two million ton plant is small by world standards and a two thousand ton blast furnace is by no means amongst the largest built. In this heaviest of all industries particularly, the size of steel plants and of the individual items in them has grown continuously over the years not only in order to make more steel, but because, by the better and more efficient use of materials, power, transport and labour, they are able to produce at lower cost. In addition, technological advances and new processes have increased efficiency and lowered costs.

8. Those, therefore, who intend to remain shareholders of this great Company of ours must, in their own interests, be prepared to take a long term view and allow the Company to accept the additional burdens and responsibilities involved in continued modernisation and, wherever the opportunity occurs, in further expansion. For only by such means can we remain strong, efficient and competitive and can dividends be maintained or improved.

9. An opportunity for further modernisation and expansion may, in fact, come our way sooner than expected. As shareholders will have gathered from recent press reports, Government, in their advance planning of steel-making capa-

city in the fourth Plan period, are considering a further expansion of capacity in the Private Sector in addition to that proposed for the Public Sector. We have been asked whether our Company would be interested in a further expansion at Jamshedpur and willing to undertake it during the Fourth Five-Year Plan. This matter is still at an exploratory stage and no decision is likely to be taken for a considerable time. The Management of your Company is at present engaged in a preliminary study of such a project. In the meantime, we have informed Government that we would in principal be willing to play our part in the expansion of the Indian steel industry as a whole provided such an expansion could be financed without undue strain on the Company's resources and would safeguard the interests of the shareholders.

10. From the preliminary studies we have already made, it would seem that a further expansion of something between half a million and a million ingot tons could be undertaken economically within the existing plant area. In considering this matter, we will be guided solely by the technical and economic soundness of the project, the financial stability of the Company, the interests of the country and, by no means last, the interests of the shareholders.

11. The most important obstacle to surmount will be the question of finance. The cost of such a scheme, if for a million tons, would probably exceed Rs. 100 crores, at least half of which would be in foreign exchange. The World Bank, to which we still owe Rs. 34 crores, out of the Rs. 51 crores they lent us for the Two Million Ton Programme (TMP), would obviously be primarily concerned in such a scheme, whether they financed it themselves or not, and we would have to satisfy them that it could be undertaken without affecting our capacity to service their existing loans, let alone any fresh borrowing raised for the new Expansion Project.

12. Shareholders would probably look upon such a proposal from their own point of view and particularly the effect it would be likely to have on their dividends and on the market value of their shares. It is too early for me to give shareholders any indication of how these will be affected by a further programme of expansion. I can, however, assure them on behalf of my colleagues on the Board and myself, that we will recommend a scheme of further expansion only if we are thoroughly satisfied that the project is technically and economically sound and that it can be undertaken on terms wholly fair, and even attractive, to the shareholders.

13. While on this subject, I may refer briefly to Government's plans for the expansion of the industry as a whole. While the present steel-making capacity of the five major plants in India is about six million ingot tons, the Planning Commission have estimated the country's requirements at ten million tons at the end of the Third Plan and eighteen million tons at the end of the Fourth Plan.

14. Because of the long time it takes to expand existing plants and to build new ones and the many and difficult problems involved in correspondingly increasing supplies of raw materials, coal, transport and power to cope with the increased output of steel, it is doubtful that these targets will be reached according to schedule.

15. It is my personal view that the maximum practical target that can be reached at the end of the Fourth Five-Year Plan will not exceed fifteen million tons which itself would be a considerable achievement and in my view adequate. Of the present firm decisions taken, the proposed creation of the Bokaro plant is by far the most important. Some shareholders and others may have been surprised that, as Chairman of the largest producer in the Private Sector, I should have gone out of my way to support publicly the Bokaro project both in India and abroad. I am sure, however, that

most people, including our shareholders, will approve of my action. India's economy and the standard of living of our people cannot grow without additional steel and it is clear that the Private Sector, even if permitted to do so, would not be able to undertake on its own a programme of expansion at an average rate exceeding a million tons of new capacity per year.

16. Assuming a capital cost per ton of installed capacity of anything between Rs. 1,500 and Rs. 2,000 per ton, the sums involved are so enormous, as to be clearly beyond the present and foreseeable resources of the Private Sector. It would be both unreasonable and unpatriotic of anyone to place the interests of private enterprise above those of the nation as a whole, and I therefore had no hesitation in publicly supporting the Bokaro project, when it seemed that such support might help in allaying some of the doubts expressed in America in regard to aid for this project. I sincerely hope that the U.S. Government and Congress, who have contributed so generously upto now to India's economic development, will find it possible to give their support to this vital project.

17. Shareholders will also have learnt from press reports that the Government of India were considering the possibility of abolishing wholly, or in part, statutory control over steel prices and distribution which has been in force since 1941. With the increased availability of steel from the five major plants in the country and the gradual narrowing and, in some cases, disappearance of the gap between retention and selling prices, the situation in the country in regard to steel supplies has materially changed, and Government have decided to review the whole question of continued control over the steel industry.

18. The Minister for Steel and Heavy Industries is to be complimented on taking a lead in reviewing Government's approach to the complicated and difficult problem of steel distribution and pricing. It is also gratifying to find that, before coming to a final conclusion on the subject, he decided to seek the views of the industry. For this purpose the Minister called a meeting of the three main producers early in July 1963, at which the whole subject was tentatively explored.

19. In expressing their views and suggestions in Delhi, the representatives of the basic steel industry informed Government that they would welcome decontrol provided that, at the same time, steps were taken to ensure that the transition was a smooth one and that reasonable prices were fixed which would be fair to both the consumer and the producer.

20. The meeting was purely of an exploratory character and no decision was taken. The tentative views expressed by the industry were sympathetically heard, and I am grateful to the Minister, who was good enough to preside over the meeting, for his fair-minded and pragmatic approach to the problem. The Minister asked the representatives of the three main producers to discuss the matter further amongst themselves and to place their considered views before Government as soon as possible.

21. At this early stage it would not be proper for me to express any views on the subject. I can only say that I personally believe that if the steel industry is allowed to conduct its own affairs in future, under a carefully thought-out scheme which will safeguard the public interests, a progressive step will have been taken to the advantage of all concerned and of the country as a whole. I therefore hope that these constructive discussions will fructify.

22. I regret to report that the Special Alloy Steel Project, which the Company has had under consideration for the last three years, has had to be shelved for the time being for two reasons: First, it has been found impossible upto now

to interest a foreign collaborator in participating in the project on the condition imposed by Government that the whole of the foreign exchange cost should be wholly provided by the foreign partner and, second, the Government of India have decided that this project should be transferred to the Public Sector. I can only regret this decision and hope it will be possible to revive our project at some time in the future.

23. In last year's Directors' Report and the Chairman's statement a reference was made to Government's request that we should increase the output of our coal mines by about 1.5 million tons of raw coal or 1 million tons of washed coal so as to become self-sufficient in coking coal supplies. The study of this project has taken longer than expected mainly because, owing to the prohibitively high estimates of cost first submitted to us, we had to have the matter re-examined by another firm of consultants whose preliminary techno-economic report has just been received. The estimates contained in this second report are, I am glad to say, substantially lower than in the first. Discussions on the subject have been initiated with the World Bank, who have taken a special interest in the development of the Indian coal industry, and I hope that by the time the next annual report is submitted to you, a satisfactory decision will have been taken.

24. I have nothing special to report in regard to the ope-

rations of the Company during the current year, of which four months have elapsed at the date of this statement. A further advance in production may be expected during the year, particularly as a result of the commissioning of the Tonnage Oxygen Plant which is to supply oxygen to SMS 3. The erection of this plant will be completed shortly and should be in operation before the end of the year. I must, however, point out once again that in such a complex industry as ours, involving the close co-ordination of many elements and factors beyond our control, continuous operation at hundred per cent of capacity is not an easy task. I can assure shareholders, however, that every effort will continue to be made to bring the plant to its full production and efficiency of which over ninety per cent was achieved by the end of the year under review.

25. In conclusion, I am sure the shareholders would like to join my colleagues on the Board and myself in thanking our officers, staff and workers whose sustained efforts over the past few years have been largely responsible for the continuous improvement in the performance of the Company.

BOMBAY,
25th July, 1963.

J. R. D. TATA,
Chairman.

RUBY GENERAL INSURANCE COMPANY LIMITED

Chairman's Speech by Shri B. M. Birla

Delivered at the Twenty-seventh Annual General Meeting on Tuesday, the 30th July, 1963

Gentlemen,

It gives me great pleasure to welcome you to the 27th Annual General Meeting of the Company. I hope you have noted with satisfaction the good results for the year under review.

The net premium has increased from Rs. 70,38,000 in 1952 to Rs. 1,85,12,000 in 1962 and the Capital and Funds from Rs. 76,83,000 to Rs. 1,88,73,000.

FIRE DEPARTMENT:

The net premium income for the year amounts to Rs. 78,21,000 as against Rs. 71,99,000 during the year 1961. The Department has shown good increase in the premium in spite of considerable reduction in rates from 1st July, 1962. The working has resulted in a profit of Rs. 16,43,000. The reserve has increased from Rs. 35,99,000 to Rs. 39,11,000.

MOTOR AND MISCELLANEOUS DEPARTMENT:

The net premium income for the year is Rs. 93,07,000 and shows a small reduction in comparison to the previous year due to the cautious underwriting policy followed by the Company, particularly in respect of automobile business in foreign countries. The Department has shown a profit of Rs. 4,17,000 and the Reserve now stands at Rs. 46,53,542.

I am glad that the Insurance Association has increased 'No Claim Bonus' to a maximum of 50 per cent for a claim-free period of 5 years though the premium rates on Motor Cars had to be increased from 1st August, 1963, due to adverse claims experience.

MARINE DEPARTMENT:

The net premium income for the year is Rs. 13,84,000 as against Rs. 15,78,000 during the previous year. The reduction in premium income is in respect of business written outside India which mainly consisted of foreign Hull business where the results had not been good. The working for the year has resulted in a profit of Rs. 1,31,000. The Reserve amounts to Rs. 13,83,622.

GENERAL:

The total premium income for the year amounts to Rs.

1,85,12,000 as against Rs. 1,81,80,000 in the previous year. The profit after deduction of tax at source and provision for taxation amounts to Rs. 13,35,783. This has enabled your Directors to provide for additional reserves and recommend a Dividend of Rs. 1.25 per share as against Rs. 1.05 per share for the year 1961.

The Government has brought into force the Emergency Risks Insurance Acts for compulsory insurance of Factories and Goods during the period of emergency and has authorised only one General Insurance Company, which is the Subsidiary of the Life Insurance Corporation, to receive the application forms and to issue the Policies. It is regretted that the Government did not accept the offer of voluntary services by other General Insurers for the purpose. It would have been convenient for the insuring public and economical to the Government if all the general insurers were authorised to undertake this work.

The Government has introduced Super Profits Tax to meet the increased defence requirements. The Insurance Companies by the nature of their business should have been exempted from this tax. However, the Government should allow the reserves for unexpired risks to be treated as part of the Capital under the Super Profits Tax Act.

The voluntary measures by the Executive Committee of the Insurance Association of India under the revised Code of Conduct for improving the working of the Insurance Industry are showing results but the success would depend on the extent of co-operation and support it would receive from the Insurance Companies themselves.

In concluding this review I wish to express our thanks to our Patrons for their continued support and to the Executives, Staff, Fieldworkers, Agents and other representatives in India and abroad for their co-operation and devotion to duty which has enabled the Company to achieve these good results.

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

ORISSA CEMENT LIMITED

Summary of the Speech of the Chairman, Shri J. Dalmia, delivered at the Thirteenth Annual General Meeting of the Company held at Rajgangpur (Orissa State) on 5th August, 1963.

Gentlemen,

I have great pleasure in welcoming you to the Thirteenth Annual General Meeting of your Company. Despite an increase of 10 per cent in the gross sales, the profit earned by your Company is lower at Rs. 142.20 lakhs compared to Rs. 160.59 lakhs in 1961 for the reasons discussed in the Directors' Report. After a good deal of thought your Directors decided in favour of strengthening the General Reserve by transferring Rs. 13.50 lakhs to the said reserve even though this necessitated a reduction in the dividend from 15 per cent to 10 per cent. I am, however, glad to inform you that the representation made by your company to the Central Board of Revenue for grant of tax concession pursuant to Sections 84 and 101 of the Income Tax Act 1961 in respect of the profits from the various refractory plants has been successful. The total quantum of the tax exempt profit available amounts to Rs. 31,01,873 and this being more than the dividend for the year 1962, no deduction of tax at source will be made from the said dividend. An amount of Rs. 6,17,873 out of the tax exempt profit is carried forward and would be available for future dividends.

Incidentally, I would like to point out that the system of tax deduction at source from dividends and interest on Government securities is causing a great deal of hardship to the lower income groups, in spite of the provision in the law for grant of exemption certificates to persons whose income might be below the taxable limit. These people with low incomes are already finding it difficult to sustain themselves and their families especially with the persistent rise in the cost of living. They deserve to be assisted and I would urge the Finance Minister to consider and give exemption from tax deduction in respect of dividends of say Rs. 300 or less to an individual shareholder.

As mentioned in the report of your Directors, on account of difference of opinion between the two Arbitrators, the dispute regarding electricity charges had been referred to the Umpire, Mr. M. C. Mahajan, Ex-Chief Justice of India. The Umpire has given his award in which he has decided the basis to be adopted in computing the electricity charges to be paid by the Company. Actual calculations will take some time but the amount payable by your Company would work out to well below half the figure of Rs. 92.09 lakhs which has been shown in the Balance Sheet as Contingent Liability.

I would now like to refer to the incentive Scheme introduced by the Government of India with effect from 1st January 1963, for maximising production in the cement industry. In the case of your company, the incentive would become payable at Rs. 5.50 per tonne for the extra tonnage, if any, produced in 1963 over 3,80,000 tonnes. The objective underlying the scheme is indeed commendable and I hope that this scheme which is valid only for the current year to begin with, would be made a regular feature of the price system so long as the retention prices are regulated by Government. I should like, however, to point out that the norm adopted for the purpose of this scheme, that is, the maximum production attained in any calendar year during 1960-1962 places at undeserved disadvantage those producers who kept up their efforts to maximise production and reached the optimum or near optimum level during any of the three years of the reference period. Worked on this basis, the incentive will be self-defeating and will cease to provide the continuous impetus necessary to make the scheme a success.

A better and more workable method would be to relate the norm to the average production of each unit during the last three years. I am sure that with this and a few other minor modifications, the scheme would well serve its purpose by providing a positive incentive for all the cement units.

After examining the impact of various levies, which have been imposed from time to time since the cost investigation by the Tariff Commission, the Government has now allowed an increase of Rs. 2.75 nP. per tonne in the retention prices payable to the Cement Producers with effect from 1st June, 1963. The retention price payable to your company would now be Rs. 72.25 nP. per tonne. The increase falls short of the demand made by your company and covers partially the increased cost consequent on Governmental action. Moreover, this has not been given retrospective effect from 1. 11. 1961. I hope the Government would take a realistic view and would provide adequate relief to the Cement Producers for the actual increases in production costs due to Governmental actions, which are beyond their control.

The Refractory industry is today faced with certain crucial problems. The installed capacity of the Industry (excluding mortars and deadburnt magnesite) at the end of 1962, and as anticipated at the end of year 1963 and 1964 on the basis of figures discussed at recent meetings of the Panel on Refractories are 6,67,400; 8,31,700; 9,40,700 tonnes respectively and with the licences under active implementation and plants under construction, it may rise to about 12 lakh tonnes during 1965. This expansion of the Refractories Industry was based on the steel production capacity reaching a target of 10 million tonnes per annum by the end of the Third Five-Year Plan. It appears, however, that by 1964-65 and perhaps even in 1965-66, the steel industry would not exceed a production rate of about 6 million tonnes per annum.

I will now turn to the requirements for refractories, actual and anticipated. In 1962, the production which may be taken to represent approximately the demand of Fire-clay, Silica and Basic refractories, was 5,32,787 tonnes i.e., 80% of the installed capacity. The requirements for 1964-65, when the steel industry may have a production rate of about 6 million tonnes per annum, would be 6,35,501 tonnes i.e. 67% of the installed capacity in 1964-65.

A consideration of these figures will show a progressive deterioration in the position of the industry when its overall unutilised capacity of 20% in 1962 would increase to 33% in 1964-65. If, as I have mentioned earlier, the installed capacity for fireclay, silica and basic bricks increases to 12 lakh tonnes during 1965, and the demand remains around the same level as in 1964-65, at only somewhat over 6 lakh tonnes, the industry would have an idle capacity of as much as 50%. This in itself would be disastrous. The Industry also cannot ignore the possibility that there is an over estimation in the rate of consumption of refractories per tonne of steel produced. This is particularly so in the case of basic refractories, as I had mentioned last year. We are further concerned with the indications that new capacity in the steel industry may be largely planned for making steel by the L. D. process or by other Oxygen processes where instead of the conventional basic refractories, only tar bonded dolomite bricks are required.

The changeover in the steel industry to all basic open hearth furnaces is taking place even more rapidly than was

expected with a consequent rapid decline in the demand for silica bricks. I realise that while very major expansions are being planned in the capacity of the steel industry, the demand for refractories cannot remain at a constant level, linked only to the operational requirements of the steel industry. This will be increased appreciably by the constructional requirements for refractories, which might increase the demand by about 20%. It would be to the mutual benefit of both, the steel industry and the refractory industry, if the steel industry were to formulate and place its demands for refractories for constructional purposes well in advance so as to enable the refractory industry to utilise its capacity most gainfully and at the same time eliminate the risk of the steel industry having to import refractories which they are unable to get in the country at short notice. Even allowing for some inbuilt surplus in the capacity of the refractory industry, it is apparent from what I have said earlier that there can be no justification for any further expansions in the capacity of the refractory industry, for several years to come.

It is fortunate that your company has developed the manufacture of certain special types of refractories, such as, silica coke oven bricks, forsterite bricks, blast furnace bricks, burnt basic roof bricks, chemically bonded steel clad basic roof bricks etc., which, to a great extent, were being imported hitherto. In this manner, we would not only be able to contribute to savings of foreign exchange but, would be able to equip ourselves better to meet the difficulties created by over-production in the industry.

Both the steel industry and the refractory industry would benefit if shapes and sizes of bricks are standardized as far as possible and common specifications are adopted for all the steel plants. This would not only facilitate manufacture but would enable supplies to be made at short notice. The adoption of the Indian Standard Specifications would also discourage any tendency to resort to imports of refractories according to certain foreign specifications. I am sure that the authorities concerned are fully alive to this problem and that they will continue to cut down still further whatever imports are taking place.

The difficulties in the procurement of the right type of raw materials for the industry, due to the mineral licensing policy and the manner of its implementation by certain States, continue to exist. I am happy to advise, however, that the importance of removing these difficulties is being given greater recognition by the Panel on Refractories. The tendency on the part of certain States to impose restrictions on the grant of mining leases for minerals to be used for industrial purposes outside their boundaries, also appears to be diminishing. There are, however, frequent delays in the disposal of mining lease and prospecting licence applications, but in view of the present emphasis on efficiency and economy in the country, we may hope that there will be more expeditious disposal of such cases.

The industry is grateful to the Geological Survey of India for the investigation which they have undertaken on finding new sources for the supply of important raw materials required by the industry, such as, high alumina plastic and non-plastic fireclays, chrome ores and bauxite.

At the Fourth Session of the Industrial Committee on cement held on 15th September, 1962, it was decided to appoint a Tripartite Sub-Committee to consider in the light of the workload studies already carried out in the three cement factories, the question of undertaking similar workload studies in other cement factories and to recommend, inter-alia, the appropriate agency for carrying out such studies. The Sub-Committee has been constituted only recently after the

lapse of nearly seven months and has yet to begin its labours. I would once again urge that these studies should be expedited so that the assessment of the workloads is completed well before the question of revision of the wage structure in the cement industry comes to be considered.

In the end, I would like to express on your behalf and on behalf of your directors our sincere appreciation of the services rendered by the workers, staff and officers of the company during the year under review.

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

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RECORDS AND STATISTICS

A Review of Commodity Prices for 1962-63

THE OFFICIAL index of wholesale prices (with the year ended March 1953 as 100) rose steadily from 124.2 in April 1962 to the peak level of 131.1 in August 1962. Thereafter it moved within narrow limits till November but fell substantially to 125.8 in December 1962. In the first three months of 1963 the index again showed a rising trend and was at 127.2 in March 1963. The increase in the index during March 1963 was partly due to the recent Budget measures. The average index for the fiscal year 1962-63 worked out to 127.9 depicting a rise of 2.2% over the average of 125.1 for the year 1961-62.

During the year under review, 'Food Articles' advanced by 5.0 per cent to 126.1, 'Tobacco' by 0.6 per cent to 97.4, 'Fuel Power, Light and Lubricants' by 1.8 per cent to 124.3, 'Intermediate Products' by 0.5 per cent to 139.5 and 'Finished Products' by 2.0 per cent to 127.1 while 'Industrial Raw Materials' declined by 4.3 per cent to 136.5.

Food Articles

The index for 'Food Articles' exhibited a rising trend in the beginning of the year under review. It stood at 120.5 in April, 1962 and reached the level of 131.5 in August 1962. In the next four months the index showed a fall and came down to 122.8 in December 1962. Thereafter, the index witnessed a rise and was at 124.2 in February 1963 but came down to 123.4 in March, 1963. The sub-groups which exhibited variations during the year were: 'Cereals' (+3.2%), 'Pulses' (+14.5%), 'Milk and Ghee' (+6.9%), 'Fish, Eggs and Meat' (+6.2%) and 'Sugar and Gur' (+21.2%), 'Fruits and Vegetables' (-1.5%) and 'Edible Oils' (-2.7%).

The monthly index for 'Cereals' rose from 102.2 in April 1962 to 109.5 in August 1962. In the next two months it witnessed a declining trend and stood at 108.5 in October, 1962. It, however, rose to 109.4 in the next month. Thereafter it showed a continuous fall and stood at 102.0 at the end of the year under review. The monthly index for rice went up from 105.7 in April 1962 to 116.4 in November 1962. It witnessed a fall during the next two months and stood at 108.1 in January, 1963. Afterwards, it started rising and was at 109.6 at the close of the year. The fiscal year average for rice for 1962-63 worked out to 111.0 as against 105.0 for 1961-62, exhibiting a rise of 5.7 per cent. The index for wheat which was at 92.0 in April 1962 fell during the next two months and stood at 87.8 in June, 1962. The index, however, rose to 92.6 in August, receded to 91.2 in September and remained around this level until November. Finally it fell from 88.9 in December to 87.2 in March 1963. The annual average index of wheat for 1962-63 stood at 89.8 as against 91.0 for 1961-62, showing a fall of 1.3 per cent. The yearly average for jowar for the period under review recorded a rise of 15.3 per cent to 129.6 over the earlier year's average of 112.4. The fiscal year average for bajra declined by 6.0 per cent to 124.4, barley by 8.8 per cent to 90.2, maize by 8.3 per cent to 101.1 and ragi by 9.8 per cent to 107.0. Gram rose by 6.9 per cent to 88.9 as compared with the average of the previous year. Among 'Other Pulses' arhar moved up by 28.9 per cent to 116.9, masur by 24.4 per cent to 109.2 and urad by 21.0 per cent to 129.4 while moong registered a slight fall to 101.4. As regards the 'Fruits and Vegetables' sub-group, potatoes, onions, oranges and cashew-nuts declined by 9.2, 9.2, 13.9 and 5.9 per cent to 127.0, 145.8, 198.9 and 68.9 respectively while bananas rose by 9.7 per cent to 130.1. Milk and ghee advanced by 5.7 and 8.2 per

cent to 123.3 and 125.7 respectively. 'Edible Oils' were lower by 2.7 per cent to 152.3 when compared with 156.5 for the earlier year as a result of a fall in the prices of groundnut oil (-10.5% to 128.8), gingelly oil (-14.9% to 133.4) and vanaspathi (dalda) (-2.0% to 145.4). Mustard oil and coconut oil, however, moved up by 3.7% to 183.6 and by 17.6% to 188.1 respectively. A rise of 6.2 per cent to 143.6 in the index for 'Fish, Eggs and Meat' was due to an all round increase in the prices of fish (+14.8% to 136.5), eggs (+7.4% to 148.1) and meat (+1.1% to 145.7). Sugar was higher by 4.5 per cent to 131.0 while gur went up by 31.7 per cent to 153.3. The annual average index of tea for 1962-63 stood at 174.9 as against 193.2 for the earlier year, showing a fall of 9.5 per cent. Coffee recorded a rise of 4.9 per cent to 92.4 as compared with 88.1 for the previous year. Among 'Other Food Articles' the commodities which showed variations during the year were: turmeric (+29.8%), chillies (+19.4%), cummin (+9.6%), cloves (+7.9%), salt (+12.4%), black pepper (-19.9%), cardamoms (-18.4%) and betelnuts (-2.6%).

Tobacco

The annual average index of 'Tobacco' stood at 97.4 as compared with 96.8 for 1961-62. Raw tobacco showed a fall of 2.0 per cent to 93.6, while tobacco manufactured recorded a rise of 10.9 per cent to 113.4 during the year under review.

Fuel, Power, Light, Lubricants

The average index of this group for the fiscal year 1962-63 worked out to 124.3, which was higher by 1.8 per cent when compared with 122.1 for 1961-62. Prices of kerosene, diesel oil and petrol moved up by 3.0, 2.0 and 1.9 per cent to 102.1, 125.8 and 115.7 respectively. Lubricating oil exhibited a slight fall. Aviation spirit also declined by 3.1 per cent to 98.7.

Industrial Raw Materials

The index for 'Industrial Raw Materials' which stood at 135.1 in April 1962 came down to 134.9 in the next month. Thereafter the index witnessed a continuous rise and reached 139.8 in September 1962. Afterwards it exhibited a fall and moved down to 133.7 in February 1963, rising again to 135.2 at the close of the year. The average index for raw cotton for 1962-63 worked out to 112.7, showing a rise of 3.8 per cent over the earlier year's average of 108.6. The annual average index for raw jute stood at 146.7 as against 178.0 for the previous year, exhibiting a sharp decline of 17.6 per cent. The fiscal year average for raw hemp also witnessed a fall of 12.1 per cent to 125.3 whereas the annual indices of raw wool and raw silk registered a rise of 16.0 and 5.8 per cent to 144.7 and 165.2 respectively. The fiscal year average for groundnuts was lower by 9.4 per cent to 140.3 as compared with that of the earlier year. The monthly index for groundnuts which stood at 148.9 in April 1962 recorded a fall in the next two months and was at 144.3 in June 1962. It witnessed a rise during the next three months reaching 151.6 in September 1962. A declining trend was noticed thereafter and the index moved down to 127.0 in January 1963. The index registered a rise in the next two months and reached the level of 133.8 at the close of the year. The annual average indices for linseed and gingelly seed declined by 2.4 per cent to 139.1 and 17.2 per cent to 137.7 respectively, whereas copra moved up by 19.5 per cent to 167.1 and rape-

seed by 5.2 per cent to 180.5. Amongst other commodities which exhibited significant variations during the year under review were: manganese ore (—7.3%), raw skins (—9.9%), lac (—32%), rubber (—1.2%), raw hides (+2.5%), logs and timber (+1.8%) and bamboos (+4.2%).

Intermediate Products

The index for this group advanced from 136.9 in April 1962 to 143.1 in August 1962. It, however, fell to 142.9 in September rising to 144.2 in October 1962. Thereafter it fell gradually and reached 136.2 in January 1963 and stood at that very level at the close of the year under review. Prices of tin (+54.7%), lead (+11.0%), aluminium (+7.6%), copper (+7.3%), coir yarn (+6.3%), cotton yarn (+4.3%), pig iron (+3.5%) and brass (+3.3%) registered a rise while zinc (—9.4%), linseed oil (—6.6%), rayon yarn (—6.5%) and leather (—3.3%) moved down during the period under review.

Finished Products

The index for the 'Finished Products' group which was at 125.3 in April 1962 went up to 127.2 in June 1962, and after a decline to 126.7 in September 1962, it advanced slowly to 128.5 at the close of the year under review. The index for cotton cloth (mill) which was at 131.4 in April 1962 showed a rise and reached 132.1 in June 1962. Thereafter it remained unchanged at that level till September 1962. The index exhibited a fall in the next two months and came down to 131.7 in November 1962. It remained at this level upto February 1963, but showed a small rise to 131.9 at the close of the year. The average index for 1962-63 for cloth (mill) worked out to 131.9 as against 131.2 for 1961-62. The fiscal year average for handloom cloth stood higher by 8.5 per cent at 127.8 as compared with 117.8 in the earlier year. The index for jute manufactures which was at 115.0 in April 1962 witnessed a fall in the next month and was at 113.2 in

May 1962. It went up to 118.1 in June 1962. During the next two months it again receded and stood at 111.1 in August 1962. In September 1962 it moved up to 113.3 but came down to 108.9 in October 1962. It showed a rise to 112.8 in November 1962. In the next two months it showed a fall and reached the level of 105.3 in January 1963. It witnessed a slight rise in February and stood at 105.4. The index, however, fell to 102.1 at the end of the year under review. The fiscal year average of jute manufactures for 1962-63 stood at 110.9 as against 122.4 for 1961-62, registering a fall of 9.4 per cent. The index for woollen manufactures rose from 130.5 in April 1962 to 141.3 in June 1962 and maintained that level till February 1963. It, however, rose further to 142.4 at the close of the year under review. The fiscal year average for woollen manufactures worked out to 140.4 as against 122.7 for the previous year, showing a rise of 14.4 per cent. The index for rayon and silk manufactures, which stood at 128.6 in April 1962 witnessed a rising trend till October 1962 when the index went up to 134.7. During the next two months it showed a fall and the index came down to 127.0 in December 1962. Afterwards the index exhibited a continuous rise and reached the level of 39.2 at the close of the year under review. The financial year average for 1962-63 stood at 131.8 as against 119.9 for the previous year, depicting a rise of 9.9 per cent. The fiscal year average for iron and steel manufactures recorded a rise of 5.5 per cent to 159.9 as against 151.5 for the earlier year. The financial year average for aluminium utensils was also higher by 6.4 per cent at 163.3. Other commodities which exhibited variations during the year were: general chemicals (+12.7%), bobbins (+9.7%), matches and medicines (+4.6%), coal-tar products (+5.4%), drugs (+3.8% each), lime (+3.7%), shoes (leather) (+3.5%), cement (+3.4%), soap (+3.2%), paints (+2.6%), vehicles (+2.5%), paper and newsprint (+2.3%), glass (+2.2%) and plywood tea chests and bricks and tiles (+2.0% each), fertilizers (+2.9%) and dyeing materials (—1.4%).

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Group	MONTHLY AVERAGES													
	Financial Average 1962-63	March 1962	April 1962	May 1962	June 1962	July 1962	Aug. 1962	Sept. 1962	Oct. 1962	Nov. 1962	Dec. 1962	Jan. 1963	Feb. 1963	March 1963
Food Articles	126.1 (120.1)	119.1	120.5	124.2	125.5	128.6	131.5	130.0	129.0	129.6	122.8	123.4	124.2	123.4
Cereals	105.6 (102.3)	102.2	102.8	104.1	105.0	107.2	109.5	109.4	108.5	109.4	104.3	102.8	102.4	102.0
Pulses	105.2 (91.9)	94.1	93.6	98.3	102.5	105.5	113.0	111.3	115.0	113.2	102.6	103.9	103.2	99.9
Fruits and Vegetables	135.6 (137.6)	132.9	140.0	141.6	143.0	148.0	146.5	129.2	127.6	131.4	127.1	127.1	133.2	133.4
Milk and Ghee	124.4 (116.4)	118.8	123.7	129.4	126.7	127.3	133.0	126.5	123.9	122.3	114.1	118.7	121.9	124.8
Edible oils	152.3 (156.5)	153.0	150.9	152.1	152.2	155.3	159.4	158.6	156.7	157.5	149.9	146.8	146.2	141.8
Fish, Egg and Meat	143.6 (135.2)	140.3	137.2	141.5	141.4	144.7	149.1	155.3	149.1	146.3	143.6	142.2	134.7	137.5
Sugar & Gur	145.0 (119.6)	120.2	124.8	129.7	138.9	152.1	151.2	154.6	157.4	153.0	141.4	141.9	147.8	147.5
Others	171.8 (171.6)	159.2	158.7	168.9	170.3	170.8	171.0	172.3	168.5	178.2	173.1	178.8	178.2	172.9
Liquor & Tobacco	100.9 (100.3)	99.8	98.8	102.0	99.7	98.5	99.2	99.8	100.3	100.2	99.5	99.3	99.3	114.2
Tobacco	97.4 (98.8)	96.3	95.2	93.6	96.2	94.9	95.7	96.3	96.8	96.6	95.9	95.7	95.7	111.6

INDEX NUMBERS OF WHOLESALE PRICES—Contd.

(Base: 1952-53 = 100)

Group & Sub-group	MONTHLY AVERAGES													
	Financial Average 1962-63	March 1962	April 1962	May 1962	June 1962	July 1962	Aug. 1962	Sept. 1962	Oct. 1962	Nov. 1962	Dec. 1962	Jan. 1963	Feb. 1963	March 1963
Fuel, Power, Light & Lubricants	124.3 (122.1)	122.5	121.5	122.5	123.9	123.8	122.5	124.2	123.0	123.0	124.2	125.2	123.4	134.9
Industrial Raw Materials	136.5 (142.6)	136.1	135.1	134.9	136.1	138.8	139.6	139.8	138.8	137.8	133.9	133.7	133.7	135.2
Fibres	128.8 (138.3)	128.3	126.0	125.7	127.3	130.2	128.6	130.0	129.1	129.5	127.4	127.7	130.3	133.5
Oilseeds	151.4 (156.4)	149.3	149.9	150.0	151.6	156.3	160.4	159.5	157.7	154.6	146.4	145.5	142.1	143.0
Minerals	93.6 (94.9)	94.5	94.5	93.8	93.6	93.4	93.4	93.4	93.4	93.5	93.4	93.4	93.4	93.4
Others	125.8 (128.1)	129.1	127.3	126.7	126.7	125.3	124.7	124.7	124.6	125.2	125.6	125.7	126.7	126.6
Manufactures	128.9 (126.6)	126.4	126.9	127.5	128.9	129.4	129.0	129.4	129.4	129.9	128.7	128.5	129.2	129.6
A. Intermediate Products	139.5 (138.8)	135.6	136.9	137.3	139.5	142.6	143.1	142.9	144.2	142.1	137.1	136.2	136.3	136.2
B. Finished Products	127.1 (124.6)	124.9	125.3	125.9	127.2	127.5	126.7	127.2	127.0	127.9	127.2	127.3	128.0	128.5
(a) Textiles	126.1 (125.5)	125.2	125.1	125.2	126.9	126.5	125.3	125.9	125.3	126.5	126.0	126.2	127.3	127.0
i) Cotton	130.7 (127.9)	128.2	128.4	128.8	129.5	129.4	129.3	129.2	129.6	130.0	131.9	133.4	134.2	134.4
ii) Jute	110.9 (122.4)	117.4	115.0	113.2	118.1	116.5	111.1	113.3	108.9	112.8	109.4	105.3	105.4	102.1
iii) Woollen	140.4 (122.7)	125.4	130.5	139.6	141.3	141.3	141.3	141.3	141.3	141.3	141.3	141.3	141.3	142.4
iv) Silk and Rayon	131.8 (119.9)	126.5	128.6	129.1	129.1	129.7	131.3	132.9	134.7	134.4	127.0	129.5	135.8	139.2
(b) Metal Products	160.1 (151.6)	152.0	153.1	159.9	160.3	160.5	160.8	161.0	161.0	161.0	161.0	161.0	161.0	161.0
(c) Chemicals	115.5 (110.7)	112.6	112.5	112.9	113.8	115.4	115.1	116.2	117.2	117.2	116.2	116.0	115.9	117.3
(d) Oil cakes	160.9 (147.5)	149.0	150.6	152.3	154.7	157.1	163.9	163.6	168.3	171.1	165.0	164.3	162.5	157.8
(e) Machinery & Transport Equipment	118.2 (114.5)	116.3	117.5	117.7	117.8	117.9	117.9	117.8	117.7	117.7	117.7	117.7	118.3	123.4
(f) Others	125.3 (121.3)	122.1	123.3	124.8	125.2	125.6	125.3	125.3	125.2	125.6	125.2	125.1	125.4	127.2
All Commodities	127.9 (125.1)	123.5	124.2	126.3	127.5	129.6	131.1	130.5	129.9	130.1	125.8	126.0	126.6	127.2

Note: Figures in brackets denote the financial averages for the year 1961-62.

WAGES IN VARIOUS INDUSTRIES IN 1958-59

(In Rupees)

Industry	Average Wage Rates* per day per Worker		Industry	Average Wage Rates* per day per Worker	
	Minimum	Maximum		Minimum	Maximum
A. Factory Industries	3.03	3.96	Engineering Group	3.54	4.98
1. Cotton Textile	3.60	4.13	19. Cement	2.82	3.88
(a) Howrah and Calcutta	2.41	3.08	20. Paper and Paper Products	2.67	3.55
(b) Coimbatore	3.41	3.88	21. Sugar	2.31	2.74
(c) Madurai and Ramanathpuram	3.43	3.68	(a) Bihar	2.23	2.53
(d) Bangalore	1.37	2.12	(b) U.P.	2.24	2.61
(e) Ahmedabad	4.49	5.09	(c) Residual	2.47	3.08
(f) Bombay and Bombay Suburban	5.01	5.59	22. Heavy and Fine Chemicals	3.05	4.27
(g) Sholapur	2.95	3.55	(a) Calcutta	2.66	3.66
(h) Nagpur	3.51	3.91	(b) Bombay and Bombay Suburban	4.25	6.43
(i) Indore	3.80	4.33	(c) Residual	2.78	3.75
(j) Kanpur	3.89	4.51	23. Printing Presses	2.87	4.38
(k) Delhi	3.54	5.18	24. Match Factories	0.88	2.34
(l) Jaipur and Ajmer	2.44	2.94	25. Glass Factories	2.31	3.19
(m) Residual	2.74	3.15	(a) Calcutta and 24 Parganas	2.23	3.26
2. Jute Textile	2.87	3.75	(b) Ferozabad	3.29	4.43
(a) West Bengal	2.88	3.37	(c) Residual	2.06	2.84
(b) Residual	2.68	4.48	26. Petroleum Refineries	4.48	5.55
3. Silk Textile	3.28	4.48	27. Electric Light and Power Stations	3.27	4.53
(a) Bombay and Bombay Suburban	4.63	5.55	28. Soap Factories	3.87	5.49
(b) Amritsar	2.23	4.42	29. Hydrogenated Oil	3.14	4.03
(c) Jammu and Kashmir	1.79	3.00	30. Tanneries	2.12	2.42
(d) Residual	2.45	3.71	31. Footwear Manufacturing	2.88	5.17
4. Woollen Textile	2.91	4.05	32. Clothing Manufacturing	2.41	3.79
(a) Bombay and Bombay Suburban	4.00	4.71	33. Artificial Manures	4.39	5.67
(b) Amritsar	2.37	3.78	34. Cigarette Factories	4.50	7.05
(c) Residual	2.51	3.81	35. Bidi Factories	1.00	2.89
Textile Group	3.42	4.07	(a) Guntur	1.81	2.10
5. Metal extracting and Refining	4.42	5.23	(b) Residual	2.08	2.63
6. Metal Rolling	2.63	3.54	36. Tobacco Curing Works	1.88	2.24
7. Metal Founding	2.76	3.84	37. Cashewnut Factories	0.64	1.57
(a) Howrah and 24 Parganas	2.48	3.69	(a) Kerala	0.62	1.56
(b) Residual	3.20	4.07	(b) Residual	0.84	1.67
8. Manufacture of Bolts, Nuts, etc.	2.63	3.66	Other Factory Industries	2.06	
9. Manufacture of Agricultural Implements	2.41	3.77	B. Plantations	1.29	2.98
10. Manufacture of Machine Tools	3.13	4.71	38. Tea Plantations	1.28	3.23
11. Manufacture of Electrical Machinery and Appliances	3.20	4.57	(a) North-East India	1.26	3.41
12. Manufacture of Textile Machinery and Accessories	3.75	5.64	(b) South India	1.44	2.07
13. Ship Building and Repairing	4.14	5.78	39. Coffee Plantations	1.29	1.38
14. Railway Workshops	3.62	5.42	40. Rubber Plantations	1.66	2.67
15. Tramway Workshops	3.84	4.31	C. Mines	2.38	3.29
16. Manufacture and Repairs of Motor Vehicles	3.21	4.30	41. Coal Mines	2.81	3.78
17. Aircraft Building and Repairing	3.97	5.67	42. Manganese Mines	1.45	2.36
18. Bicycles Manufacturing and Repairing	3.65	5.55	43. Mica Mines	1.52	1.57
			44. Iron Ore Mines	1.17	1.93

*Basic Wage plus dearness allowance.

Source: Ministry of Labour and Employment

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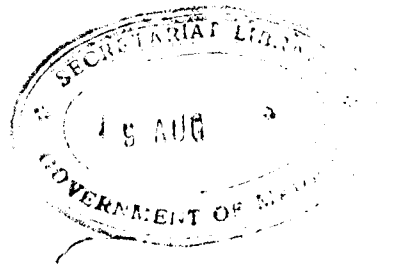
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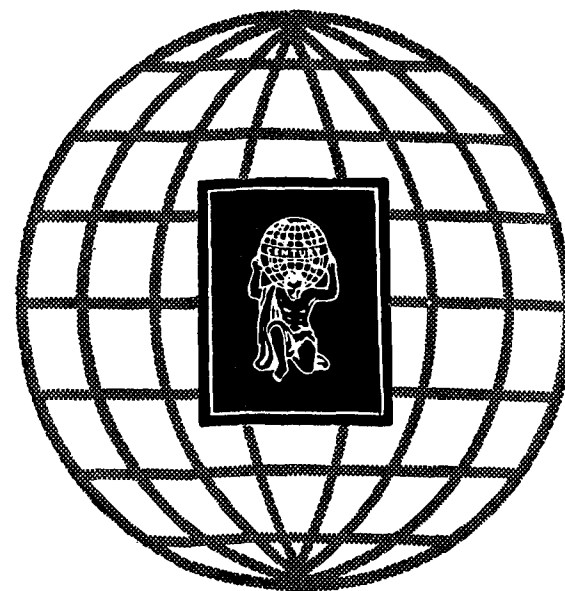
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Oliver Twist Gets More

THE LABOURS of the Aid India Consortium this year have taken longer than expected, but the results have been better than expected. As against \$1,255 million asked for, the assistance now pledged amounts to \$1,052 million besides another \$60 million to be made available outside the scheme of the Consortium. True, the gap still remains between India's estimated needs and the amount which has been subscribed, but once West Germany, France and Italy had firmly indicated — as they had done early in the discussions — that they would be offering considerably less this year than last, it became obvious that India would not be obtaining the total assistance it had applied for.

The only question, therefore, was how large the cut was to be. At the Paris meeting in June the pledges, totalling \$1,017 million, fell appreciably short of the Indian request. At the same time, with the United States offering up to another \$75 million on condition that other Consortium members stepped up their assistance, there was a fair chance of the final figure drawing much closer to India's estimated needs. This chance has been turned to good account in the final discussions in Washington last week. West Germany has substantially stepped up its contribution from \$65.35 million offered at the Paris meeting to \$99.5 million, while Italy has stepped up its contribution by \$10 million, Japan by \$5 million and Austria by \$3 million. These increased commitments have enabled the United States, for its part, to step up its assistance from \$375 million to \$435 million on the "matching" principle. Another significant addition is in respect of the combined contributions of the World Bank and IDA which would now be providing \$245 million as against \$220 million promised in Paris. The final figures of aid pledged by the Consortium are tabulated below:

AID PLEDGED FOR THIRD PLAN

(Million of U.S. dollars)

Consortium	1961-62	1962-63	1963-64
Austria ..	—	5	7.0
Belgium ..	—	10	10.0
Canada ..	28	33	30.5
France ..	15	45	20.0
West Germany ..	225	139	99.5
Italy ..	—	53	45.0
Japan ..	50	55	65.0
Netherlands ..	—	11	11.0
United Kingdom ..	182	84	84.0
United States ..	545	435	435.0
World Bank and IDA ..	250	200	245.0
TOTAL: ..	1,295	1,070	1,052.0
Additional Offers:			
From Consortium members (West Germany, U.K. & Japan) ..	—	—	30
Three non-members (anonymous) ..	—	—	30

It will be seen from the above table that while the World Bank and the IDA, the United Kingdom, Japan and Austria will be giving more than

they did last year and the United States the same as before, the other members of the Consortium have reduced the extent of their assistance. This reduction is the sharpest in the case of West Germany but even so West Germany has managed to retain its position as the second largest aid-giving country in the Consortium after the United States.

A departure from the usual practice is the offer of the additional aid of \$60 million outside the scheme of the Consortium. Half of this amount has been pledged by three countries which do not like to have their identities disclosed for the reason that they do not want to enter the "aid market" permanently. What is meant evidently is that these countries do not want their present action to be taken as a precedent either by India or by other aid-seeking nations. The reason why West Germany, the United Kingdom and Japan, who certainly are in the aid market definitely and in a big way have chosen to keep their extra contributions out of the Consortium scheme is that they do not desire to extend to this part of their assistance the "softer" terms applicable to assistance under the Consortium scheme. The extra German credits are stated to be for shipping and the extra British and Japanese credits for textile machinery.

Just over half of the aid pledged will be in the form of grants or long-term loans with substantial grace periods and repayments extending over 15 years or longer. It is claimed that the Washington meeting has succeeded in softening considerably the terms on which assistance is to be provided. The World Bank as well as the United States Government have been arguing strongly in favour of soft loans, and the bulk of U.S. assistance, of course, is already being provided in the form of loans carrying a nominal rate of interest and repayable over forty years with a grace period of ten years. Other members of the Consortium cannot still match the United States in this respect but the British Government has agreed to waive the interest payments for the first seven years of the 25-year loan period, while West Germany seems to have agreed to a longer payment period of 25 years instead of 20 years. It must however be noted that it would be wrong to suggest that the revision of the British and West German terms has been brought about at the Washington meeting. Actually, the British decision was announced earlier while Bonn had indicated even at the Paris meeting that it was agreeable to a marginal softening of its terms of assistance.

It will also be a mistake to suggest, as has been done in some quarters, that the period between the Paris and the Washington meetings has been further used to secure liberalisation of loan terms in the form of the raising of the portion of untied aid (that is, aid not tied to specific projects but is available for general development and

balance of payments support). The United States had agreed even at Paris to provide about half of its total assistance on the general purposes basis and Britain about 75 per cent of its assistance. It is possible that West Germany, which at Paris indicated its intention to tie about three-fourths of its aid to the financing of particular projects, and some other members of the Consortium may have been persuaded since the Paris meeting to increase the degree of untied assistance, but the consequent additions to untied assistance are unlikely to have been substantial.

As it is, only \$400 million will in all be available in the form of untied loans and bulk of it, if not most of it, will be provided by the United States and the United Kingdom which were heavily inclined in favour of untied assistance even at the Paris meeting. It may also be pointed out here that the Government of India had asked for non-project or untied assistance of the order of \$449 million. Since the untied assistance actually promised is considerably short of this amount, the strain on the country's balance of payments must continue to be heavy and the Government has taken the precautionary measure of arranging from the IMF a stand-by credit up to \$100 million.

A communique at the end of the Washington discussions says that the Consortium will be meeting again before the end of the Indian fiscal year 1963-64 to review the progress made in the development of the Indian economy and to consider India's programmes and prospects for the remainder of the third Plan. For the first three years of the Plan assistance from the Consortium would aggregate to \$3,417 million, apart from the extra \$60 million. It is evident that this country would like assistance from this source to be continued at about this level for the remaining two years of the third Plan as well. On the whole the prospects of assistance of this order forthcoming for the completion of the Plan seem firm enough. The aiding countries have already given ample evidence of their concern for the smooth and sustained implementation of India's development programmes and there has been added evidence this year, in the light of the anxious and energetic consultations of the Consortium, that the assisting countries will endeavour their utmost to meet India's essential and reasonable needs. At the same time, we, for our part, must realise that the peak level of assistance by the Consortium countries had probably been passed as early as in 1961-62. It would be very unwise on our part not to appreciate the fact that resistance is developing in the aiding countries both to the indefinite expansion and the indefinite extension of the aid programmes. It is also in our interest to take note of the fact that leading members of the Consortium, such as West Germany, are beginning to emphasize the desirability of development finance being made available more and more through investments of private capital

rather than government loans or credits.

In the circumstances, it is obviously desirable that the Government of India — and the Planning Commission particularly — should review prevailing ideas on external assistance on an inter-governmental basis. While, unfortunately, such assistance cannot be dispensed with to any large extent as early as we might desire, it is surely possible to limit our requests for such assistance to what members of the Consortium would readily and willingly provide from year to year. With a more enlightened attitude towards foreign private investments and by taking the fiscal and administrative measures necessary for encouraging and facilitating collaboration of foreign and domestic capital, it ought to be possible for us to reduce steadily the present unhealthy dependence on assistance by foreign Govern-

Jute: Sense and Nonsense

THE SRIVASTAVA Committee, which has reported on the development of the jute economy and the jute industry, no doubt had its heart in the right place. Rightly differing from the pessimistic view which a FAO study took in 1960 of the prospective growth of world consumption of jute manufactures, the Committee looks forward to an expansion of consumption in the world outside India and Pakistan of over one million tons of jute manufactures by 1970. This is a view with which the jute industry as well as shippers in this country would appear to be in agreement. The Srivastava Committee also assumes a steady growth in demand for jute goods within India as well as Pakistan and suggests that Indian consumption is likely to grow by about 30,000 tons a year in the remainder of the third Plan period reaching a level of 400,000 tons per annum by 1965-66 and 600,000 tons per annum by the end of the fourth Plan. The Committee consequently advocates that production targets should be set at 1.7 million tons for the fourth Plan, so that apart from providing for internal needs, this country could also export by 1970-71 at an annual rate of 1.1 million tons (as against 850,000 tons in 1962) thereby securing a reasonable share in the expected expansion in world consumption and trade.

Planning for increased production involves planning also for the expansion of production aids. Noting that an acute shortage of power in the Calcutta area has already operated to limit any short-term increase in jute goods production and, since the supply of power in that region is likely to remain deficient for some time, the Committee has urged that the jute industry should be permitted to install one or more captive generators within the State electricity grid and that foreign exchange should be released to mills for setting up small diesel or fuel oil generators. These expedients are of course only to be subsidiary to the

ments. It should also not be forgotten that a steady increase in our export earnings, a progressive saving in imports through building up corresponding production at home and the avoidance of waste and delays in the execution of projects are, in the ultimate analysis, of far more significance to our foreign exchange balance sheet than the marginal increases which individual members of the Consortium might be persuaded to make in their contributions. India's economic planning has had the very good fortune that, although the assisting countries are fully alive to its shortcomings, they are so keenly interested in our economic progress that they have always tended to view our request for assistance generously more than critically. This makes it all the more necessary that we should realise our responsibility for self-improvement in the area of framing development programmes and executing them.

long-term planning for power supply in the Calcutta area. The Committee points out that, if by the end of the fourth Plan period, the production of jute manufactures is to rise by 400,000 tons over the third Plan, on the basis of the calculations earlier referred to, the additional power needed would be about 40 MW. The industry's own view appears to be that the additional power requirements would be somewhat larger, but in any case the central point is that the power facilities in the Calcutta area need to be augmented considerably and quickly and that the requirements of the jute industry should be given a very high priority in the planning of this programme.

The Committee has also addressed itself realistically and earnestly to the great importance of the supply of raw jute which has to keep pace with any planned increase in the output of jute manufactures. The raw jute problem of course has—and has always had—two aspects, viz., quantity and quality. Quantitatively, this country is now more or less self-sufficient in raw jute, if marginal imports of long jute and cuttings for mixing are excluded. The expansion of the jute industry however would call for the output of raw jute, which is about 7.5 million bales at present, to be raised to 8.2 million bales by 1965-66 and 10 million bales by the end of the fourth Plan. What is perhaps equally important is that the proportion of high quality jute fibre in the Indian crop has to be steadily increased. This becomes particularly important in the light of the fact that a good deal of the prospective world demand for jute manufactures is bound to move in the direction of sophisticated products.

The Srivastava Committee has frankly stated that official development programmes for improving the yield per acre of the quality of raw jute have not been as effective as they should have been. Reading between

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the lines, it is clear that the Committee attributes this failure largely to deficiencies in promotional effort at the level of the State Governments concerned. The Committee therefore quite logically asks for a Jute Development Board which would more than co-ordinate the activities of the State Agriculture Departments. The Committee has proposed an agency with executive powers functioning under the control of the Ministry of Food and Agriculture. This is a formula which should no doubt appeal to Mr. S. K. Patil whose views on the implementation of agricultural production programmes by State Governments are by now fairly well-known. In terms of agricultural technology, the task of meeting the expected requirements of an expanding jute industry for adequate quantities of raw jute of the required grades through improvement in yield per acre and quality of the crop is not, apparently in any sense, formidable. What is needed is the efficient organisation of sufficient promotional facilities for propagating the use of improved seeds and fertilizers and providing proper retting facilities.

One lacuna in the Committee's otherwise admirable scheme for the Jute Development Board is the insufficient appreciation shown of the value of associating the jute industry with the work of the Board. We would strongly urge therefore that not only a Board of the kind advocated by the Srivastava Committee should be set up at an early date, but also that its membership should not be confined only to Central and State officials. On the contrary, it would be advantageous to associate the Indian Jute Mills Association with the working of this Board. There have been complaints in some quarters that the jute industry has not shown sufficient interest in organizing the supply of its raw material on sound and scientific lines. The industry's own explanation has been that, in the sensitive area of rural politics in eastern India, particularly West Bengal, any attempted activity on its part, however well-intentioned, might quite easily lend itself to propaganda in the countryside. In these circumstances it would appear to be all the more desirable to give an opportunity to the industry to contribute to the raw jute development programmes through the agency of the proposed Board.

We have already said that the Srivastava Committee had its heart in the right place. This is true enough except that, possibly because the Committee was entirely composed of Central Government officials, it seemed to have suffered from too many unnecessary jitters in evaluating the role which the jute industry itself could play in regulating its affairs. We are sorry that the Committee has failed to take note of the cardinal fact that the jute industry is one of our most compactly and efficiently organised industries with a long and sound tradition of self-government. The IJMA is one of our premier trade associations and the authenticity of its representative character cannot be question-

ed at all. It should surely have been obvious to the Committee that in any programme that the Government may have for the expansion of the jute industry in the strenuous days ahead it would be a definite advantage to trust the IJMA to guide the industry on bold and progressive lines.

It is quite unfortunate that the Srivastava Committee has not shown enough awareness of this truth. On the contrary, it has allowed itself to be influenced by a bias in favour of government action and government intervention even where the better alternative would be to concede reasonable autonomy to the industry to manage its affairs in a flexible and dynamic manner. This prejudiced approach is evident in the Committee's dogmatic assertion that the Working Time Agreement of the IJMA, under which the number of looms worked has been fixed from time to time, should be scrapped and the decisions regarding the regulation of production should be taken only by the Government and not by the industry. The grounds on which the Committee has taken this stand are merely plausible. Surely, its contention that the Agreement operates to protect inefficient units is disproved by its admission elsewhere in the Report that "the mill industry has modernized itself almost 90 per cent up to the spinning stage, rationalised its operations by amalgamating uneconomic units and diversified its production by increasing its output of specialities from about 30,000 tons to 150,000 tons a year."

As regards the Committee's other complaint that the Agreement is basically restrictionist in outlook and has in the last ten years, at any rate, been operated to keep the level of production of Indian mills static in the face of an expanding world demand for jute manufactures, it is clearly unfair on the part of the Committee to have slurred over the basic fact that, after partition, Pakistan, under any circumstances, was bound to develop the manufacture and export of jute goods. Nothing that the IJMA could have done would have prevented Pakistan from promoting its jute industry and capturing a share of world trade. It may be argued of course that the Indian mills could have offered more strenuous competition to the industry in Pakistan. But here, surely, more than the Working Time Agreement or any other factor, the Government of India's consistent refusal to consider means of compensating the Indian jute industry for the export subsidy and incentives adopted in Pakistan must bear the lion's share of the blame. That the Srivastava Committee, as a body of officials, had to reckon with a bad case of guilty conscience in this matter is apparent from the fact that, in that part of its report where prospects of foreign competition are discussed, mention of Pakistan has been cursory and casual.

Broadly speaking, in the matter of the day-to-day regulation of production to suit market conditions, it

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is always advisable to leave individual units of an industry or its representative association a high degree of autonomy in the making of policy. This is for the simple reason that, although even if the industry's judgment of market situations or trends may not always be sound or perfect, it certainly must possess far greater professional knowledge and competence than any government department or agency. In any case, it is an undeniable fact that the level of business intelligence and skills in the Government today is certainly not such as to support the belief that, over a period, the Government is likely to know better than the industry itself what is good for the latter. The suspicion or charge that the industry may restrict production in its own narrow self-interest but to the detriment of the larger interests of the national economy is more easily said than substantiated. In any case, in view of the wide, even arbitrary, powers which the Government has of putting pressure on the industry both formally and informally, it must be conceded that the Government does possess even normally adequate authority and sanctions for ensuring that the industry does not abuse its autonomy.

The Srivastava Committee has erred also in suggesting the institution of a buffer stock for jute goods in order to ensure stable levels of production and prices. This proposal is wholly amateurish. In an industry producing mainly for export, the fortunes of any buffer stock arrangement will be swayed far too much by world factors to be capable of being regulated at a national level. A case may perhaps be made out for an international buffer stock by agreement among the countries concerned in the world trading in any particular commodity, but to advocate a national buffer stock in a commodity in the case of which our share of world exports is at best 70 per cent is, to say the least, an irrational and irresponsible suggestion. We wish the Srivastava Committee had given more time to the commercial, financial and administrative implications of a proposal of this kind before it thought fit to sponsor it. We do not propose here to go into the weaknesses of the proposal in greater detail since we feel that the recommendation has been made more in a spell of enthusiasm than after adequate consideration.

Elsewhere too, the Srivastava Committee has allowed itself to be carried away by a partiality for governmental intervention not warranted by the facts. This is in the matter of the maintenance of floor prices for raw jute. While it may be readily conceded that an assurance of a fair level of raw jute prices from year to year is quite essential for creating the conditions in which a sufficient supply of good quality fibre may be ensured, it is by no means clear that price support could be efficiently operated only through an agency of government. On the contrary, experience in 1962-63 has shown that, without any elaboration of the acti-

vities of the State Trading Corporation, a reasonable level of raw jute prices can be maintained through the mills' own buffer stocks agency. Actually state trading last year had not only been of negligible significance in terms of the quantities purchased, but had only served to introduce unnecessary complications. Right now mills are being virtually compelled to take over from the STC jute which it had purchased for purposes of price support and which it now finds difficult to dispose of in the normal course without incurring losses.

It may no doubt be contended that, with experience, the State Trading Corporation will be able to operate on a larger scale as well as with better knowledge of the trade, but the question is why this activity should be undertaken at all when it has been made clear in practice that the industry itself is both able and willing to co-operate with the Government in maintaining a reasonable level of raw jute prices through its own buffer stock operations. From this point of view the Committee's pronouncement that, since the respon-

Eastern Economist 20 Years Ago

AUGUST 13, 1943

In the debate on food on August 9 last in the Central Legislative Assembly, the Hon'ble Sir M. Azizul Haque gave a "faithful picture" of the actions taken by the Government in the face of the rapidly deteriorating food situation in the country. His speech is a dismal narration of the general unpreparedness of the Government, inability to anticipate events, extemporizing from crisis to crisis, dispersion of power and overlapping of responsibilities. The net harvest of Government efforts so far to tackle the food situation, consists of six price-control conferences, three food conferences and one basic plan found to be basically unworkable.

The Food Member admitted that even before the war food production was lagging behind growth of population; that new consumer classes have been created due to the war effort; and also that recently the military and export requirements have been at the rate of nearly 700,000 tons per year. Yet even now the Government continues to pretend that our "statistical position" is good and that although our stomachs may in fact be empty, they are in reality statistically full. It is a bit late in the day for the Government to complain after four years of war that "it is not possible within a period of few weeks or even a few months to neutralize the effects of all the (adverse) factors or set up any effective machinery to deal with these problems fully".

sibility for determining the minimum level of jute prices and for ensuring that prices are supported at this level rests with the Government, any agency which may be interested in price support arrangements should necessarily be under the full operational control of the Government, does not readily carry conviction. On the contrary, the assumption of total responsibility by the Government in a matter of this kind will have many disagreeable consequences.

There is, in the first place, the risk that the price support scheme might be operated rigidly instead of with the flexibility demanded in the circumstances of an industry so dependent on movements in world trade. Secondly, as the present attempt of the Government to force mills to take over the raw jute purchased by the STC has clearly demonstrated, there is the constant danger of losses in the Government's buffer stock arrangements and the Government's price support operations being passed on to the industry. Finally, where price support becomes a hundred per cent Government affair, there is bound to be an undesirable import of politics into price fixation. For these reasons a flexible price support scheme operated mainly through the buffer stock agency of the jute industry would appear to be the safest and the most sensible proposition. That this arrangement has worked with fairness to the cultivator is shown by the fact that the area sown to jute this year has increased in the various jute growing States.

The Committee itself has, in a more constructive mood, emphasized that the return to the grower has to be raised in the main through stepping up the yield per acre and improving the quality of the fibre. It has also sensibly recommended the expansion of storage facilities in the mofussil areas and the establishment of regulated markets in primary and secondary marketing centres with sufficient facilities for grading. Here certainly are the right lines of approach. The Committee has also urged the promotion of co-operatives in the marketing of jute. The co-operatives, however, will develop on healthy lines only if they are based on the performance of necessary and useful services to the grower. To foster them artificially through the patronage of state trading would be to encourage the emergence of mushroom agencies of no real value to the grower.

The Committee has given considerable attention to the problems of export promotion. While we would readily agree with the suggestion that market intelligence services and surveys of consumption trends and developing new uses should be built up on a generous scale, we are not in sympathy with the proposal that the Jute Commissioner's Organisation should be saddled with these responsibilities and that its staff should be enlarged to take up those jobs. We are convinced that

no department of the Government can really attempt to undertake such essential commercial activities as market surveys and market research. Here surely is an area, where the IJMA is well qualified to do the job. Actually, the IJMA has already commissioned in the U.S.A. an expert study of possibilities of new uses for jute goods in that country and there is a proposal to conduct a similar survey in Western Europe. We believe that more will be gained by the Government by encouraging and supporting these activities than by the employment of public funds in official activities in the same field.

The Committee is right in emphasizing the fact that the success of any export promotion effort will be considerably conditioned by the extent to which tariff and quota restrictions are liberalised by importing countries. It has urged that trade negotiations should be taken up with the European Economic Community, United Kingdom and Japan. The Committee's expectation that the U.S.S.R. and other Communist countries in Eastern Europe could take up more of our jute goods in the future is a view which is very widely held at present. A trade delegation led by Mr. M. P. Birla left last week for Moscow and other East European capitals to explore the content of these expectations.

Meanwhile, it is necessary to emphasize the fact that no export drive can really be complete if it does not include some element of compensatory measures in respect of the highly subsidized competition from the jute mills in Pakistan. We have deprecated earlier the failure of the Srivastava Committee to notice this problem. We are sure that this is a point which cannot be indefinitely ignored. Both jute manufacturers and shippers are agreed that export assistance in some form or the other will have to be provided to the Indian jute industry if it is to compete on anything like equal terms with the industry in Pakistan. To what extent fiscal policies could be readjusted to provide this assistance is a matter which the Central Finance Ministry will have to consider sooner rather than later, not indeed as a concession to the industry but as a practical measure of securing more foreign exchange for the country through increased export of jute goods.

The Government is at present disbursing considerable public funds for securing marginal increases in exports over a wide range of "new lines" of export merchandise. Substantial funds are also being devoted to the promotion of exports of handicrafts and cottage industry products. We have no doubt that if a part of the resources thus spent is diverted to the provision of basic supports to the conventional export trades, such as jute goods, the gain in additional foreign exchange earnings will be larger, more prompt and more definite. In the field of exports, as elsewhere, an ounce of action is worth tons of studies and it would be no disparage-

ment of the Srivastava Committee report to suggest that the point on which the Government needs to act most promptly is the one which that report seems to have deliberately and diplomatically avoided, viz., the framing of an export assistance scheme which would

Government as Borrower

THE DETAILS of the total subscriptions to the Rs. 225-crore Central-cum-State loan floatation cannot be said to make altogether satisfactory reading, although, in certain respects, they may have turned out to be more or less in line with market anticipations. Thus, as against the total loan of Rs. 225 crores, the subscriptions aggregated Rs. 226.17 crores, comprising conversions to the tune of Rs. 19.14 crores and cash subscriptions of the order of Rs. 207.03 crores. Again, as much as Rs. 207.03 crores came in the form of cash subscriptions against the maximum market expectation of Rs. 100 crores. Finally, the reported actual subscriptions by the State Bank of India (Rs. 33 crores), the other commercial banks (Rs. 30 crores) and the L.I.C. (Rs. 39.38 crores) compare not unfavourably with market anticipation of Rs. 20 crores, Rs. 30 crores and Rs. 25 crores respectively.

But, if, out of the total cash subscriptions of Rs. 207.03 crores, nearly Rs. 200 crores (assuming that the contributions of the Reserve Bank and the Provident Funds were, as reported, of the order of Rs. 85 crores and Rs. 15 crores, respectively) have come from institutional investors, the actual receipts from individuals would be found to be negligible at only about Rs. 7 crores. Again, if only Rs. 19.14 crores have been offered against the total amount due for repayment on account of both the Centre (Rs. 9 crores) and the States (Rs. 39 crores), the question of having to return nearly Rs. 29 crores would eventually reduce the net borrowing of the Government further. In other words, if the main purpose of the borrowing programme is to absorb surplus purchasing power in the hands of the public, it cannot be said to have been achieved through this latest loan programme. It may be noted here that, in spite of two loan floatations, or rather three if we take the subscription to the National Defence Bonds also into consideration, the target for borrowing for the year 1963-64 has yet to be achieved, the actual shortfall as at present being Rs. 22 crores.

It has been suggested that this amount may be made good by another issue later in the year. It is perhaps premature to speculate on whether the Centre should again enter the market to raise this paltry amount or leave it to the States to exert themselves and collect it. But, considering the poor response by way of conversion which related, in the main, to the States, the inference is permissible that the State Governments did not exert their utmost, or at least as much as they did in the past. This failure on their part will have two consequences; it will lead the State Governments to approach the Centre for fresh accommodation to repay

compensate the Indian jute industry for the subsidies enjoyed by its competitor in Pakistan so that the Indian jute industry has a fair chance of securing its share of the expected expansion of the world consumption of jute manufactures in the coming years.

their respective loans and it will make them ask the Centre for further funds to carry on their day-to-day administration. This would mean that their special overdraft liabilities to cover special deficits with the Reserve Bank would continue to mount. The only way they could be made to understand that this cannot go on indefinitely is to compel them to enter the market on their own and raise the requisite amount. There is one other reason why the State Governments should come out with their own loans. If they do so, they are bound to offer a slightly higher rate of interest than the Centre is in a position to offer, and this would certainly contribute a definite attraction at least to such institutional investors as the L.I.C. In fact, the L.I.C. would appear to have actually drawn the attention of the monetary authorities to this aspect.

There seems to be an impression that the commercial banks have not extended as much support to the latest borrowing programme as was expected of them. It is not clear how this impression has come to be formed, when the Reserve Bank statement for the loan-week shows a decline of Rs. 25.73 crores in the deposits held by the scheduled banks with the Reserve Bank which must have been due to investments in the new loan and the actual amounts subscribed by the banks according to reports have been almost the same as their quota forecast in market circles on the eve of the loan floatation. Perhaps there were exaggerated expectations about the response of commercial banks in certain quarters, and, to some extent, the insistence of the Reserve Bank on the commercial banks raising their statutory liquidity ratio to 28 per cent by September 16, 1964 must also have prompted the hope that at least some banks would go in for the loan in a big way. Quite possibly there might also have been the expectation that those banks which generally maintain only enough liquidity ratio in terms of current requirements would oblige by generously subscribing to the new loan this time. The least that could be said for hopes based on these hypotheses is that they were very slender hopes indeed.

If it is conceded, as it must be, that the response to the latest loan floatation has not been satisfactory, or even if it is admitted that it has not come up to official expectations, the situation calls for rethinking on the part of the monetary authorities about the state of the capital market. Surely there must be something radically wrong when the public refuses to be tempted by the attraction alike of equities and Government securities.

Highlights of the Week

FICCI SEMINAR

AT THE SEMINAR on problems of private and public industrial undertakings organised by the Federation of Indian Chambers of Commerce and Industry (FICCI) last week, there was a meeting of minds on many points. That controls were cumbersome and that there should be a systematic exchange of managers between private and public sector undertakings was agreed to generally between Mr. Bharat Ram, President, Federation of Indian Chambers of Commerce and Industry and Mr. C. Subramaniam, Union Minister of Steel and Heavy Industries. A happy note was struck by Mr. Bharat Ram, who in his welcome address deplored the fruitless controversy over the respective positions and shares of the two sectors. Mr. C. Subramaniam, in his inaugural address said "that controls are necessary but where they interfere with efficient industrial management, they require a careful look." He proceeded: "It is a painful but inexorable fact that today an industrial manager spends more time getting across or around controls than he does in the task of management. Many of these controls may have served useful purpose in the past but they have become too cumbersome and detailed for a developing industrial society such as ours". Agreeing with Mr. Bharat Ram, that there should be an exchange of managers between the public and private sectors, Mr. Subramaniam said the country should pursue a rational policy in laying down service conditions for managers in industry, both public and private, so that the best talent was attracted to the best jobs, irrespective of which sectors these jobs were in.

The discussions actually brought managers in the two sectors so close to each other that they occasionally joined hands to criticize the Government for delays and indecision in matters of importance to the industry. The speeches at the open discussion underlined the need to train urgently needed personnel particularly at the executive level to man efficiently projects in the public and private sectors. The paucity of such personnel was cited as one of the major handicaps to industry especially in the public sector which was unable to compete with the private sector in the matter of paying high salaries to executives. It was also stressed by various speakers that the managers should be given greater powers and autonomy. No large enterprise can work efficiently unless there is wide dispersal of authority. There is no doubt that all this has been said before, but the need now is to find out what action can be taken by the two sectors to train enough managers to cope with the tasks.

Mr. Bharat Ram was of the view that our approach to planning was not flexible and this had led to appreciable idle capacity in industries such as steel ingots, cement, machinery, machine tools, heavy electrical equipment, fertilizers, etc. So it is no wonder that they have fallen behind the planned targets. Efficiency, he opined, must be the norm by which we should judge and value the functioning of both public and private sectors.

The position in regard to bolstering the capital market was clarified by Mr. L. K. Jha, Secretary in the Ministry of Finance. He indicated that credit institutions such as the IFC and ICICI would enter the market in a bigger way to see that the depression did not retard industrial development. The Finance Group of the Seminar had suggested that the IFC, the ICICI and the LIC should invest in good shares with high intrinsic value to generate wider confidence in the shares of companies. Other suggestions for reviving the capital market include definite tax incentives, such as the restoration of an initial depreciation allowance, the increase of development rebate to 25 per cent, suspension of Section 23A of

the Companies Act and exemption of new shares from the wealth tax. Referring to certain restrictive elements in industrial financing, the group recommended review of the limitations imposed by the Capital Issues Control relating to debt equity ratio, transferability of shares and premium shares. A sub-committee is to be set up to process the suggestions and take them up with the Government for further study and action.

STEEL IN THE FOURTH PLAN

THE TISCO'S Chairman, Mr. J. R. D. Tata's advice that a 15 million tonnes steel ingots target for 1970-71 would suffice has apparently not found favour with the Steering Group set up for planning steel development during the fourth Plan period. After five-day long deliberations last week, the Group and its various sub-committees have recommended that the 1970-71 steel output targets should aim at 18 million tonnes of ingots, four million tonnes for foundry grade iron and about one million tonnes for tool, alloy and special steels. The demand for ferro-alloys arising from this is to be studied in further detail in consultation with the National Metallurgical Laboratory.

These ambitious targets for the production of various categories of steel during the fourth Plan, presumably, have been recommended by the Steering Group with a view to avoiding the repetition of the third Plan phenomenon of demand outstripping domestic supplies by a fairly wide margin. Since the present foreign exchange difficulties are expected to continue during the next Plan period, no risk, it is felt, can be taken in respect of augmenting the supplies of steel. Otherwise, the defence build-up might be adversely affected.

To attain a production level of 18 million tonnes of ingot steel, an installed capacity to the tune of 20-21 million tonnes will have to be set up. A total capacity of about nine million tonnes would have been established by the end of the third Plan. Additional capacity to the order of nearly 11-12 million tonnes will have to be created during the fourth Plan period. This task, though stupendous, is not considered to be impossible. The expansion of the five existing steelworks — TISCO and Indian Iron by one million tonnes each, Bhilai by 1.5 million tonnes, Durgapur by 1.4 million tonnes and Rourkela by 0.7 million tonnes—should yield 5.6 million tonnes additional capacity. The proposed Bokaro and Salem plants would have by then augmented the installed capacity by about 3.4 million tonnes. For the rest, two new integrated steelworks will have to be set up. The possibilities of setting up an integrated steel plant in the Vizag belt and another in Goa are being explored.

So far as tool, alloy and special steels are concerned, it is estimated that a capacity of about 330,000 tonnes would have been created by 1965-66. Stepping up this capacity to one million tonnes will involve the doubling of the proposed Alloy Steel Plant at Durgapur, setting up another new plant and licensing considerable capacity in the private sector.

AGRICULTURE: MID-TERM APPRAISAL

THE MID-TERM appraisal of the third Plan agricultural development programmes, conducted last week by the Planning Commission in consultation with the Union Department of Agriculture, reveals that given normal weather conditions, only 95 million tons. This will represent a shortfall of slightly more than 20 per cent in the planned target of raising food production from 76 million tons in the base year 1960-61 to 100 million tons at the end of the Plan.

Even the attainment of a production of 95 million tons, it is emphasised, calls for extra effort and resources. Renew-

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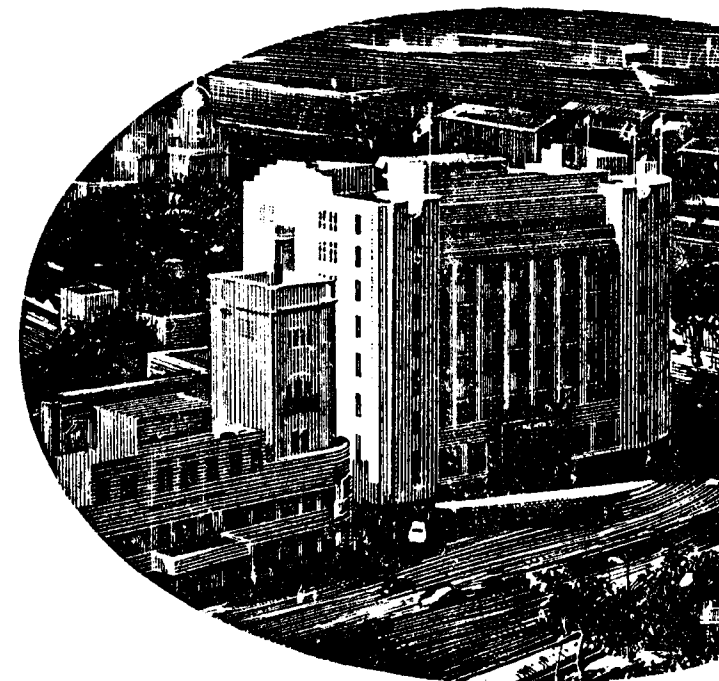
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EASTERN ECONOMIST

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ed stress is to be placed on measures yielding quick results. The Planning Commission has increased the outlay on minor irrigation and soil conservation programmes by Rs. 72 crores and Rs. 13.5 crores, respectively. The new targets for these two programmes have been fixed at 13.8 million acres and 11.7 million acres. The additional funds to be provided are conditional on their utilization for the two specific purposes. A greater amount of foreign exchange is also to be released for augmenting the supplies of chemical fertilisers, pesticides, drilling equipment, etc. High priority is to be accorded to agriculturists' requirements of cement and steel.

Certain decisions have also been taken to ensure greater co-ordination among agencies concerned with agricultural development and also to secure continuity of administration of development programmes. Thus, in future, authorities dealing with the licensing of construction materials, such as cement and steel, will be required to keep themselves in touch with other agencies of State Governments charged with farm development programmes which may involve the use of such materials. Again, officials engaged in agricultural development are not to be transferred from their present posts or stations. This is to avoid wastage of time through the transferred officials having to get themselves acquainted with new environments and their special problems. Such officers are to be kept at their present stations at least for the remaining period of the Plan. If they are due for promotion, the promotion will be given to them at their present stations. Finally, in order to avoid diffusion of energies and resources, attention is to be concentrated on the development of selected areas which hold the greatest promise of increased production in the short term. The Package Programme approach will presumably be followed in these areas.

APPLIED RESEARCH IN FARMING

IN A FRANK and provocative address in New Delhi on July 24, 1963, Mr. A. D. Pandit, Vice-President of the Indian Council of Agricultural Research, brought out the intrinsic weakness of the state of applied research in agriculture in this country. He rightly stated that research which was confined to laboratories had no economic value unless it could be "transferred to the farm". Unfortunately, the extension services which are supposed to be the "medium of communication" between the farmer and the universities as well as the research institutes, have failed to deliver the goods. At present there is hardly any contact between the two and, therefore, it is not at all surprising that research has made very little contribution to raising agricultural productivity.

Visual demonstration plays an important role in educating conservative farmers and making them take to new techniques in raising crops. The demonstrations which were held in some States had recorded a high degree of failure which caused incalculable harm to the propagation of the new agricultural methods. Mr. Pandit said that recently Planning Commission teams had visited some of the States and had found that in some cases the percentage of failure of the demonstrations was as high as from 60 to 75 primarily because the task had been allotted to incompetent workers. This state of affairs clearly points to the extreme urgency of allowing only qualified and competent agricultural graduates to handle the demonstrations.

Not to speak of the communication between the researcher and the farmer, he also deplored the fact that there was very little communication among agricultural scientists themselves. The research journals published by the Council did not receive many contributions from the State research institutions and universities and even healthy controversy was avoided "lest it may give offence". This "conspiracy of silence" was neither in the interest of

research nor of the country. The dismal state of research is expected to be set right by appointing a Project Co-ordinator who would co-ordinate the research being conducted in the various institutes and would bring about an annual report describing the progress of the various projects. It needs to be stressed that the Co-ordinator will succeed in his efforts only if scientists changed their outlook and conducted their researches not "to secure personal renown" but to solve the intricate problems associated with agricultural productivity.

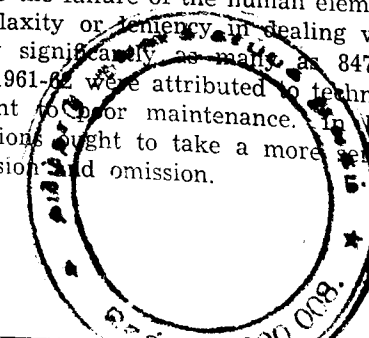
Mr. Pandit also dilated upon the lack of co-ordination in the research work conducted in the country. The Indian Council of Agricultural Research, which had been set up with the express purpose of co-ordinating agricultural research, had failed to perform its functions because of absence of co-ordination among the States. He said: "This Council has merely become a scrutinising committee for disjointed schemes often of an overlapping nature coming from different States instead of a body of experts which periodically takes stock of the volume and quality of scientific work going on in the country". This is, indeed, a sad commentary on the manner in which the Council has been discharging its obligations.

In order to rectify some of these maladies, proposals — which have Mr. Pandit's blessings — are being put forward to establish three boards (in place of the existing Agricultural Research Board) consisting of "scientists who could meet more frequently, review the progress of research in the country in the subjects coming under the purview of the respective boards, indicate the gaps in our knowledge and encourage research institutions to concentrate more effort so that these gaps may be filled as early as possible". While Mr. Pandit's analysis of the problems associated with applied research in agriculture is incisive, he seems to have fallen a prey to the old bureaucratic habit of resolving problems through the multiplication of boards and committees.

SAFETY ON RAILWAYS

THE ANNUAL REPORTS of the Commissioner of Railway Safety are released to the public somewhat too late. The latest report for the year 1961-62 was made available on July 28 last. The reports, nevertheless, do not lose their value as correctives for the future. There were 15 accidents to passenger trains for which statutory enquiries were held by the Additional Commissioners in 1961-62. The number was identical in the previous year too. A comparison of the responsibility of the accidents during the two years is not readily available. But during 1961-62, out of 15 accidents to passenger trains, there were ten cases of derailment of which five were due to failure of the staff mostly at the station and some times in combination with the train crew. Three of the collisions were due to the failure of the station staff. This source of responsibility for accidents is becoming common in railway operations. It would appear that stricter care and action by way of provision of sufficient staff or appropriate penal action are essential to minimise its frequency. But this particular source of responsibility seems to be dealt with leniently by Railway administrations.

Including major and minor accidents, there occurred 7,667 accidents in 1961-62 which were slightly below the figure of 7,682 in the preceding year. Accidents to trains in 1961-62 however, were marginally higher at 3,938 than the previous year's figure of 3,925. But it is significant that out of the 2,363 major and minor accidents analysed by the Inspectorate, nearly one-half were due to the failure of the human element. This finding again shows laxity or leniency in dealing with erring personnel. Equally significant as many as 847 of the accidents analysed in 1961-62 were attributed to technical defects which might point to poor maintenance. In both areas Railway administrations ought to take a more serious view of errors of commission and omission.



What is Wrong with the Rupee?

By Dr. B. M. BHATIA

MR. K. SANTHANAM'S plea for the devaluation of the rupee (in the "Readers' Roundtable" on page 35 of "Eastern Economist", July 5) needs to be scrutinised. According to him "the Indian economy is not in a healthy condition and this is the reason why, in spite of all the herculean attempts at planning and injection of a thousand crores a year, the national income is not rising appreciably". Mr. Santhanam feels that over-valuation of the rupee is one of the principal causes of this malady. "At the present rate of exchange of the rupee at one shilling six pence, the cost of production in India is so high in relation to international prices of almost all manufactured articles that exports of our industries cannot be increased without heavy subsidy, direct or indirect. The Finance Minister is not in a position to provide the requisite subsidy in the form of sacrifice of taxation, reduction of railway freights etc. Hence all the highly advertised export promotion schemes are not likely to yield satisfactory results."

Mr. Santhanam bases his conclusions on rather shaky grounds. He quotes index numbers of wholesale prices in India, the U.K. and the U.S.A. to prove that prices in India have risen much more than in the other two countries. But these statistics do not support his contention. According to the figures quoted by him, the Indian price level was in step with the price level in U.S.A. and U.K. till 1959. It is only in 1960 that prices in India rose more sharply than in the other two countries. But even in 1961 the price index in India stood at 121 as compared with 116 in the U.K. and 108 in the U.S.A. The difference between the price level in India and that of the U.K. or the U.S.A. is not so great as to justify a change in the rate of exchange of the Indian rupee, much less a drastic reduction from one shilling six pence to one shilling as Mr. Santhanam suggests.

Equilibrium a Mirage

At the back of Mr. Santhanam's mind is the Purchasing Power Parity Theory which is valid only, if at all, under conditions which do not obtain in any part of the world today. Trade is everywhere subject to various restrictions and exchange rates are everywhere controlled. If national price levels continue to be out of step with each other under these conditions, it need hardly be a matter of surprise or concern. That unique equilibrium exchange rate which "over a certain period of time, keeps the balance of payments in equilibrium", is under present conditions, a mirage. As Mrs. Joan Robinson has pointed out, the world conditions are such today that "for better or worse, international trade must be directed by a conscious policy" and not left to be determined by market forces and price mechanism. From the national point of view, it may be sometimes even desirable to maintain a rate of exchange which keeps national price level in disequilibrium with prices in other countries rather than disturb it and face all the consequences that may be even more unpalatable. Therefore, even if it were accepted that prices in India are higher than those in the U.K. and the U.S.A., and that the external value of the rupee is more than its internal value, the case for devaluation of Indian rupee remains far from being established.

To be convincing, the case for devaluation must be based on the persistent deficits in the balance of payments that the country is facing since 1956 and the advocates of devaluation must prove that devaluation would help in

bridging the gap between imports and exports. Devaluation could achieve these results if the deficit in balance of payments arose from high prices of exports and low prices of imports. Mr. Santhanam asserts that "the cost of production of almost all manufactured articles is so high in relation to international prices of almost all manufactured articles that the exports of our industries cannot be increased without heavy subsidy". Now what are the principal components of the costs of manufactured articles in India? Will devaluation not raise the prices of imported raw materials (e.g. cotton, jute), machinery, fuel, spare parts, and foodstuffs, and push up the industrial costs and industrial wages still further? Will that not further reduce the competitive power of our exports in world markets and thus increase the balance of payments deficit? And what about the increase in the burden of foreign debt that we have already incurred and interest payments on it?

In the context of broad objectives of rapid economic development this last point may be considered to be of minor importance. What is more important from the national point of view is the increase in exports. It is argued that devaluation constitutes a general subsidy to exports, cheapens our goods in the world markets and increases the off-take of our manufactures and other articles by foreign countries. That, however, presupposes a high price elasticity of demand for our goods in other countries. In spite of

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the serious debate in the last two years in the economic journals in India over the question of devaluation, no scientific study of demand elasticities of principal items of India's exports has been undertaken so far either by the Government or by the academic economists. It is obvious that devaluation will serve the purpose only if the price elasticity of demand in all export commodities or at least in most of the commodities, is greater than unity. If this condition is satisfied in one or two commodities only, it would be better to encourage the exports of those commodities by granting subsidies to them than by granting a general subsidy to all export articles in the form of devaluation irrespective of the fact whether subsidy is needed by an industry or not.

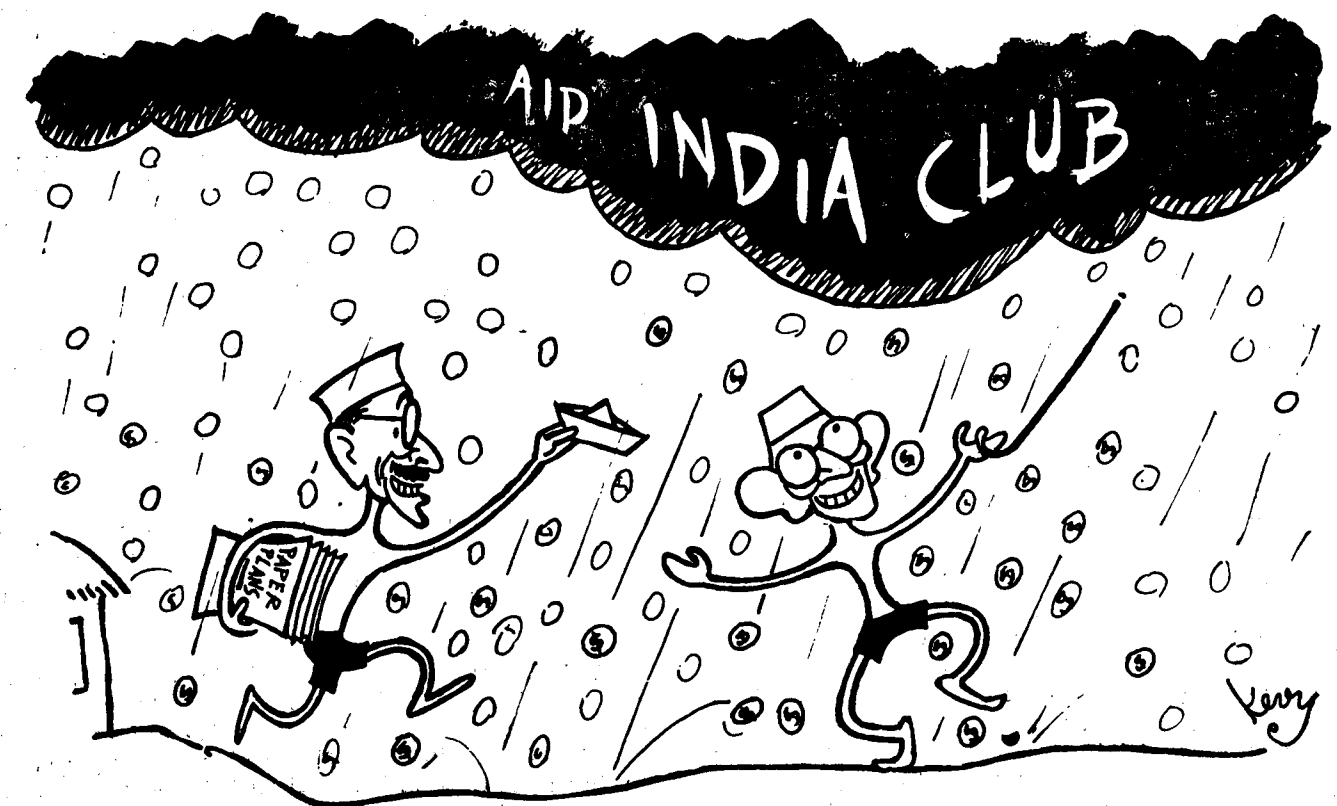
The demand for the devaluation of the rupee is found to be resting on still more shaky grounds when we consider the import side. Imports are completely controlled in India at present and consist mainly of machinery and machine tools, fuels, chemicals, essential raw materials, foodstuffs etc. These goods are imported not because it is cheaper to do so than to produce them at home but because either we do not produce them at all or produce them in insufficient quantities for our domestic requirements. Imports in the present phase of our development are necessary for national existence and rapid development. We simply cannot cut them down without imperilling the rate of growth, which is already quite poor.

Our present balance of payments difficulties arise from the phase of economic development through which we are currently passing. With the solitary exception of Great Britain, which had the advantage of early start and of possessing colonies at the time of development, every country in the world has faced that problem. Thus Japan from the time it first entered into her modern commercial relations with the rest of the world till 1929 faced, with the exception of war years, a chronic deficit in her balance of payment. In Russia, the Finance Minister called upon the na-

tion as far back as the nineties of the last century: "Let us starve but export." In more recent times in the same country we are told by Baykov: "In spite of the fact that the Soviet State monopoly of foreign trade made it possible to restrict imports in order to achieve a positive trade balance, the need to import, especially equipment and raw materials for the industry, was considered so urgent that imports were maintained even in the face of the impossibility of paying for them by exports". Both the U.S.A. and Canada imported large amounts of foreign capital from the U.K. and other countries in the last quarter of the 19th and the first decade of the present century to finance their development.

In Good Company

Balance of payments deficit and therefore borrowing from abroad to meet it in the initial stages of economic development is not the experience of India alone. All the developed countries had faced that necessity. In no country was the remedy found in devaluation or depreciation of the currency. (Devaluation in Japan, the U.K. and other countries during the depression of 1930's was effected to safeguard employment and incomes rather than secure a favourable balance in trade). As soon as a country passed the "take off" stage, the balance of payments problem got automatically solved. The balance of payments problem will not be solved by tinkering with the value of the rupee in the hope that it will give a great boost to our exports. The scope for increase in exports at the present time through devaluation or export subsidies is very much limited. At best devaluation can serve as a palliative for a very short time. A more permanent remedy lies in raising productivity in agriculture and in our manufacturing industries and expanding production of the "import substitution" industries within the country. Low productivity and industrial bottlenecks are the real causes of the present "sickness" of our economy. The present exchange rate has very little responsibility in the matter.



DELAYED MONSOON IN THE CAPITAL

WINDOW ON THE WORLD

Back to the Dollar Gap?

From Our Special Correspondent

PARIS:

A GRAVE monetary crisis in West Europe is forecast for 1968, at the latest in the report that the Brookings Institute sent to the White House some days ago. This document was presumably in the press when President Kennedy took his series of dollar-defence measures in July, so the prophecy is independent of the effects of those steps. Or rather, to the extent that Mr. Kennedy's plans (supposing they are approved by Congress) are effective, they will bring nearer the date of the exchange crisis in West Europe, foreseen by the Brookings economists. Their assumption is that the USA will be unable simply to restore balanced external payments; it will inevitably go from one extreme to the other, and bring back the dollar-gap. The gold that has flown east across the Atlantic in recent years will fly back again, in at least an equal amount, leading to acute payments difficulties for the European nations and, in turn, to import restrictions, cuts in foreign aid and perhaps deflationary curbs on European economic growth.

The American experts describe accurately enough the factors that will tend to produce these results in the next few years. What is lacking is any proof that such tendencies will be allowed to go far enough, unchecked, to have the dismal consequences forecast. Perhaps one needs to point out at once that the Brookings document concludes with the recommendation that the International Monetary Fund be empowered to create a new world-money which will inflate international liquidities to a level adequate to the 35 per cent increase in world trade forecast for the next five years. Now, exponents of the theory of inadequate liquidities and of the need for a new world money-of-settlement always assume that the nations will oscillate from dollar-gap to dollar-deficit; in other words, they take it for granted that a greater volume of world trade must be accompanied by bigger deficits. The managed money-of-settlement is intended to meet these deficits, and to further their schemes they must suggest that more trade necessarily means bigger deficits.

Pessimistic Assumption

The new chief of the IMF, M. Schweitzer, pointed out on taking office a few weeks ago that this notion was not necessarily true. World trade could grow by 35 per cent, or more, without liquidities proving insufficient, if approximate balance were maintained and if national monetary authorities continued and extended their co-operation to curb speculative attacks on individual currencies. Obviously, it will be difficult to achieve these conditions but it is altogether too pessimistic to assume that it will be impossible. For example, there is one eventuality that one nowhere sees taken into account: the formation of a common reserve currency for the six members of the Common Market, which would replace the present five payments-balances (the Belgo-Luxemburg Union has joint payments) by one payments-balance for the whole region. By putting an end to competition for gold and dollars among the Six, this pooling of reserves would reduce the need for liquidities by a consi-

derable amount. (The present reserves of the Six, indeed, equal those of the USA.)

Actually, the Brookings experts take indirect note of this possibility but they put it forward as one of their suggestions for action, instead of as something that is very likely to happen in any event. The suggestion referred to (and it was immediately rejected with indignation by Mr. Robert Roosa from the Treasury) was for a floating exchange rate between two currency blocs: the dollar and sterling on the one hand, the Common Market currencies on the other. Within each bloc exchange rates would be fixed, but the parity between them would float. The wisdom of such a scheme may be doubted but the point is that the Brookings economists envisage the possibility of a fixed exchange rate between the five currencies of the Common Market—but without seeing that five currencies with fixed exchange rates are in fact one currency expressed in five different denominations, which implies one reserve pool, which in turn reduces the need for liquidities and thus attacks the foundation of their argument that liquidities will be inadequate.

However, the point of this digression into the question of liquidities was to hint that advocates of a managed world-money have a vested interest in prophesying immense payments deficits. With this caution in mind, one may look at the factors which, according to the Brookings report, will land West Europe in such a deficit within a very few years. They mention four things which will tend to produce a large U.S. surplus at the expense of West Europe.

Decline in Arms Expenditure

Firstly, American military outlays will fall by \$400 million between 1961 and 1969, while foreign arms purchases in the USA will increase by an equal amount. The decline in military expenditure indeed seems more likely since the report was drafted, thanks to the suspension of nuclear tests, so this point is well taken—but if the detente between the blocs makes further progress, foreign purchases of U.S. arms (notably for the equipment of the Bundeswehr) might not increase as much as expected either.

Secondly, the "tying" of U.S. development aid, which means that it almost all comes back to the USA in the form of purchases of U.S. goods by the assisted nations, will lighten the aid burden on the payments balance. So aid could rise from \$4,000 million to \$6,400 million between 1961 and 1968 and yet the payments deficit on this score could virtually vanish.

Thirdly, the outflow of private U.S. capital seeking profitable investment in West Europe will decline as business picks up at home, thus removing one of the principal negative factors in the balance of payments. We can go further and add that if American industry becomes so much more attractive than European as an investment, then foreign funds will be placed there on a large scale. Moreover, within

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a few years the substantial U.S. investments in Europe made in recent years will begin to pay off, and earnings on this account will be considerable.

Fourthly, and this seems to be the main ground of the Brookings forecast, the U.S. trade surplus will swell from \$5,000 million in 1961 to \$9,100 million in 1968 if prices in the USA continue to rise by only 0.5 per cent yearly whereas European prices rise 1.5 per cent annually. In fact this supposition looks improbable, for one cannot imagine the Europeans passively watching such a discrepancy over the years, so the Brookings experts add that even if West Europe curbs its inflation, the U.S. trade surplus will rise to \$6,700 million by 1968.

The French Stand

There is little doubt that if these four conditions are realised, within a few years the U.S. deficit will have been replaced by a large payments surplus, most of it at West Europe's expense. The question is whether the Europeans are going to let this happen. With General de Gaulle's Monday Press conference fresh in mind, one is inclined to doubt it. For the French President made it plain that "France cannot and will not see either her own economy or the nascent European economy liquidated in some sort of 'Atlantic Community' which would be nothing but a new version of 'integration'", and by "integration" the General means American domination. And he was quite specific on the point of American agricultural exports when he said that "Europe must, for the greater part, feed itself with its own agricultural products which are amply sufficient". The West Germans showed the next day that they agreed on one point at least, by refusing to make any concession on the vexed question of American poultry exports, so that American officials were moved to threaten reprisals. If the Common Market refuses to take U.S. farm produce on the scale hoped

for, the forecasts given above for the trade surplus later in this decade will have to be reduced considerably. On the other hand, as the French President also hinted, if some such preference is not given to European food, then the tariff negotiations with the USA will be blocked indefinitely—because, he asked, "whatever would France be doing in an association where there were no Customs duties except for her wheat, her meat, her wine, her milk and her fruit?"

In short, some forecasts of likely American trade gains seem based on optimistic assumptions about the Europeans consenting to be flooded with American goods while they blithely let inflation take its course in the Common Market. One finds it hard to see Dr. Erhard presiding over the depreciation of the Deutschemark, and any countermeasures he took would at once have to be imitated in France because of the imbrication of the two economies since 1958. It is correct to say that in the next few years some trends will be working against Europe in favour of the USA, but the Europe of today is not that of the days of the dollar-gap. (Besides, such trends must not be exaggerated; recent U.S. orders for jet aircraft in Europe and current European automobile exports show that the tendencies are not all one way.)

Quite apart from corrective measures the Europeans will take, one must ask too whether the U.S. Government will be interested in scoring a payments surplus on all counts, supposing that it was in its power to do so. Once the tide has turned in favour of the dollar, it is improbable that Washington will persist and go on boosting its surplus until it has as much gold again as in the 1940's. If it did persist too long in that course, the first casualty would be, not the Common Market, but Britain; well before the European deficit reached the proportions forecast by the Brookings experts, the pound would have been devalued, an event that Washington has no interest in bringing about.

U.K.'s Gremlins on the Way Out?

By JOSSLEYN HENNESSY

LONDON:

DURING THE war when, from time to time, a well maintained aeroplane developed a series of inexplicable failures, the R.A.F. decided that it had been attacked by "gremlins", evil sprites whose delight it was to cause disaster. Whole battalions of gremlins seem to have fallen on the U.K. since Christmas. In the first quarter of 1963, Arctic weather disrupted the economy, output fell, unemployment soared from 1962's average of 463,000 (2.1 per cent) to 878,000 (3.9 per cent) in February, 1963. Then President de Gaulle vetoed Britain's entry into the European Economic Community. At about the same time the Government began to get its hair tangled in one scandal after another. The innocent minister, Mr. Thomas Galbraith, was wrongly rumoured to have had improper relations with the spy, Vassal, a clerk in the Admiralty. Next, Mr. Profumo, Minister of War, gratuitously landed himself and his colleagues in trouble by denying his acquaintance with one, Christine Keeler, whose name has since become as well-known as that of 20th Century Fox's Elizabeth Taylor, and who will doubtless be picked to replace Miss Taylor in any new edition of "Cleopatra". Lastly, the death of Peter Rachman brought an unsavoury housing racket to light. But dawn ends the blackest night, and some rosy streaks in the sky suggest a return to preoccupation with economic progress rather than with this Hogarthian rake's progress of tarts, pimps, and racketeers.

The ice and snow of December, January and February are now re-emerging disguised as statistics in "Economic Trends" (published monthly by the Central Office of Statistics). The July issue shows that the effects of the year's disastrous start were temporary. Building—the worst hit industry—far from being idle is now the sector of the economy most in danger of overstrain. Public investment is on a sharply rising trend. Industrial production in May, at 118 (1958=100), attained a new high level, and the demand for labour is increasing. Unemployment has fallen more than seasonally since April. Above all, the balance of payments is officially regarded as "most satisfactory". Exports in the second quarter were 3 per cent more than in the first quarter and nearly 5 per cent more than in the third quarter of 1962. A Federation of British Industries enquiry shows widespread improvement in confidence and the expectation of a substantial rise in production. In these circumstances, the dangers of expansion for the balance of payments, and for sterling, seem to be receding, and the Chancellor, in asking the I.M.F. for the renewal of the \$1,000 m. standby credit for another year, explained that this was only a precaution. In effect, this agreement increases the U.K.'s gold and convertible currency reserves by more than one third. The money may never be needed: the standby was not, in fact, touched during the troubled period for sterling earlier this year, when temporary aid was taken from European control banks instead. In future, the U.K. may again request this

central bank aid to counter speculative movements. The I.M.F. standby would then be available to meet any deterioration during the early stages of expansion. Even then, the mere existence of the standby may be enough to ensure that its use is not needed.

By a dramatic chance the publication of "Economic Trends" statistics this week coincided with the second Report of the National Incomes' Commission. The Commission, having been violently criticised for its alleged desire to keep wages depressed, now urges that firms should not increase profits by more than 3½ per cent p.a., and that any surplus above this should be used to reduce prices. It is, therefore, noteworthy that the statistics show that the whole burden of last winter's disasters fell not on wages but on profits. Rising wages managed to balance the increase in unemployment and cuts in overtime. The whole of the fall in incomes was carried by profits, which fell from £908 million to £774 million, their lowest point for several years. That companies were able to stand this means, first, that they had built up reserves from the profits of previous years into which they could dip. Secondly, NIC forgets that whereas wages are a predictable cost, profits are an unpredictable surplus, out of which risks must be borne. NIC's doctrine amounts to saying that an efficient firm which finds a way to cut costs and reduce prices, but wants to reap some of the benefits through higher profit margins, is anti-social. The point, as I see it, is that taxation can keep average profits in line with average wages but efficient firms are always above the national average. In any case, what incentive is there to raise efficiency if the firm and its shareholders cannot benefit from it? Suppose that by adopting a certain process, or investing capital in new plant, an additional profit of £1 million can be envisaged, if the whole is to be given away to consumers and tax gatherers,

why bother? NIC's doctrine would lead to economic stagnation.

On the political front two out of three public opinion polls show that Labour's lead over the Conservatives slumped in July from 18½ per cent to 8 per cent, a figure confirmed by recent by-elections. The "Economist" commented that this apparent Conservative recovery occurred during a fortnight when Labour concentrated the whole political battle on its revived electioneering campaign against the Rent Act. "A campaign", said the "Economist", "of the old vote-ogling sort which most people nowadays see through". While not sharing the "Economist's" faith in the electorate's rising IQ, I agree that to blame racketeering on the Rent Act is to stand the facts on their heads. The Act provides that controlled premises remain controlled as long as statutory tenants continue in them, but become decontrolled if they leave. This normally means that a new tenant's rent is 30 to 40 per cent higher than that of the departed statutory tenant. In order to expedite their departure, Rachman employed gangs to make life impossible for statutory tenants by giving all-night parties, or by physical threats. Once empty, the flats were repaired and redecorated, ceased to be slum property, and were let out to respectable tenants. Most reprehensible, no doubt. But rent control was not abolished. As long as rent control exists, landlords will not sink money in repairs or in building; the people willing to buy such properties can only make profits illegally; and the housing shortage will continue. Remove control and, at present prices, capital would pour into housing ventures until rents sank to a reasonable equilibrium. If the "Economist" is right in thinking that the mass of the electors now understand this, the millenium is around the corner, and the UK's growth rate will leave the German miracle at the starting post.

TENDER NOTICE

Tenders are hereby invited from the approved contractors of the Punjab P.W.D. B & R Branch on the prescribed form obtainable at Rupees Two each for the following works upto 15.30 hours on 30-8-1963.

S. No.	Name of Work	App: Cost	Earnest Money
1.	Expansion of Existing Sheep Breeding-cum-Experimental Station in Government Live Stock Farm Hissar. Construction of Laboratory, Office and Sheep Pens).	65,000	1,300
2.	Re-organisation of Government Live Stock Farm, Hissar:		
(i)	Construction of 75 Nos. Class IV Unmarried quarters.	1,80,000	3,600
(ii)	Construction of 28 Nos. Officers/Officials quarters.	2,32,000	4,700
(iii)	Construction of 78 Nos. Class IV married quarters.	2,75,000	5,500

Note: Detailed Notice Inviting Tender can be seen in the Office of the undersigned during office hours.

(ii) Earnest Money is acceptable only in shape of Treasury Challan, Deposit at Call on any Scheduled Bank of India or National Saving Certificate duly pledged in the name of the undersigned by Designation.

(iii) Tender form will only be issued on production of Earnest Money.

EXECUTIVE ENGINEER,
PROVINCIAL DIVISION, HISSAR.

LISTENING POSTS

Acharya on the War Path

By Our Special Correspondent

THE PRIME MINISTER's advice to his Party men on the eve of the Monsoon Session of Parliament to be prepared for trouble was, of course, well-founded. Mr. C. Rajagopalachari having arrived in the Capital for a week's stay to organise the forces of Light against the forces of Darkness (i.e., the Congress) and Acharya Kripalani in the Lok Sabha promptly getting down to business with a "No Confidence" motion, the Congress Parliamentary Party has its work cut out to keep its flag flying. The Speaker counted 72 members (from the non-Communist Opposition) standing in support when Acharya Kripalani asked for the leave of the House to move the "No Confidence" motion. But some Opposition Members claimed that those who had stood up actually numbered 74. Since, however, only 50 is the minimum prescribed by the Rules of Procedure, this difference did not matter.

This is the first time since India became independent that leave was granted in Parliament for a motion of "No Confidence" in the Government. The motion, of course, is only a gesture of defiance since the Congress is in overwhelming majority in the Lok Sabha. It is to be taken up only next week.

★

The Union Finance Ministry is understood to be quite perturbed over the current listless mood of the capital market. Quite a few new issues in the recent past had not met with the success they deserved, with the result that underwriters were left with fairly large blocs of shares on their hands. This phenomenon is attributed to two main factors. Firstly, the withdrawal from the equity market of the speculative investors of about a year ago, who supported the new issues on expectations of quick appreciation in capital. With the boom in the stock market coming to an end after the Chinese attack in October last, the premium on new issues has evaporated. Secondly, the rate of saving in the economy for long-term investments has not been adequate.

Consultations have been going on in the past few weeks between the Union Finance Ministry, the Reserve Bank of India, the State Bank of India, the Industrial Credit and Investment Corporation of India, the Industrial Finance Corporation and the Life Insurance Corporation on devising of ways and means for sustaining the capital market. As a result, conditions are expected to improve steadily. The Finance Ministry, it is gathered, has impressed upon the ICICI and IFC that if in pursuance of their objective to foster the growth of the private sector they are now called upon to underwrite new issues in a larger measure, they should do so. Even if they are left with any large proportions of the new equities underwritten by them, they need not lament over it.

To enable these two institutions to play their role more effectively in the task of sustaining a healthy growth in the capital market during the current lean period of investments, the Government is prepared to provide them additional financial resources. Pooling of their resources by the underwriting institutions is considered imperative so that no new industrial unit which is of key importance for the achievement of the developmental goals fixed under the third Plan, suffers for want of funds.

The shortage of working capital for the private sector industries, it is anticipated, should end in the near future when outgoings on Government account start. Bank depo-

sits then would start growing. Conditions in the money market during the ensuing busy season, it is felt, should be comparatively less stringent than last year, since governmental expenditure, especially on defence, is of a higher magnitude this year. The Reserve Bank of India proposes to have a fresh look at the scheduled banks' liquidity position at the start of the busy season so that it can realistically decide what measures are called for to meet the situation.

Another healthy development in so far as provision of working capital to the private sector enterprises is concerned, has been the liberalisation effected in the State Bank's lending operations. Of late the State Bank has shed its conservatism, inherited from its predecessor, the Imperial Bank of India, of doing business with only "A" class industrial units and that too on the principle of not sharing it with the other scheduled banks. Joint financing with other banks has been recently resorted to by the State Bank for accommodating industry's requests for working capital. This trend is likely to gather momentum.

The Government apparently is not much concerned about the sharp setback in equity values brought about by political and other non-economic factors. It, therefore, does not favour any abnormal open market operations by the Life Insurance Corporation. The LIC, it is pointed out, is not an agency for supporting stock market booms. It, however, cannot but support the stock market to the limited extent of safeguarding its own interests. This is one sector where substantial savings accrue month by month. Underwriting of new issues by the LIC has also to be selective and restricted to those which it would not mind having to hold and nurse.

★

An agreement has been signed between the US Administration and the Government of India for setting up a 380 MW. nuclear power station at Tarapore. The US Agency for International Development has agreed to extend a loan of \$80 million (Rs. 38.1 crores) for financing the foreign exchange component of this project. As is the case with the other US Aid credits, this loan will be free of interest, but will be subject to three quarters of one per cent service charge. It will be repayable over a period of 40 years with no repayments falling due during the first ten years.

In addition to this credit, the US Atomic Energy Commission will provide the initial uranium fuel charge, estimated to cost \$15 million (Rs. 7.1 crores), on a long-term deferred payment basis.

The General Electric Company has been selected by the Government of India to be the prime supplier and contractor for the project. The Company will also provide for the fabrication and installation of the station's initial nuclear charge.

The project is expected to be completed within a period of five years from the date actual construction starts.

★

Following the decision of the Government to permit the three manufacturers of Commercial vehicles to manufacture their engines as well, proposals from them have been received here, indicating the capacity they propose to create and asking the Government for the release of necessary foreign exchange. TELCO plans to step up its production from 18,000 vehicles a year to 24,000 a year while Hindustan Motors and Premiers

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propose to increase their output from 9,000 to 15,000 each. TELCO's requirements of foreign exchange are placed at Rs. 6 crores and those of the other two at Rs. 10 crores each. US aid is being sought for financing the foreign exchange requirements.

**

Further enquiries in regard to the manufacture in India of a cheaper motor car shows that the proposed study through committee will relate to the fourth five-year Plan. That India needs a cheaper car of a model which will remain unaltered for a reasonably long period is not in dispute. In view of the fact that European and British automobile manufacturers have done excellent work in this field, it is proposed to enlist the services of experts from Britain, West Germany and the USSR for selecting a model of an inexpensive automobile for manufacture in this country.

**

The Indian Investment Centre in New Delhi has announced that the two-sub-committees of their Advisory Committee of Industrial Experts have finalised their reports detailing their findings and recommendations in respect of many engineering and chemical industries. The Centre will forward these reports to Government for consideration.

As part of its service to Indian and foreign entrepreneurs, the Indian Investment Centre had, early in 1962, initiated a programme of industrial surveys and feasibility studies of specific industries enjoying high priority for development in the third five-year Plan. The main object of these studies is to locate specific areas where industrial development is now essential and feasible and where investment opportunities exist. The Union Minister for Economic and Defence Co-ordination, Mr. T. T. Krishnamachari had suggested that such a programme could profitably be linked with a study of those sectors in the industrial structure which are not developing according to schedule and that the centre should seek the advice and guidance of such specialists and experts as have knowledge and experience in the fields in which they are now serving.

Accordingly the Governing Body of the Indian Investment Centre constituted an Advisory Committee of Industrial Experts and requested them (1) to undertake a study of the gaps in our industrial structure; (2) examine why production in certain sector was lagging behind and (3) indicate measures necessary to stimulate and increase production in order to achieve a more balanced industrial growth.

It was also suggested that necessary survey of different industries should be carried out specially with a view to selecting those products which are capable of manufacture locally. This had a direct bearing on the development of medium and small scale ancillary industries.

The Advisory Committee had constituted two sub-committees:

1. Committee on Raw Materials for Chemical and Process Industries;
2. Committee on Machinery and Machinery Parts.

The Committee on Raw Materials was to survey the field of the chemical industries and locate areas where production was lagging behind and also point out vital items of raw materials whose accelerated development is essential in the national interest. The Committee on Machinery and Machinery parts has concerned itself with the study of basic and raw materials, semi-processed materials, plant and machinery, instruments and a number of other miscellaneous items. Both these sub-committees have held meetings in Bombay and Delhi and submitted their final reports.

Both the committees have indicated a number of new

opportunities for industrial development and investment.

The Raw Materials Committee had examined in detail the scope for organising domestic production from materials, intermediates and ancillaries in important industries such as nitrogen fertilizers, sulphur and pyrites, soda ash and caustic soda, viscose staple fibre supplementing cotton, newsprint, paper and paper board, paper pulp and dissolving grade pulp, non-ferrous metals, organic chemicals, synthetic dyes, drugs, intermediates and antibiotics and miscellaneous chemicals.

The Committee on Machinery and Machinery Parts had examined several metallurgical and chemical industries and have pointed out the opportunity for investment and technical assistance in a number of engineering industries such as machine tools; steel castings; steel forgings; stainless steels of different qualities; tool and alloy steels of selected qualities; printing machinery; textile machinery; material handling equipment; ball and roller bearings; compressors; blowers; furnaces; foundry equipment; wood working machinery; industrial process control instruments; optical instruments; electro magnets for lifting purposes and so on.

The Advisory Committee of Technical Experts included several senior officers of the Technical Development Directorate of the Ministry of Economic and Defence Co-ordination, as well as top executives of industries in India. The Chairman of this Committee was Dr. A. Nagaraja Rao of the Heavy Engineering Corporation, Ranchi.

The Indian Investment Centre would release the findings and recommendations of the Committees as soon as they are finalised after discussions with the Government of India.

**

The Government of India has decided to amend the Indian Patent Act of 1911. Necessary legislation is being drafted for introduction in Parliament during its Winter Session. The amendments, inter-alia, seek to reduce the period of patent rights from fifteen to ten years, to delete food industries, drugs and medicines from the eligibility for patent rights in



MR. BOWL.

August 16, 1963

EASTERN ECONOMIST

31



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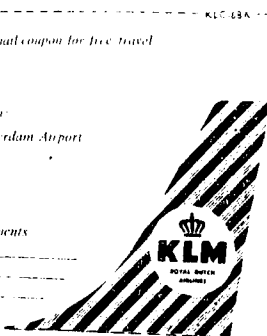
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the future and to limit the actual amount of royalty to three per cent. The question whether the existing patents for food products, drugs and medicines would be respected and if not whether there should be any compensation for their abrogation is still under discussion. It is proposed that there would be no appeal to courts of law for an aggrieved party, who could, however, appeal to Government, whose decision shall be final.

★★

Hindustan Aircraft Ltd. are reported to be building a new small transport aircraft capable of a short take-off, on the pattern of the Canadian Otter. Hindustan Aircraft have also entered into a technical collaboration agreement with Messrs. High Duty Alloys Ltd. of Britain for the manufacture of light alloys and forgings.

★★

The yearly Indo-British negotiations of the Cotton textile industries of the two countries are due to commence in London in the middle of September. Mr. Naval Wadia will lead the Indian side. The negotiations will largely relate to "dumping" of certain categories of textiles, alleged by Lancashire. From India's point of view, the price war has reduced the earning of foreign exchange by cotton piecegoods.

★★

A team of six from Arthur D. Little, Inc of the USA is in India to examine defence production vis-a-vis civil industries with a view to integrating both of them in various fields of production and to maximise their output.

★★

The Development Wing of the Ministry of Economic and Defence Co-ordination has placed demand for heavy duty

vehicles at 2700 a year. Ashok Leyland are being permitted to step up their output to produce 2,000 vehicles a year.

★★

Belgian credit for the third Plan, it is expected, will be utilized by purchasing electric locomotives and three ships of 10,000 tons capacity. The ships have been ordered by a private sector company. British shipping firms have also offered to supply ships to India on usual long-term credit terms.

★★

The Central Water and Power Commission has announced a shortfall of 245 MW in the installation of power generating capacity during the first two years of the third Plan.. A number of important projects, notably in the South, are well behind schedule. The commissioning of two 75 MW sets at the Durgapur Thermal Station later this year and the installation of the additional 50 MW alternator belonging to CESC are expected to ease Calcutta's immediate power problems to some extent. An interim report is expected in July from the high-level committee set up by the Government to look into India's future energy requirements and supplies.

★★

Production at the two public sector fertiliser factories at Sindri and Naya Nangal exceeded the 1962-63 target. However, total fertiliser output at the end of the third Plan period is expected to amount only to 475,000 tons, by comparison with the original target of 800,000 tons and the revised target of 650,000 tons. The shortfall can be attributed to delay in the building of other public sector plants and to the inability of private firms to make use of their licences to build fertiliser factories when prices are not sufficiently remunerative to attract foreign collaboration.

Sugar in the Deccan

From Our Correspondent

BOMBAY:

PRESIDING OVER the 24th annual general meeting of the Deccan Sugar Factories Association (D.S.F.A.), Mr. M. L. Apte had a legitimate grouse when he said that, for all its impressive achievements, the reward that the Deccan sugar industry had received was only stifling taxation by way of Agricultural Income Tax and Education Cess, not to speak of crippling measures like ceilings on land. This apart, Mr. Apte elucidated how the sharp rise in sugar costs has been considerably more than the increase in price sanctioned by the Government. Besides the Agricultural Income Tax and the Education Cess, he listed a number of other contributory factors such as the Emergency Risks Insurance, increases in irrigation cess, electricity duties, import duties on stores and spares and railway freight — all items of cost beyond the control of the industry. Inasmuch as the control price does not reflect these additional burdens, the industry has a case for demanding a higher price.

While there are obvious difficulties in the way of sanctioning a straight rise in sugar prices or, for that matter, in the prices of any other essential commodity at the present time, there can be no excuse for the authorities not doing everything in their power to make sugar production more economical than at present. This can be done by expanding the capacity of the existing units, wherever possible (and certainly where cane supply is assured) and by preventing the gur and khandsari producers (and, in Maharashtra, co-operative units) from impinging on the established zones of supply. According to the Report of the Productivity Study Team on Sugar Industry which toured countries like Hawaii and the U.S.A., referred to by Mr. Apte, the present concept of economic size for a sugar unit is a minimum capacity of

1,500 to 2,000 tons. As Mr. Apte rightly added, to maintain efficiency and productivity the industry must continue to expand. This applies particularly to the sugar industry in the Deccan and the South, where the rise in costs has been steep and continuous for reasons beyond the control of the industry.

Against this background, the conclusions of the high level conference of the representatives of Andhra Pradesh, Madras, and Mysore, convened by the Union Minister for Food and Agriculture recently in Hyderabad, make gratifying reading. Thus, subject to the approval of the Cabinet, a three-point programme would appear to have been decided upon to step up sugar production from the present 28 lakh tons to 32 of higher export possibilities, the third Plan target for sugar production had been stepped up to 40 lakh tons). The programme as above provides for regulation of the production of gur and khandsari, incentives to cane growers to supply cane to sugar factories instead of, to cane growers of gur and khandsari and payment of compensation to factories working beyond the normal season to make up for the additional cost incurred by them. It is for the first time that the Government has thus made bold to tackle the problem of competition (from the available cane supply) as between the sugar industry and the gur and khandsari producers. The positive incentives to the cane grower to sell to the sugar factory and the preventive measure of regulation of gur and khandsari production constitutes an integrated attack against a long-standing evil or, to put it differently, the distorted cane economy of our country. This problem can be effectively tackled not only by fixing cane prices at levels attractive to the grower, but, as the D.S.F.A. President rightly urged, "by impressing upon the cane grower the advantages of a steady income through stabilised cane prices". The

State Governments also must display a better sense of realism when they fix retail prices of gur. It would be ironical, as Mr. Apte said, to fix a retail ceiling price for gur of Rs. 115, when retail sugar prices are controlled at Rs. 86, exclusive of excise duty and cane cess amounting to Rs. 33 (or Rs. 119 in all).

What is bound to prove the toughest problem in bringing about the proposed expansion of sugar output will be the competition between the co-operative sugar factories and the joint-stock sugar factories. To quote Mr. Apte, "the existing cane supply position for the joint-stock factories is far from happy. In fact, many of the existing units are finding it increasingly difficult to combat the membership drive of the co-operative factories There are many instances where the normal cane supplies to the joint-stock factories have been diverted to the co-operative factories by the enrolment of new members". It remains to be seen how the sub-committee, appointed by the Maharashtra Sugar Cane Committee to consider the formation of factory zones to ensure adequate sugar cane supplies to all, will tackle this tough problem.

★★

The Maharashtra Government proposes to levy a cess on coastal cargo. This is the first time that a measure of this nature has been contemplated. The cess will cover inter-State movement of goods as well as shipments to and from other States. The measure is expected to yield the Exchequer Rs 10 lakhs annually. The Government intends to utilise the money thus collected for the construction of jetties and warehouses with navigational aid for cargo traffic. The amount collected from passenger tickets will be used for passenger amenities. According to draft rules, importers and exporters have to make their own arrangements for landing or shipping. If cargo is landed or shipped in streams, lighterage charges will be levied in addition to the dues on imports and exports. The Government of Maharashtra has taken a bold step in taxing the coastal cargo. In recent years, the volume of coastal traffic on the Konkan has shown an increase. It is a right step which deserves to be followed by other State Governments with a wide coastal line and heavy coastal traffic.

★★

The exclusion of cotton growers and traders from Bombay at the recent all-India conference held at Delhi has caused surprise in cotton circles. Bombay handles around 50 per cent of the total business in the country and the chances of putting up a united front on current issues affecting trade would be dim. It would also be a misnomer to call the conference an all-India body without the Bombay team. The dramatic acquiescence of the EICA with the Government decision regarding supervisory system only a day ahead of last year's conference had agitated the minds of many delegates from other centres. At that time, sensing the mood of the delegates, the EICA declared its decision to form an all-India body. No progress has been reported so far in this respect although a whole year has elapsed since then. Looking to the complexities of the cotton trade and

Coal in the Doldrums

From Our Correspondent

CALCUTTA:

THE DECISION of quite a few of the private sector collieries to surrender the import licences given them under the World Bank Loan Scheme has brought into sharp focus the unenviable position the coal industry is placed in today. It is evident that those collieries who have returned their import licences unutilised have no hope of mobilising the requisite matching rupee finance notwithstanding the fact that the

the diverse interests involved, it would have been advisable if the regional bodies for different cotton tracts had been formed as a first step. Somehow, the conference decided to put the cart before the horse. The deliberate keeping out of Bombay body from the conference deprived the deliberations of the vast experience of the EICA.

★★

The Chairman of the Forward Markets Commission, Mr. A. S. Naik, told the members of the Bombay Oilseeds and Oils Exchange that the trade should avoid the temptation of indulging in speculation and conduct forward deals in a healthy manner. He expressed satisfaction over the rise in exports of oil-cakes and meal and observed that with the issue of licences for the manufacture of groundnut meal, the groundnut economy had been kept on a sound footing. This was incidentally in line with the policy of exporting finished products rather than primary commodities. The question of hedge trading in groundnut meal would be considered after a year or two.

Mr. Chandulal Kasturchand, senior vice-president of the Exchange, succeeded Mr. Ramdas Kilachand who has been president of the body for the last several years. Mr. Kasturchand is the President of the Bombay Bullion Association, and a veteran trader.

★★

Mr. N. A. Palkhiwala, a leading legal luminary of Bombay, inaugurated a series of ten lectures on 'Taxation in India' organised by the Daver's College of Commerce. He observed that the contention of the Reserve Bank that many other countries had levies similar to the super-profits tax was 'entirely unfounded' and 'exactly contrary to the truth.' In Belgium to which the Bank had made a reference, tax had to be paid only on undistributed profits and tax reductions were given on the basis of tax payments in earlier years. Progressive rates of company taxation existed in Belgium, Holland, Denmark, Austria and Italy. But in all these countries the Government had a standard rate in mind and sought to give concessions to companies making lower profits. Progressive countries in fact, would not levy progressive rates of taxation on companies because such levy inflicted the higher rates of taxes on thousands of shareholders—most of them men of small means. He said that there was no such thing as a rich company or a poor one. As dividends declared by the company were taxed at progressive rates at the hands of the shareholders, a progressive rate of taxation on the company itself affected the poorer shareholders to a larger extent. No country levied corporate tax rates exceeding 61 per cent as in India. The 'fantastic rates of taxation' in India would result only in lower revenue to the Government through wealth-tax, income-tax and even excise. The companies could transfer their entire profits to reserves at the end of the accounting year and thus widen the capital base and reduce the incidence of the super profits tax. Taxes and dividends could be paid out of reserves later in the subsequent accounting years. It is interesting to note that the Central Bank, among the commercial banks, transferred its entire profit to reserves and made appropriations, including the payment of dividends from reserves in its 1962 balance sheet.

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of Industry has been reported to have initiated discussions some time back with the parties concerned with a view to finding a way out of the difficulties, the deadlock has remained unresolved to date.

It may be recalled that under the third Plan, the private sector collieries have been required to reach an additional production of 17 million tons. In order to reach this level, the collieries have to modernise their equipment and it has been estimated that the capital outlay will be Rs. 60 crores with a foreign exchange content of Rs. 28 crores. The World Bank has agreed to make available to the private sector collieries Rs. 17 crores of foreign exchange in the first instance with an indication that the balance will be made available as a second loan at a later stage. While what appeared to be the most difficult part of the programme has been satisfactorily solved thanks to the World Bank, the collieries have found the task of raising the matching rupee finance quite insuperable. After much loss of time the guarantee scheme has been evolved and that too has flopped. A few of the larger collieries had been able to take advantage of the World Bank loan and utilise it because they could get the matching rupee finance either from their own resources or market borrowings. But a large section of the industry has to depend entirely on the guarantee scheme as what little resources it has have been mopped up by the super profits tax and the increase in the cost of production.

Enthusiasm Lacking

It would appear that the reluctance of some of the collieries to undertake modernisation and expansion programme in part stems from the growing apprehension that demand for coal may not catch up with the increase in production. Already stocks at pitheads are increasing and demand for several months now has shown no sign of picking up. The reason for the sluggish demand is not far to seek. Industrial expansion so far in the current plan period has been slower than planned and as a consequence demand for coal has also slackened. It is not expected that even supposing that concerted measures are taken to quicken the pace of industrial development in the remainder of the Plan period, the earlier shortfall can be completely made up. A result of this line of reasoning is that there has been a demand for downgrading the third Plan target of coal production. It has been pointed out by some that in the changed context of the slowdown in industrial expansion a target of 80 million tons will be about all that will be required though some other estimate would like to have a more drastic reduction of the target.

It is to be noted in this connection that the third Plan target of 97 million tons has been considered too low by the Planning Commission and that body has indicated that the target may have to be raised to 105 million tons. This position has become untenable now and this august body will soon have to face the realities of the situation and effect such modification of the coal production target as will be dictated by its mid-term appraisal of the Plan. It is hardly surprising, therefore, that the coal industry is not very enthusiastic about entering into fresh financial commitments in respect of its expansion plans. After all, the loans are to be serviced and ultimately repaid. And what are the incentives for taking up such additional commitments? Almost nil. On the contrary, the industry is faced with the prospect of unlifted pithead stocks and even if the additional output is sold the return will be inadequate to cover the servicing charges of loans contracted in respect of the expansion plans as under the present level of selling prices the profit margin is little if not non-existent.

Knowledgeable circles, however, have hastened to emphasise the need for a revision of the output target for

the current plan should not be allowed to impede the progress of the expansion programme of the coal industry for the simple reason that with plans for accelerating the pace of industrial development in the next two years, demand for coal will show a marked rise in the first year of the fourth Plan. It is relevant here to remind ourselves of the disastrous consequences of cutting down sugar production because there was a large surplus in one year. Another very important reason why the modernisation programme of collieries should proceed apace is that though overall output is in excess of demand, quality-wise there is serious imbalance. While low quality coal is available in plenty, industries requiring quality coal are not getting it in adequate measure. And high quality coal production can be increased only by accelerating the mechanisation of mines.

Finance the Stumbling Block

This again brings us back to the question: How to bring about this much needed modernisation for which the needed foreign exchange is assured but matching rupee finance has proved to be the stumbling block? The guarantee scheme has been found to be of little avail. The easiest way out of the impasse is to enable the industry itself to earn the money needed, by increasing the selling price of coal. This is a question that has been handled only half heartedly by Government so far. Price increases there have been — eight in the past four years — but all the time much below the industry's expectations and only just enough to cover the increase in labour costs. In effect no price increase to cover the increased cost of production as a result of other factors has been granted to the industry in the past several years. The argument that a general price increase at a juncture when demand is slack will be wrong is not valid because Government has not hesitated to fix the minimum price for jute at the previous year's level even when jute is expected to be in plentiful supply. Besides a general price increase, it is also necessary to fix the prices for various grades of coal so that there is greater incentive for collieries to raise better grades. A higher differential between lower grades and higher grades will also help eliminate the present indiscriminate use of high grade coal the supply of which is by no means super abundant in our country.

♦♦

Despite a sizable rise in stocks at the end of July, the jute goods market continues to rule steady. The improvement is mainly confined to the sacking section where over the past few days there had been enquiries from a number of foreign countries. Even so, it would appear that the present enthusiasm in sackings stems from the rapid expansion in internal consumption of this category of goods. The outlook for sacking exports however does not appear to be bright for two reasons. Firstly, with the Government of India showing no sign of countering growing competition to Indian sacking in overseas markets, Pakistan is steadily increasing exports of these goods. Secondly, the erstwhile importing countries are intensifying their efforts to become self-sufficient in sacking by putting up their own jute mills using either their output of jute or obtaining raw material from Pakistan.

In the meantime, the Indian jute goods industry is studying the implications of the far reaching recommendations made by the Srivastava Committee. One of the recommendations of the Committee is that the working time agreement of the IJMA should be scrapped as in its opinion there is no longer any scarcity of raw jute which has been in plentiful supply for the past three years. The unrestricted production of goods is not expected to pose any problem of disposal because the Committee has also recommended the establishment of a buffer stock agency for jute goods. The recommendation that concerted efforts should be taken to increase

the per acre yield of jute should be particularly welcome to the industry because a sizable increase in yield will go a long way toward reducing the cost of production of jute and consequently the industry will be able to obtain its raw material

Dearer Electricity?

From Our Correspondent

MADRAS :

MR. R. VENKATARAMAN, the Minister for Industries and Power in Madras State, gave a definite hint, when he presented the annual financial statement of the Madras State Electricity Board for 1963-64 to the Legislature, that an increase in electricity rates was being considered. It has been explained that the State Electricity Board has need for additional funds and during the current year, on account of the fast implementation of work on the various projects, the allotment of funds is likely to be exceeded. It is expected that, apart from the regular provisions towards depreciation and sinking funds, there will not be any surplus and the State Government would have to give a loan of very much more than Rs. 9 crores earmarked earlier. The rapid completion of projects is no doubt to be welcomed, but the bigger consumers might probably feel that they are being unnecessarily fleeced as not long ago there was a revision of the tariff rates and the State Government also levied a duty of 10 per cent for revenue purposes when the Budget was presented earlier this year.

Thermal Power Dearer

There is no doubt a case for charging higher rates to the consumers if the duty had not been levied, because the State Government is now purchasing large quantities of thermal power from the Neyveli Lignite Corporation. With the prospect of several more units being commissioned during the next few years in this centre and the proposal of the State Government itself for installing three thermal plants, having a capacity of 100 mW each, it will be necessary to revise upward electricity rates as thermal power is more costly to generate. Indeed, the rate at which power from Neyveli should be supplied to Madras has not yet been definitely decided as the authorities in Neyveli are unable to have a clear idea of the cost of power generation and what exactly is the policy that should be followed in regard to the allocation of development expenditure. The mining overheads can be spread over larger raisings of lignite only when all the units are in operation and the two other integrated projects also have been completed. The cost will necessarily be high. The State Electricity Board cannot, however, be asked to bear the full burden of development expenditure. However, there can be no denying the fact that the average cost of power generation will move up as the content of thermal power to total power generated increased in proportion. The view has somehow gained ground that costly power will not be resented though loud complaints have been heard in other States also that electricity duty and higher charges for power consumption have inflated costs, particularly in the case of industries which consume large quantities for processing purposes. A tax on electricity is undeniably a convenient source of revenue. But it should be remembered that the rates cannot be raised beyond a particular stage and there should be no disposition on the part of a monopolist agency to exploit a situation.

Mr. R. Venkataraman has again indicated that it is the intention of the State Electricity Board to install three thermal stations at Ennore, Cuddalore or Nagapattinam, and Tuticorin, having a capacity of 100 mW each as these centres will be convenient for receiving coal by sea. It has not been made clear, however, so far what is the reaction of the Planning Commission to this proposal especially as it has been stated that it would be far more advantageous to erect an entirely

at a reduced cost. At present the fact that it has to pay a minimum of Rs. 30 per maund basis Assam Bottoms while prices of jute goods are dictated by trends in world markets often makes it difficult for the industry to earn a profit.

new thermal station at Neyveli having an ultimate capacity of 1000 mW.

As regards the projects for the current Plan period, it is expected that there will be an increase in the generating capacity to 1,220 mW from 560 mW at the end of the second Plan and the total outlay will be considerably in excess of the allotment of Rs. 100.19 crores. It is expected that the third generating unit of 20 mW in Power House No. 1 at Kundah and the fourth generating unit of 35 mW in Power House No. 2 will be commissioned early next year while Power Houses 3, 4 and 5 under this scheme are also expected to be completed during the course of 1964. The entire installed capacity of 245 mW envisaged under this scheme is expected to be in operation by 1965 bringing the total capacity of the Kundah project to 425 mW in five power houses. Under the Mettur Tunnel Scheme too, it is expected that all the four units will be in operation during the third Plan and equipment from USSR has started arriving at site. The first two units will be ready during the monsoon of next year and the remaining two units in 1965. The Periyar expansion scheme will be completed next year so that with the remaining units also in Neyveli in operation before March next year, the power position should be very comfortable in the latter half of 1964. It is, however, difficult to anticipate the course of developments during the next summer as the current monsoon has been a failure and the level of water storage in the various reservoirs for this time of the year is rather disappointing.

★★

The Madras tax payer might perhaps feel more aggrieved because the amendment to the Sales Tax Act empowering the Government to levy a higher rate of 10 per cent on luxury items has been passed by the Legislature. The increase in the rate from seven to 10 per cent has no doubt been agreed upon between the various States sometime back. But the rate will operate inequitably as buyers of cars, refrigerators, radio receivers and other items will feel the burden of the enhanced sales tax heavily because it comes on top of the higher excise duties recently levied by the Central Government. The feeling is gaining ground that both the Central and State Governments have been responsible for an increase in prices of many essential articles on account of heavy indirect taxes and that along with higher direct taxes and the compulsory deposit scheme, the middle income groups have been unduly oppressed.

★★

When the Budget for 1963-64 was presented by Mr. K. Brahmananda Reddy to the Andhra Pradesh State Legislature earlier this year it was suggested that the Government might later propose the reorganisation of the sales tax structure on the basis of the recommendations of Dr. Lokanathan and that a tax on non-agricultural urban land also would be levied. The reorganisation of the sales tax system has since been carried out and the State Legislature recently passed an amendment bill which would fetch the Government an additional revenue of Rs. 2 crores in a year. The new changes will bring about better sales tax administration and simplified assessment procedures. The loop-holes which resulted in the loss of revenue to the State will also be plugged. An amendment exempting the levy of sales tax on text books for schools and colleges moved by Mr. Tennetti Viswanathan has been accepted. The Non-Agricultural Land Assessment Bill is expected to yield over a crore of rupees in a year.

The moving fingerprints

I MUST leave serious comment on the Kamaraj Plan to the editorial columns next week. Meanwhile, I cannot help wondering what all this is going to mean in terms of day-to-day government. It is clear that, whatever the Prime Minister wants to do, he must do quickly, otherwise the prevailing uncertainty about ministerial futures must necessarily force the administration into an uneasy holiday. There are, of course, two views on what is likely to happen. The cynical verdict of one school is "precious little"; but this thinking is definitely in a minority. The more general expectation is that the mountain in labour cannot, on this occasion, afford to bring forth merely a mouse — it must at least let loose a scurry of mice. It is a mercy for the mice, if not also for the mountain, that August 20 is not far off — the pundits seem to agree that by that day it must become fairly clear what, if anything, is to be done to whom, if any one.

★★

Among the professional clowns of the Congress Party, Mr. Mahavir Tayagi, of course, is in a class apart. His clowning has the quality of Shakespeare's Fools — the quality that is of wisdom wrapped up as folly. This is a special talent which not everyone can lay claim to, as Mr. Hanumanthaiya discovered to his cost when he tried to play the joker in the pack at the meeting of the AICC last Saturday. The question is not whether he was in fact told by any Chief Minister that by spending a crore of rupees one could become Prime Minister, but whether an ex-Chief Minister should have been naive enough to take such a statement, assuming that it was uttered, seriously enough to repeat it in the AICC meeting. Mr. Hanumanthaiya evidently is one who knows neither the value of anything nor even the price.

★★

That the final decisions of the Aid-India Consortium on assistance for the third Plan during the current year have turned out to be so satisfactory in scale and terms is largely due, no doubt, to the United States (and the World Bank) lobbying among the other members of the Consortium. At the same time, it must go on record that at least two officials of the Government of India have played a persevering role in persuading the assisting countries. One of them is Mr. C. S. Krishnamurthy, who has just returned to the Finance Ministry here after a most fruitful spell of work in the Economic Affairs wing of our Embassy in Washington. The other, of course, is Mr. L. K. Jha who went to Washington during a difficult spell in the consultations of the Aid-India Consortium.

One of the difficulties that Mr. Jha had to contend with was that the fact that part of the aid which had been committed earlier still remained unutilised by this country was brought up against the Government of India. Some of the assisting countries naturally tended to argue that India's case for increases in further aid was weak as there were arrears in the utilisation of funds already offered. Mr. Jha evidently was successful in convincing the critics that the blame for the delayed utilisation could not be made to rest on the Government of India alone. In some cases, delays in utilisation were, at least in part, due to governmental procedures at the giving end. In many other cases difficulties in prompt utilisation were inherent in the terms on which a particular scheme

of assistance was framed. Thus, where aid is tied to a project, the rate of drawing of money is determined by the physical progress of the project, which again is dependent on a number of factors not all of which are within the control of the aid-receiving country. Incidentally, the Finance Minister himself never seemed to have had any serious misgivings about the final adequacy of the Consortium's offer this year. In fact, even when the aid talks were at their stickiest, Mr. Desai seemed quite confident that India's friends would not let her down.

★★

Life Insurance, certainly, is a necessity of modern life. Unfortunately, it is not one of those commodities which sells itself. It has to be sold sedulously. This is especially so in this country where both prejudice and ignorance have to be reckoned with. In a surprisingly large number of households, especially among the women folk, there is still a vague feeling that insuring one's life is somehow "inauspicious". This is the prejudice part of it. Ignorance comes in where the benefits of life insurance are concerned. Not many have a clear idea of what precisely are the advantages which life insurance confers. It is plain that both the prejudice and the ignorance have to be dispelled by efficient publicity if the life insurance habit is to spread among our people as rapidly as it should.

The ubiquitous life insurance agent is, of course, an indispensable and certainly the most important instrument of education. But his efforts need to be aided through the skilful employment of modern means of mass communication. From this point of view, the Life Insurance Corporation of India has certainly shown commendable enterprise in getting up a series of educational film shorts on life insurance which are evidently to be shown all over the country. There was a special screening of these film shorts at Rashtrapati Bhavan last week. Some of them are produced by the Films Division of the Ministry of Information and Broadcasting, while the others have been commissioned from independent producers. The shorts are, by and large, successful in dealing with prejudice by driving home the point that, although life insurance is essentially a cover against risks, it need not always and necessarily be associated with the idea of death and that a life insurance policy can also serve such agreeable purposes as providing finance for a child's education, a daughter's marriage or one's own life of retirement in old age, and with ignorance by illustrating vividly and effectively the many schemes of life insurance which are available for particular needs and for specified benefits.

At the same time, I must say that more than one of these film shorts was corny stuff, especially the one which lingered over the life story of a couple of Saurashtra families in a mood of sickening sentimentality and in the most cloying fashion. And I do think it a mistake not to keep shorts of this kind really short. I would suggest to the LIC to have a look at some of the market documentaries which commercial enterprises, such as Hindustan Lever, for instance, are screening. When a point is to be made it is always wise to try to make it pointedly.

V.B.

Trade Winds

IMPORT RESTRICTIONS ON U.S. POULTRY

THE IMPORT restrictions placed by the European Economic Community on U.S. poultry appear to have disappointed the U.S. officials and now they seem to be threatening a serious action against it. The retaliatory measures might affect the West German Government most because it is West Germany that has imposed the highest tariffs. West Germany's charges on imports of U.S. poultry have risen within a year from 4.9 cents to more than 13 cents a pound. Among the products apparently being considered as retaliatory items are French wines, German trucks and various chemicals. Industries affected by these changes would be consulted in advance and under GATT procedures, the United States would be required to give 30 days notice to signatory nations before withdrawing trade concessions.

As a result of the restrictions imposed, U.S. exports of poultry to the EEC, mainly to Germany, have dropped substantially from a rough monthly average of 6,000 tons in 1962 to a total of 2,000 tons in the first four months of 1963. The value of affected U.S. trade is placed at about \$46 million. The major loss, however, may well have been to the European consumers, who have had to pay higher retail prices for poultry. Before the retaliatory measures are taken, the entire question would be discussed in detail at public hearings in Washington starting from September 4. There will be a Presidential proclamation, presumably around 16th September, which will make the retaliatory measures effective in nearly thirty days. Thus, the entire action would not be final until mid-October, giving the EEC more than two months in which to prevent the withdrawal of U.S. concessions by offering satisfactory arrangements on poultry. Incidentally, these moves are in complete conformity with the GATT and that GATT principles make ample provision for the kind of action, the U.S. is initiating.

FERRO-MANGANESE INDUSTRY

At the third quarterly general meeting of the Maharashtra Chamber of Commerce, Mr. Lal Chand Hirachand, President of the Chamber, in his speech while dealing with Maharashtra's economy referred at length to the problems faced by the ferro-manganese industry. He pointed out that the industry has been heavily priced out of the international market on account of the high-cost production arising out of high cost of manganese ore, high cost of hard coal, high rates of electricity and railway freight. All these four factors which constitute more than 80 per cent of the cost structure, are directly under the control of the Government. It may be noted, he said, that foreign producers get manganese ore of Indian origin at a cheaper rate than what Indian purchasers are paying for their ferro-manganese plants. Again it is surprising that high grade manganese ore has been earmarked for export and low grade is diverted to meet the requirements of indigenous industries.

It would have been apt if priority would have been given to meet the needs of the industry first for such high grade manganese ore.

In regard to power the situation is equally worse. Indian producers of ferro-manganese have to pay the highest rates for power, while in other countries the cost of power consumption per ton of ferro-manganese ranges from Rs. 20 to Rs. 25. The comparative power cost in India is anything between Rs. 135 to Rs. 225 per ton. With these variations, can this industry, however efficiently it may be functioning, compete with foreign producers when it has to pay such high

rates for power alone? In view of its export potential and in view of the fact that all factors that contribute to its cost structure are at the direction of the Government, the Ministry of International Trade should find ways and means to evolve a special formula to reduce the cost of its production and stabilise this basic industry for the benefit of the country. A delay in this matter may have adverse repercussions to such an extent that we may lose foreign markets permanently for this commodity.

INTERNATIONAL SHIPPING SITUATION

The ninth annual report of the Maritime Transport Committee published recently by the O.E.C.D. deals with shipping supply and demand as well as the situation of the freight markets and other new developments in 1962. The world movement of seaborne trade, the report underlines, continued to rise but for dry cargo the rate of increase was appreciably less in 1961 than in 1960. The slump on the freight market which began in 1957 persisted in 1962 for the fifth year in succession, despite a slight improvement in tanker freight rates.

The world merchant shipping fleet rose from 132.4 to 136.5 million gross registered tons between mid-1961 and mid-1962, i.e. an increase of about 3 per cent. But owing to the higher efficiency of new construction, the increase in carrying capacity in 1962 exceeded the increase in tonnage. Tankers represent one-third of world tonnage with 45.1 million gross registered tons. About 70 per cent of world tanker tonnage is less than 10 years old. The OECD countries own two-thirds of the world tanker fleet. The dry cargo fleet has now reached a total of 91.4 million gross registered tons. The increase in ore carriers and bulk carriers is particularly striking. The tonnage of new vessels delivered from the shipyards in 1962 amounted to about 8 million gross registered tons. New orders for vessels at mid-year represented 17.6 million gross registered tons as compared with 18.2 million in 1961. This is 50 per cent lower than the 1957 figure, but still reflects the situation which has depressed the freight market over the last five years, i.e. the large surplus of available tonnage.

The efficiency and capacity of harbours often leave much to be desired, whether in the developing or so-called developed countries. Improvements in efficient and profitable operation of ships have not been accompanied by comparable progress in the use of port facilities. The OECD Maritime Transport Committee has begun a survey of the economic importance of harbours. A logical assumption is that in certain countries action should be taken to improve harbour facilities and their use before building a fleet. This is a problem which vitally affects the world economy.

EMPLOYMENT OPPORTUNITIES

The Union Ministry of Education has set up a Committee to examine the problem of education in relation to employment opportunities. Headed by Professor M. S. Thacker, Member (Education) Planning Commission, its members will be Mr. P. N. Kirpal; Dr. C. D. Deshmukh; Mr. G. D. Birla; Mr. G. K. Chandiramani; Mr. Abdul Qadir; Mr. Ranchor Prasad; Mr. V. K. Ramaswami; Mr. Pitambar Pant; Mr. I. G. Patel; Mr. R. A. Gopalaswami and Mr. A. C. Deve Gowda. The Committee has the following terms of reference:

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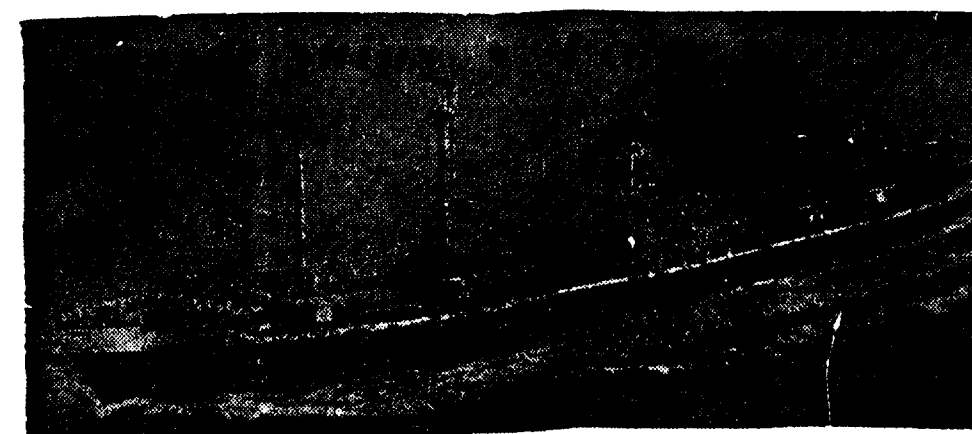
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the relationship of such output with employment opportunities;

- (2) To recommend suitable measures for bringing about a better planning between the output of educated personnel and the pattern of employment;
- (3) To suggest the setting up of any organisational machinery for facilitating the employment of educated personnel.

DOLLARS FOR DEVELOPMENT

Since April 22, further assistance to the tune of \$96.7 million has been received by this country from the U.S. carrying the total to \$4,977.8 million (Rs. 2,370.4 crores) as on July 26, 1963.

The aid announced since April 22, 1963 includes the following:

Dugda Coal Washery Expansion Project ..	\$5.1 million
Jharia Ropeways	\$7.7 million
To Bharat Forge Co., of Poona to purchase machinery for manufacture of high quality precision forgings. .. .	\$3.9 million
Nuclear Power Station at Tarapur .. .	\$80.0 million
Ramagundam Thermal Power Project in Andhra Rs. 3.7 crores, taking the total commitments to Rs. 77.8 crores.	

EXPORT OF CONSUMER GOODS TO USSR

A contract was recently signed between the State Trading Corporation of India and the Soviet Foreign Trade Corporation, Raznoexport, for the export of consumer goods to the Soviet Union worth Rs. 2.2 crores. An agreement was also signed between the Indian firm, Mohanlal and Company and the Soviet Foreign Trade Organisation, Medexport, at the Indian National Exhibition in Moscow, according to which India will import Soviet medical equipment and instruments. Hitherto India used to import from the Soviet Union only medicines. Their value this year will exceed one million dollars. Soviet medical equipment and instruments are shipped to 30 countries including all socialist countries, the United States, the Federal Republic of Germany, Japan and the United Arab Republic.

SOVIET ECONOMY

The Central Statistical Board of the U.S.S.R. has announced that the Soviet industry has fulfilled its half-year gross production plan. The volume of production during the six months of 1963 increased by 8.5 per cent as compared with the corresponding period in 1962. The operating equipment was largely modernized in all branches of industry. During the period under review, about 300 major items of machinery, equipment and instruments were manufactured. Labour productivity in industry grew by 6 per cent as compared to the first half of last year. The Board announced that in agriculture the plan of sowing was over-fulfilled despite unfavourable climatic conditions this spring in most areas of the U.S.S.R. The volume of capital investment in the State plan amounted to 14.1 billion roubles. The overall growth of the volume of capital investments is 4 per cent, while in the chemical industry it is 15 per cent, in the gas and oil industries 7 per cent and in agriculture 12 per cent.

The Board reported that the number of factories and office workers employed in the national economy of U.S.S.R. equalled 69 million — a two million increase as compared with the first half of the last year.

In the six months private deposits in savings banks grew by six per cent and amounted to 13.6 billion roubles. The population of the U.S.S.R. received 15 billion roubles from special public funds during this period (free tuition, free

medical aid, paid leaves, pensions and other grants), i.e. a billion roubles more than in the corresponding period last year.

SAVINGS IN JAPAN

According to a study published in June by the Japan's Savings Promotion Council, the Japanese save a greater percentage of their income than any other people in the world.

The Council reports that in 1961, savings by individuals averaged 22.3 per cent of personal income after taxes, compared to 7.0 per cent for the U.S., 10.7 per cent for Britain, 8.8 per cent for West Germany and 7.8 per cent for France. The Council gave four major reasons for the high savings rate among Japanese. The first was the increase in income levels as a result of continuing economic prosperity. The second was the fact that the absence of adequate social security, as in advanced Western countries, encourages private savings as a substitute. The third was the impact of national savings promotion campaigns. The fourth combined the traditional thriftiness of the Japanese and their confidence in the national currency.

Total individual savings at the end of 1961 were placed at \$43,415 million, broken down into 55 per cent in straight savings, 22.5 per cent in stocks, 10.2 per cent in investment trusts, 9.8 per cent in insurance, and 2.5 per cent in public bonds and debentures. By comparison total individual savings in 1954 amounted to \$10,150 million. This was divided into 66.5 per cent in straight savings, 18.8 per cent in stocks, 7.7 per cent in insurance, 4.1 per cent in investment trusts, and 2.8 per cent in public bonds and debentures.

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Company Affairs

IISCO PLANS EXPANSION

SIR BIREN Mookerjee, Chairman of the Indian Iron and Steel Company Ltd., in his statement circulated along with the annual report of the company for the year ended March 31, 1963, reviewed the attainment of the rated capacity of the Burnpur Works and also outlined the growth prospects during the coming few years. He pointed out that there was potential for increasing further the capacity of the Burnpur Works by nearly 1 million tons. This expansion is proposed to be taken up in two stages. In the first phase, the company proposes to raise the capacity by 300,000 tonnes of equivalent ingot steel to be processed in the existing rolling mills. In the second phase, which will follow in due course to accord with the overall planning of Government, there is a plan to execute an increase of some 700,000 tonnes of crude steel. The form of final processing will depend upon the future requirements of the country. By and large, the Government has approved of the first phase in principle and called for a technical and financial report on this expansion programme. The World Bank has also expressed its interest in this expansion. Sir Biren pointed out that the expansion project depends greatly on the capacity of the company to implement the Chasnalla Project for the development of the company's coal-bearing properties. A loan covering the foreign exchange cost of this coal project of the order of \$19.5 million has been negotiated with the World Bank. The estimate of rupee expenditure has, however, risen sharply mainly due to the lack of Government support in respect of land acquisition which has necessitated the abandonment of the proposed open-cast mining section of the project. Moreover, the prices of various commodities have been inflated by a heavier taxation.

Reviewing the working of the Kulti foundries, the Chairman has indicated that recently an adverse factor has been introduced, in the form of the cut on the supply of pig iron from Burnpur to Kulti. The supply has been diverted to other producers as a result of which the earnings of the Kulti foundries may suffer to the extent of Rs. 65 lakhs a year.

An encouraging factor in the Chairman's review is that the Burnpur Works has reached the rated capacity of one million tonnes of ingot steel during the year under review. It is unfortunate, however, that the Government has flouted the recommendation of the Tariff Commission in respect of fixing the retention price of steel. As a result of the uneconomic level at which it has been fixed, there has been a considerable loss of earnings for the company. The Profit and Loss Account shows a profit of Rs. 9.12 crores for the year as against Rs. 9.19 crores last year. The taxable ordinary dividend of 16 per cent has been repeated. A sum of Rs. 22.14 lakhs has been separated towards development rebate reserve and Rs. 3.64 crores towards general reserve.

GWALIOR RAYON

The Gwalior Rayon Silk Manufacturing (Weaving) Company Ltd., has recorded a higher gross sales at Rs. 13.08 crores during the year ended March 31, 1963 against Rs. 12.06 crores last year. The gross profit, however, declined to Rs. 4.11 crores from Rs. 4.24 crores. The directors have proposed to maintain the dividend at Rs. 2.50 per share absorbing Rs. 62.50 lakhs which is to be paid out of the general reserve. Other allocations are Rs. 21.44 lakhs for donations, Rs. 83.89 lakhs for depreciation, Rs. 15 lakhs for capital redemption reserve

and Rs. 1.72 lakhs for general reserve. A sum of Rs. 3,547 is carried forward. With the commencement of the trial production of the company's pulp factory, the provision for development rebate reserve has increased to Rs. 112.36 lakhs.

CALTEX INDIA

The net profit of Caltex Oil Refining (India) Limited for the year ended December 31, 1962 has declined rather sharply to Rs. 146.35 lakhs from Rs. 241.98 lakhs in 1961, thereby there is a drop in income from refining to Rs. 2.63 crores from Rs. 3.56 crores previously. As there was some difficulty in getting licences for the import of crude oil the through-put was lower at 7,079,000 barrels against 7,382,000 barrels. Efforts, however, have been made to increase the yield of middle distillates in order to mitigate the problem of imbalance in production of petroleum products in the country. Difficulties were also experienced in the import of stores and chemicals which caused some anxiety but arrangements are being made to secure spare parts as far as possible from internal sources. The provision for depreciation is Rs. 90.55 lakhs and for taxation Rs. 54.18 lakhs. Out of the credit balance of Rs. 4.23 crores brought in from the previous accounts, a sum of Rs. 40 lakhs was transferred to Reserve No. 1 and Rs. 50 lakhs to Reserve No. 2. It is stated that the directors will determine the desirability of declaration of dividends out of 1962 earnings later in this year. The company has been permitted to manufacture liquid petroleum gas. Another licence has also been received for the manufacture of naphtha, which is essential for the fertilizer industry.

TATA ELECTRICS

The Tata group of hydro-electric companies — the Tata Power Co. Ltd., the Tata Hydro-Electric Power Supply Company Limited and the Andhra Valley Power Supply Company Limited—has raised the distribution for the year ended March 31, 1963 by one per cent by way of bonus in addition to the final dividend. The distribution is subject to taxation. The final dividend recommended by Tata Power is Rs. 50 per share, in addition to a bonus of Rs. 10 making a total contribution of Rs. 90 per share for the whole year. The Tata Hydro has recommended a final dividend of Rs. 5 per share and a bonus of Re. 1 per share making a total of Rs. 9 for the whole year. Andhra Valley has recommended a final dividend of Rs. 50 per share and a bonus of Rs. 10 per share making a total of Rs. 90 per share for the whole year.

LARSEN & TOUBRO

Mr. H. Holck-Larsen, Chairman of Larsen and Toubro Ltd., in a statement appended to the annual report and accounts for the year ended March 31, 1963 has expressed confidence in the growth prospects for the company. Sales during the year under review of machinery components, spare parts, contracting and service aggregated to Rs. 7.41 crores as against Rs. 5.71 crores last year. At the same time, income from commission, compensation, engineering fees and other sources amounted to Rs. 34.17 lakhs as against Rs. 25.88 lakhs previously. Similarly, the profit before providing for depreciation, development rebate and taxation amounted to Rs. 66.17 lakhs as against Rs. 55.43 lakhs for the previous year. Provision for taxation including Super Profits Tax has absorbed Rs. 24.42 lakhs as against Rs. 21.00 lakhs. The directors have appropriated Rs. 4.06 lakhs for the general reserve, Rs. 1 lakh for dividend equalisation reserve and Rs. 20.23 lakhs for

dividend reserve. They have recommended the maintenance of the last year's dividend at the rate of Rs. 1.40 per equity share, subject to provision for tax, for this year also. The 5,50,000 equity shares allotted and paid up during the year qualify for dividends for half year.

Additions to manufacturing facilities, together with increasing efficiency, have enabled the Powai workshops to step up their output of high quality engineering products by 40 per cent. The company's general machine and fabrication workshops were fully occupied with the manufacture of plant and equipment notably for the chemical, pharmaceutical, dye-stuff, dairy, distillery and brewery industries. The switch-gear factory turning out electrical switchgear, motor-starters, control and instrument panels and also kerbside petrol dispensing and metering pumps, has considerably increased its originally planned output and continues to perform satisfactorily.

SUTLEJ COTTON

The directors of the Sutlej Cotton Mills have maintained the dividend for the year ended March 31, 1963 at Rs. 8.57 per share, subject to tax. The gross profit for the year is Rs. 25.78 lakhs compared with Rs. 30.90 lakhs in the previous year. The directors have withdrawn a sum of Rs. 2.20 lakhs from the provision for taxation. A sum of Rs. 8.65 lakhs is allocated for depreciation, Rs. 6.54 lakhs for development rebate reserve and Rs. 12.85 lakhs for dividend reserve. This year's dividend is being paid out of the dividend reserve. The annual report reveals that the construction work and the erection of the Rajasthan textile mills has made satisfactory progress despite many difficulties. Part of the mill started working from April this year and it is expected that all the machines would be in production by October this year. The quality of yarn manufactured by the mills has been well received in the market.

The textile mills in Pakistan did not show good results because of the general slump in the price of cotton textiles and the adverse results were partly due to more spindles and looms coming into production. The mills in Pakistan and exported over 9 million yards of cloth during the year and the trend is being maintained during the current year as well. This good performance of the company in the field of export has been appreciated by the Government of Pakistan. The company has added two new comber sets, mercerizing plant and 50 automatic looms, which went into production towards the close of the year. The company proposes to install further 10 automatic looms during the current year. It also proposes to install a high draft system to improve the quality of the yarn. With the addition and modernisation of the mills it is expected that the working will improve considerably.

PAYMENTS TO RETIRED DIRECTORS

Some cases have come to the notice of the Department of Company Law Administration where public limited companies have allowed certain monetary benefits purporting to be for past services rendered, such as gratuity, salary in lieu of leave etc. to their retired managing or whole-time directors or managers, which apparently they were not entitled to receive according to their service contracts. The Department is of the view that such payments are not in conformity with the scheme of the Companies Act and if any public company or a private company which is the subsidiary of a public company proposes to make such payments, it would be well advised to seek the prior approval of the Central Government as if these payments amounted to an increase in the remuneration of the directors under Section 310 of the Companies Act, 1956.

ration of the directors under Section 310 of the Companies Act, 1956.

HIND WIRED GLASS

The Hindustan Wired Glass Manufacturing Company Ltd., is expected to go into production in the last quarter of 1963. The construction work is almost complete and machinery is being erected. The diesel sets will also be commissioned shortly. According to the report of the directors for the year ended March, 1963, there has been some delay in the procurement of materials, partly because of the strike at New York port. The cost of the project has also gone up by Rs. 30 lakhs over the original estimate of Rs. 108 lakhs, which is proposed to be met from borrowings.

CAPITAL ISSUES

The Controller of Capital Issues has authorised five new capital issues for a total sum of Rs. 2.5 crores. One of the companies was established last year while another is a new one. Two companies are offering a part of their capital to foreign collaborators. One of the companies is raising capital to put part of it in the scrips of another company. Only one of the companies is issuing equity capital. The consent for all the capital issues is valid for twelve months.

Deepak Insulated Cable Corporation Limited, Bangalore, a new company, has been given consent for the issue of capital of Rs. 30 lakhs in equity shares of Rs. 100 each for cash at par. Of this, shares of the value of Rs. 20 lakhs would be issued to the public by prospectus. The money will be utilized for the manufacture of enamelled copper wires and double and triple paper cover copper wires and strips.

S. M. S. Investment Corporation (P) Limited, Delhi, is raising Rs. 20 lakhs equity capital in shares of Rs. 100 each to be issued at par. Half the shares will be issued for cash and another half for consideration other than cash. The money will be spent on acquiring land and constructing buildings on it as well as for purchasing scrips of other companies as an investment company.

Capstan Meters (India) Limited, registered last year in Delhi, is to issue capital of Rs. 25 lakhs (inclusive of Rs. 10 lakhs already issued). This capital is divided into 2,00,000 equity shares of Rs. 10 each and 5,000, 9.5 per cent cumulative preference shares of Rs. 100 each. Out of this issue, equity shares of the value not exceeding Rs. 6,66,670 will be offered to the foreign collaborators against supply of technical know-how, jigs, tools and fixtures and import of plant and machinery, the balance will be issued in India for cash at par.

Kutch Salt and Allied Industries Limited, Bombay, will issue capital of Rs. 12,50,000 divided into 1,25,000 equity shares of Rs. 10 each at par. The shares will be offered to the public by prospectus.

Union Carbon India Limited, will issue Rs. 1,55,35,000 (in supersession of the previous consent for issue of Rs. 1,62,50,000) in equity shares of Rs. 100 each, of which not exceeding 40 per cent would be issued to United Carbon Company, Houston, Texas, and the remaining 60 per cent issued in India. The money will be used for the manufacture of carbon black.

LICENCES ISSUED

The following licences have been granted under the Industries (Development and Regulation) Act, 1951 — during the week ending August 3, 1963. The list contains the names

and places of the licensees, articles of manufacture and annual installed capacity.

IRON AND STEEL

Bharat Iron and Steel Corporation, 12, Gopal Ghose Lane, Salkia, Howrah (West Bengal) — C.I. pipes and fittings, C.I. sanitary fittings, C.I. Railway castings, rice mills parts, electrical goods, C.I. polishing machine, C.I. jute mill castings, machinery castings and miscellaneous. 5,000 tons.

ELECTRICAL EQUIPMENT

Rallifan Limited, Ralli House, 21, Ravelin Street, Fort. Bombay (Maharashtra) — Fractional Horse Power Motors — The capacity would be fixed on the basis of the actual production achieved and to that extent the existing capacity for fans would be modified. Universal Electrics Ltd., 15, India Exchange Place, Calcutta-1 (West Bengal) — Safety Breakers 120,000 nos.

CONVEYING EQUIPMENT

Otis Elevator Co. (India) Ltd., Gateway Building Apollo Bunder, Bombay-1 (Kaju Tekdi, Agra Road, Bhandup, Bombay, Maharashtra) — passenger and goods lifts, 120 nos.

COTTON TEXTILES

Sarguna Textile Pvt. Ltd., Avnashi Road, Coimbatore-1 (Madras) — 5,830 spindles for the manufacture of cotton yarn. Chowgule and Co. Ltd., Mormugao Harbour, Goa (Zambaulim/Quepem/Chandor, Goa) — 25,000 spindles for the manufacture of cotton yarn. Raipur Mfg. Co. Ltd., Outside Saraspur Gate, Ahmedabad-10 (Gujarat) — 1,976 spindles for manufacture of cotton yarn. Commercial Ahmedabad Mills Co. Ltd., Asarva, Ahmedabad (Gujarat) — 1,465 spindles for manufacture of cotton yarn.

JUTE

Ludlow Jute Co. Ltd., 14, India Exchange Place, P.O. Box No. 596, Calcutta-1 (West Bengal) — Wide Hessian (carpet backing cloth) 242 broad looms already installed for producing 25,410 tonnes. The Fort William Co. Ltd., 14,

Netaji Subhas Road, Calcutta (West Bengal) — Wide Hessian (carpet backing cloth) 100 broad looms for producing 10,500 tonnes.

SYNTHETIC TEXTILES

J. K. Synthetics Ltd., Kamla Tower, Kanpur (Rajasthan) — Nylon, 6.6 lakh kgms. per annum after effecting expansion.

PAPER

Packaging Paper Corporation Ltd., Post Box No. 134, K. K. Road, Kottayam (Angamali, Ernakulam, Kerala) — Fluting media and liner paper 30,000 tonnes per annum. Pulp 30,000 tonnes

CHANGES IN NAMES

(During the week ending 3rd August, 1963)

From M/s. The General Electric Company of India (Manufacturing) Private Ltd., Calcutta to M/s. The Central Electric Company of India Private Ltd., Calcutta. From M/s. Himco (India) Private Ltd., Delhi to M/s. G. M. C. Himco Industries Ltd., Delhi. From M/s. Dominion Plastic Industries to (Name of the new owner:) Mr. S. Viswanath, Director, M/s. Garware Plastics Pvt. Ltd., Bombay. From M/s. Malur Cotton Mills Ltd., Malur to M/s. Malur Durga Mills Ltd., Malur. From M/s. Somasundaram Paper Mills, Coimbatore to M/s. Somasundaram Paper Mills Ltd., Coimbatore.

LICENCES REVOKED

(During the week ending 3rd August, 1963)

M/s. Shri Digvijay Cement Co. Ltd., Sikka, via Jamnagar — cast iron cylpebs. Shri Amritlal Khimji, Calcutta — Clutch plates for automobiles. M/s. Jaisukhlal Ratilal Shah, Surendarnagar — Grinding media forged steel balls, cylpebs and special heat resistance cast iron case parts. M/s. Sanitex Chemical Industries Ltd., Baroda — Oxalic acid. M/s. Mahalaxmi Laghu Udyog Pvt. Ltd. Kota — Cotton waste yarn. M/s. Ram Prakash and Sons, Madi Bans, Moradabad — Cotton yarn. Shri Ram Shaker Gupta, Kanpur — Cotton yarn. M/s. Govind Oil Mills, Mandi Bans, Kanpur — Vegetable oils.

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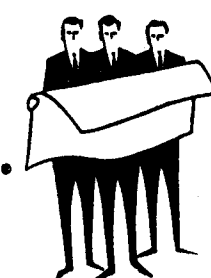
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BRANCHES DIVISION

Cawnpore Woollen Mills Branch
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Cooper Allen Branch
North West Tannery Branch

LONDON OFFICE

BEGG SUTHERLAND DIVISION: SECRETARIES & TREASURERS

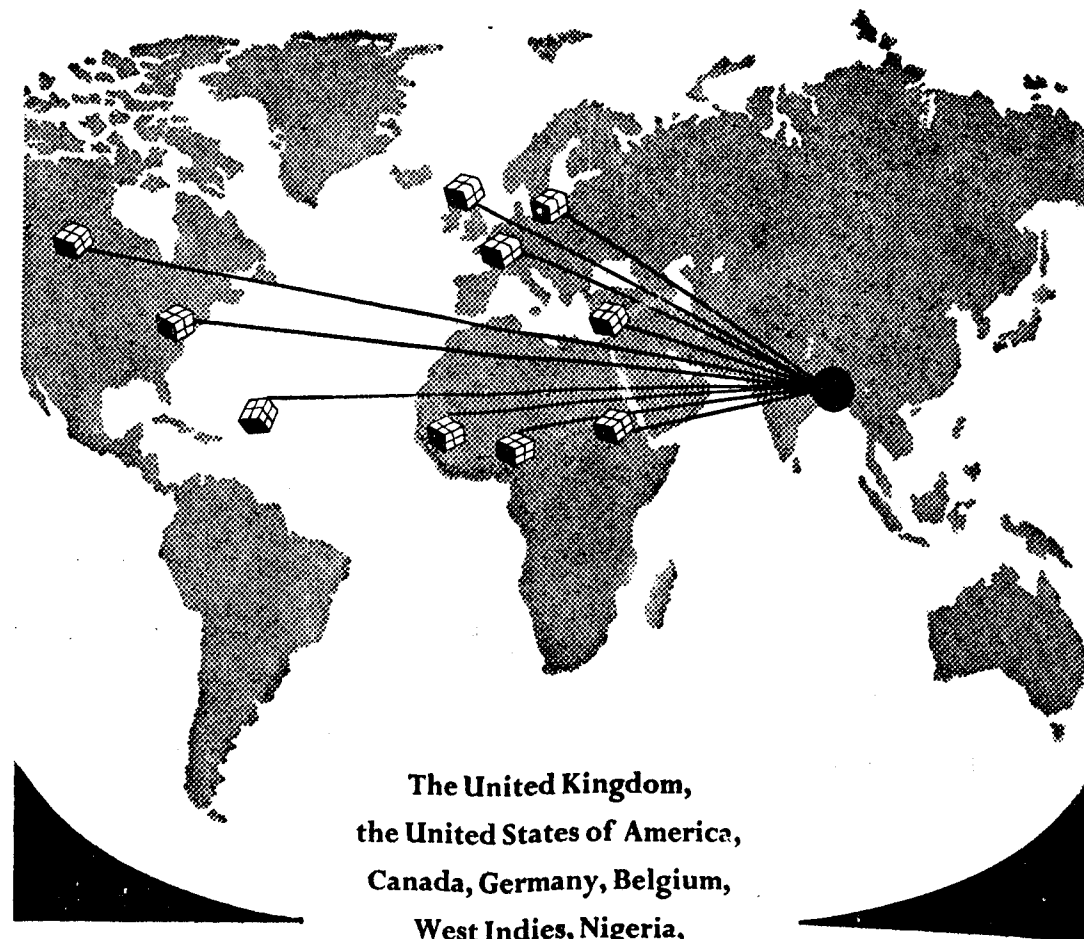
The Elgin Mills Co. Ltd.
Cawnpore Textiles Ltd.
Brushware Limited

Cawnpore Sugar Works Ltd.
Champaran Sugar Co. Ltd.
Saran Engineering Co. Ltd.

Secretaries for: Beta Picker Co. Ltd.

Agents for: The Oriental Fire & General Insurance Co. Ltd.

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FROM **Bata** INDIA

BOOKS BRIEFLY

Problems of Economic Growth

National Income of India: The Indian Merchants Chamber Economic Research and Training Foundation, Bombay; Pages 270; Price Rs. 15.

THIS BOOK puts together all the available information on the various facets of India's national income, and has been rightly described by Mr. G. P. Kapadia, Chairman of the I. M. C. Economic Research and Training Foundation, in his Foreword as a "factual documentation of the data". Even assembling the published material on any subject is extremely useful and in this the volume under review has succeeded considerably. It will be read with interest by all researchers and students of the Indian economy who wish to be enlightened not only in regard to the growth and distribution of national income but also regarding the problems of economic growth as explained by the changes in national income during the decade 1950-51 to 1960-61. It provides, to some extent, answers to some of the questions—especially the distribution of the increase in national income during the first two Plans—which the Mahalanobis Committee has been asked to study and whose report the country has been awaiting for the last two and a half years.

The book has been divided into three parts. Part I deals with the economic base of national income describing the chief characteristics of the economy, especially the operational characteristics and the flows in the economy. The last section of Chapter I dealing with "flows" is rather sketchy not because of any fault on the part of the authors but because "no conclusive" evidence is available from the research papers on national income regarding the "location of the flows". The conclusion that "a large part of the economic activities (about 55 per cent) is outside the monetised sector" needs to be questioned because the data collected by the National Sample Survey has fixed the non-monetised sector of the economy around one-third of the consumer expenditure and the authors' guess of the non-monetised sector at about 55 per cent seems to be very much wide of the accepted level. Again, it is not indicated if the estimate of the non-monetised sector refers to 1950-51 or to 1960-61. Has not the monetisation of the economy increased during the first two Plans? A look at the money supply data (47 per cent increase in 1960-61 over 1950-51) released by the Reserve Bank and a visit to a typical Indian village—one removed from the urban economic waves—will convince any research worker that the non-monetised sector of the economy is gradually but surely declining.

The analysis of national income based on the figures released by the Central Statistical Organisation has been prefaced by the basic assumptions made in the computation of the national income estimates and the various problems for which the researchers have failed to find answers. The evaluation of depreciation in the various sectors of the economy to derive estimates of "net" national income, the non-inclusion of estimates of changes in inventories, the deductions in the services sector etc. are problems which enhance the margins of error in the final estimates and, hence, make them unfit for refined mathematical techniques.

Special mention needs to be made of the section on "Price-Velocity" in Chapter V. The point has been rightly made that the "relative price charges" in the various sectors tend to under-estimate or over-estimate the variations in national income. In this connection it may be mentioned that the selection of the base year itself tends to distort the rise or fall in national income. This has been shown by shifting the base from 1948-49 to 1955-56; it is likely to be much more marked between 1948-49 and 1960-61.

A discussion of the key ratios of economic growth in

Chapter IX draws attention to the controversy regarding the savings-income ratio. The authors have opted in favour of Reserve Bank's estimate of 7.2 per cent (for 1951-52 to 1958-59) as against the Planning Commission's estimate of 8.5 and the NCAER's estimate of 10 per cent. Since the definitions adopted in the three estimates are different, it is difficult to favour one against the other. Recently, experts from the Reserve Bank, the National Income Unit of the CSO and the NCAER have been comparing their estimates and it is hoped that very soon we will have one accepted estimate on which the three organisations will agree. Part III studies distribution of income between rural and urban areas, amongst various income groups and between the States.

TWO CENTURIES OF BRITISH SHIPPING

The Rise of the English Shipping Industry: By Ralph Davis; Published by Macmillan and Co. Ltd.; Price 50s; Pp. 427.

Reviewed by T. SADASIYA SARMA

Dr. Ralph Davis narrates the story of the shipping industry in England during the 17th and 18th centuries—the two centuries within which England had established itself economically. In itself the shipping industry did not do much to the economic prosperity of England, but "it helped to create a favourable background on which rapid industrialisation was built". British shipping played a vital role in transporting raw materials from the colonies and taking manufactures back to them.

Dr. Davis discusses the economic and management problems of the shipping industry at some length. He describes in a very interesting manner the life and opportunities of the merchant seaman. The industry was growing so rapidly that its need for seamen was outpacing the slow growth of population up to the end of 17th century. (When the population had hardly doubled, the tonnage of ships multiplied nearly seven-fold). The seamen earned a great deal of money for all the risks they undertook. Dr. Davis creates an appropriate atmosphere by bringing in stories of huge fortunes made by shipowners in those early and adventurous days and by quoting from contemporary correspondence.

NATIONAL ECONOMY IN PERSPECTIVE

Statistical Outline of India 1963: Department of Economics and Statistics, Tata Industries Private Ltd., Bombay; Published by Popular Prakashan, Bombay; Pp. 110; Price Rs. 3.

The present issue is sixth in the series of this tidy and highly informative publication. The Statistical Outline carries in a handy format as many as 112 tables relating to the growth of the national economy in many of its aspects, such as population, agriculture, fuel and power, industry, transport, trade, balance of payments, labour, company affairs, banking and insurance, public finance, social services and economic planning. In a compilation of this kind there is always need to observe a certain upper limit on the matter to be included, otherwise the publication becomes too voluminous. Nevertheless, since it seems to be the intention of the compilers to make the "Outline" as comprehensive as possible, we venture to suggest that regional statistical data (State-wise) may also be included in future additions, at least in respect of the main trends of economic progress. As regards data relating to industry, greater use may be made of the information covered in publications such as the official Annual Survey of Industries. The inclusion of tables of general interest relating to matters such as newspaper readership and the general elections may serve to enhance the popularity of the "Outline".

Readers' Roundtable

CONSTITUTION (SEVENTEENTH) AMENDMENT BILL

Sir, — Sardar Patel, as Chairman of the Fundamental Rights Sub-Committee of the Constitution, strongly held the view that rights of ownership of land were sacred to a peasant. And any interference with them would be a loot and robbery and produce chaos and anarchy. It was, therefore, the duty of the State to protect them from wanton attack.

There was, however, a strong group in the Constituent Assembly, led by Mr. Nehru, with opposite convictions, which held that socialistic progress would be held up if the rights of property were fully safeguarded. So long as the Sardar was alive this group could not get the chance to enforce its ideology, but unfortunately, after his demise, the socialist group, which has been holding complete sway since then, has started eroding property rights and place them at the mercy of the executive. In the series of this legislation for so-called social reforms comes the Constitution (Seventeenth) Amendment Bill which was introduced in Parliament during the last session and is scheduled for discussion during the coming session. The Bill contemplates changing the definition of "estate", as contained in Article 31A(2) of the Constitution so as to include thereunder ryotwari lands also.

Based on the history of land legislation in various parts of the country, especially in the State of Madras, where the usual feature of land tenure was the ryotwari form but in some districts a landlord class had grown up, "the basic idea of ryotwari settlement is that every bit of land is assessed to a certain revenue and assigned a survey number for a period of years, which is usually thirty, and each occupant of such land holds it subject to his paying the land-revenue fixed on that land. But it is open to the occupant to relinquish his land or to take new land which has been relinquished by some other occupant or becomes otherwise available on payment of assessment." (Supreme Court Judgment in K. Kunhikoman v. State of Kerala, A.I.R. 1962, S.C. 723). It is further stated in the same judgment that "though theoretically . . . the occupant of ryotwari land held it under an annual lease, it appears that in fact the Collector had no power to terminate the tenant's holding for any cause whatever except failure to pay the revenue or the ryot's own relinquishment or abandonment." The ryot is, therefore, "generally called a tenant of Government but he is not a tenant from year to year and cannot be ousted as long as he pays the land-revenue assessed."

In the Manual of Administration, as quoted by Baden-Powell, in Vol. III of Land Systems of British India at p. 129, the ryotwari tenure is summarised as that —

"of a tenant of the State enjoying a tenant-right which can be inherited, sold, or burdened for debt in precisely the same manner as a proprietary right, subject always to payment of the revenue due to the State."

Though, therefore, the ryotwari pattadar is virtually like a proprietor and has many of the advantages of such a proprietor, he could still relinquish or abandon his land in favour of the Government.

It was because of this position that the ryotwari pattadar was never considered a proprietor of the land under his patta, though he had many of the advantages of a proprietor.

The word "estate" is defined in the Constitution which came into force on January 26, 1950. Before that too this connotation was defined clearly and meant (based on Madras Land Estate Act, No. I of 1908) —

a) any permanently settled estate or temporarily settled zamindari;

- b) any portion of such permanently settled estate or temporarily settled zamindari which is separately registered in the office of the Collector;
- c) any unsettled palaiyam or jagir;
- d) any inam village of which the grant has been made, confirmed or recognised by the British Government, notwithstanding that subsequent to the grant, the village has been partitioned among the grantees or the successors-in-title of the grantee or grantees."

The Constitution did not alter the meaning of "estate" and hence it is clear that "estate" did not include the lands of ryotwari pattadars, however valuable might be their rights in land as they eventually came to be recognised.

It was on this basis that the Supreme Court declared 'ultra vires' the Kerala Agrarian Relations Act, 1961 in its application to ryotwari lands transferred from the State of Madras to Kerala. The Act was further struck down by the High Court of Kerala in its application to lands other than estates in Malabar and Travancore. While striking down this Act in the case of K. Kunhikoman v. State of Kerala that ryotwari lands "are not estates within the meaning of Article 31A(2) (a) of the Constitution and therefore the Act (which included ryotwari land as coming under the definition of "estates") is not protected under Art. 31A(1) from attack under Art. 14, 19 and 31 of the Constitution."

Evidently neither the framers of the Constitution ever intended nor the legal position contemplated that ryotwari land should come under the purview of "estate". Otherwise it would have been defined as rights pertaining to all agricultural land, which was not the case when the local equivalent of "estate" in the then existing law relating to land tenures was specifically recognised as the thing intended; sub-clause (2)(b) of Article 31A, was even more specific when it referred to, by way of illustration, "rights vesting in a proprietor, sub-proprietor, under-proprietor, tenure-holder or other intermediary" meaning that only intermediaries were intended. Ryotwari land-holders are assuredly not of this kind.

This Bill, when passed, will put out of the purview of the law courts all land legislation enacted by States for fixation of ceilings or for regulation of tenancy rights and will give protection to the sphere of public purposes as envisaged by the Plans and as accepted by the Planning Commission.

"Peasants holdings", writes Prof. N. G. Ranga in "Swarajya" of July 6, "are evidently in danger of being notified as coming within the sphere of activity of any co-operative farming society and peasants being presented with the alternatives of either pooling their lands with the co-operative farm or being offered the compensation fixed by a land tribunal for compulsorily acquiring them for the farm." Compensation is sure to be nominal without there being any protection from the law courts, as compared to what a peasant is now entitled to under the Land Acquisition Act. The ruling party is violating the spirit of the Constitution as in the Constituent Assembly it was strongly held that unless adequate compensation was paid, as determined by law courts, no land should be acquired by the State for a genuine public purpose. The framers of the Constitution were convinced that the country's economy could not be built by the loot of the landlords and peasants.

The manner of achieving agrarian reform should not be open to ridicule. All land cannot be classified as "estate" merely because that definition would protect legislation against the challenge in the courts. Parliament must frustrate this mischievous attempt on the part of the ruling party to undermine the stability of peasant proprietorship.

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RECORDS AND STATISTICS

Annual Survey of Industries 1960

Large Industries

Industry	No. of Reporting Factories	Fixed Capital (Rs. Lakhs)	Persons Employed	Gross Output Ex-factory Value (Rs. Lakhs)	Value Added by Manufacture (Rs. lakhs)
1. Manufacture of Dairy Products	3	1,55.46	880	5,92.78	36.35
2. Manufacture Grain Mills Products	3	89.34	902	7,89.80	99.43
3. Manufacture of bakery products	3	1,03.29	1,598	3,13.07	95.64
4. Sugar factories and refineries	87	55,86.10	62,751	1,16,60.12	24,01.01
5. Manufacture of miscellaneous food preparations	20	8,47.26	9,922	49,50.44	6,61.11
6. Distilling, Rectifying and Blending of spirit ..	1	34.38	217	18.08	3.10
7. Breweries and manufacturing of malt	1	40.63	181	44.62	1.57
8. Tobacco manufactures	7	3,44.62	15,551	37,73.23	7,84.21
9. Spinning, weaving and finishing of textiles ..	300	1,71,45.40	7,57,694	6,12,74.48	2,01,26.61
10. Manufacture of other textiles (not elsewhere classified)	1	48.46	1,645	1,21.90	49.12
11. Saw mills and other wood mills	2	1,44.66	1,234	1,11.25	38.87
12. Manufacture of furniture and fixtures	3	2,57.69	5,829	5,55.84	2,21.76
13. Manufacture of pulp, paper and paper board ..	26	47,03.23	38,725	54,00.16	14,67.98
14. Printing, publishing and allied industries ..	11	7,95.60	14,463	13,30.13	5,54.05
15. Tanneries and leather finishing plants	2	32.74	2,328	2,02.07	63.82
16. Manufacture of rubber products	5	8,25.20	17,989	50,36.84	17,66.47
17. Basic industrial chemicals including fertilisers	33	75,45.92	33,632	68,81.74	23,25.55
18. Manufacture of paints, varnishes and lacquers	1	28.23	923	2,08.22	75.38
19. Manufacture of miscellaneous chemical products	34	20,38.84	25,578	76,01.75	26,93.13
20. Petroleum refineries (motor and aviation) spirit, diesel oil, lubricating oils, etc) ..	4	41,50.20	4,749	46,50.78	15,18.77
21. Manufacture of structural clay products	8	7,38.99	9,275	6,65.49	2,87.89
22. Manufacture of glass and glass products	6	2,82.65	4,184	4,15.17	1,66.55
23. Manufacture of pottery china and earthenware	4	2,11.12	5,663	2,08.62	1,08.87
24. Manufacture of cement (Hydraulic)	28	51,98.78	27,050	52,01.29	12,72.02
25. Manufacture of non-metallic mineral products (not elsewhere classified)	4	1,78.30	3,023	5,22.32	2,26.33
26. Iron and steel basic industries	42	1,99,24.03	1,05,213	1,89,77.55	53,13.08
27. Non-ferrous basic metal industries	10	13,28.21	9,053	26,36.08	7,49.39
28. Manufacture of metal products (except machinery and transport equipment) ..	12	10,09.04	15,658	25,44.50	8,28.45
29. Manufacture of machinery (except electrical machinery)	30	21,35.14	47,095	43,11.76	16,22.78
30. Manufacture of electrical machinery, apparatus, appliances and supplies	32	20,14.53	33,074	54,40.43	17,69.06
31. Shipbuilding and repairing	6	5,36.87	16,385	10,67.02	4,89.05
32. Manufacture of rail-road equipment	31	43,34.80	1,05,792	63,12.38	26,93.46
33. Manufacture of motor vehicles	15	28,50.93	39,973	1,09,81.11	25,75.10
34. Repair of motor vehicles	5	1,78.92	3,553	1,78.59	49.65
35. Manufacture of motorcycles and bicycles ..	9	7,36.95	11,069	17,85.91	5,15.68
36. Manufacture of aircraft	2	3,63.03	2,561	3,60.87	1,58.63
37. Manufacture of professional and scientific measuring and controlling equipments ..	1	57.37	1,167	58.43	42.24
38. Manufacture of jewellery and related articles	2	2,28.41	3,972	3,22.32	1,21.75
39. Manufacture of musical instruments	1	29.79	627	47.13	13.35
40. Electric light and power and gas manufacture and distribution	63	1,67,41.88	33,660	60,78.25	20,70.20
All Industries	858	10,39,96.99	14,74,838	18,37,32.57	5,60,57.48

Note: "Large Industries" are defined as those owning fixed assets over Rs. 25 lakhs.

ANNUAL SURVEY OF INDUSTRIES 1960—Contd.

Medium Industries

Industry	No. of Reporting Factories	Fixed Capital (Rs. Lakhs)	Persons Employed	Gross Output Ex-factory Value (Rs. Lakhs)	Value Added by Manufacture (Rs. lakhs)
1. Manufacture of Dairy Products ..	7	94.06	1,131	3,11.53	49.97
2. Canning and Preserving of Fruits and Vegetables ..	3	24.69	464	69.85	16.22
3. Manufacture of Grain Mills Products ..	17	1,66.23	2,640	19,44.67	92.76
4. Manufacture of Bakery Products ..	6	63.18	1,845	2,86.31	95.52
5. Sugar Factories and Refineries ..	70	10,50.41	50,803	65,09.17	13,27.90
6. Manufacture of Cocoa, Chocolate and Sugar Confectionery ..	1	12.50	292	62.32	20.31
7. Manufacture of Miscellaneous Food Preparations ..	380	36,01.05	70,556	1,71,34.60	28,33.54
8. Distilling, Rectifying and Blending Spirit ..	17	1,61.03	2,548	2,23.89	74.23
9. Breweries and Manufacturing of Malt ..	1	16.46	452	1,55.43	77.85
10. Soft Drinks and Carbonated Water Industries ..	2	30.45	181	53.96	20.83
11. Tobacco Manufactures ..	18	1,85.61	18,304	25,59.56	4,52.94
12. Spinning, Weaving and Finishing of Textiles ..	284	40,54.41	2,43,834	1,81,66.45	53,03.74
13. Knitting Mills ..	3	18.23	831	57.05	14.88
14. Cordage, Rope and Twine Industries ..	2	29.75	1,552	1,57.84	40.52
15. Manufacture of other Textiles (not elsewhere classified) ..	24	1,62.62	4,332	5,10.96	95.42
16. Manufacture of Wearing Apparel ..	5	53.26	1,902	1,19.02	28.56
17. Saw Mills and other Wood Mills ..	13	1,47.62	3,992	3,12.10	1,15.09
18. Manufacture of Cork and Wood Products (not elsewhere classified) ..	3	22.30	400	45.55	10.96
19. Manufacture of Furniture and Fixtures ..	3	44.62	1,373	1,09.32	38.51
20. Manufacture of Pulp, Paper and Paperboard ..	16	1,45.87	5,065	4,61.75	1,51.83
21. Printing, Publishing and Allied Industries ..	79	8,69.94	28,996	23,74.53	8,95.02
22. Tanneries and Leather finishing plants ..	6	55.19	2,294	2,87.70	39.13
23. Manufacture of Leather Products (except footwear and other wearing apparel) ..	1	6.05	105	23.16	2.27
24. Manufacture of Rubber Products ..	16	1,49.60	6,115	7,17.76	2,24.29
25. Basic Industries Chemicals, including Fertilizers ..	29	2,99.32	7,000	12,69.91	3,45.85
26. Vegetable and Animal Oils and Fats (except edible oils) ..	3	45.27	622	2,68.74	24.83
27. Manufacture of Paints, Varnishes and Lacquers ..	8	1,22.57	3,364	9,19.03	2,40.69
28. Manufacture of Miscellaneous Chemical Products ..	59	6,89.94	16,264	29,63.08	8,49.54
29. Petroleum Refineries (Motor and Aviation spirit, diesel oil, lubricating oil etc.) ..	1	7.92	77	63.17	10.85
30. Manufacture of Miscellaneous Products of Petroleum and Coal ..	2	24.32	424	42.38	10.54
31. Manufacture of Structural Clay Products ..	20	2,00.19	7,969	2,98.57	1,33.07
32. Manufacture of Glass and Glass Products ..	17	1,61.38	7,636	3,83.13	1,34.52
33. Manufacture of Pottery China and earthenware ..	22	2,31.06	7,763	2,45.00	91.44
34. Manufacture of Cement (hydraulic) ..	2	24.36	965	1,41.89	53.27
35. Manufacture of non-metallic mineral products (not elsewhere classified) ..	15	1,40.90	6,143	6,54.73	2,64.66
36. Iron and steel basic industries ..	79	8,09.31	32,833	32,72.31	6,71.51
37. Non-ferrous basic metal industries ..	14	1,64.27	5,142	8,85.87	66.22
38. Manufacture of metal products except machinery and transport equipment ..	45	4,76.56	14,274	15,50.69	3,52.16

ANNUAL SURVEY OF INDUSTRIES 1960—Contd.

Medium Industries

Industry	No. of Reporting Factories	Fixed Capital (Rs. Lakhs)	Persons Employed	Gross Output Ex-factory Value (Rs. Lakhs)	Value Added by Manufacture (Rs. Lakhs)
39. Manufacture of machinery except electrical machinery ..	69	7,28.18	21,420	19,03.45	6,13.89
40. Manufacture of electrical machinery, apparatus, appliances and supplies ..	48	6,36.35	24,160	27,88.66	8,60.83
41. Shipbuilding and repairing ..	10	97.25	7,297	3,93.08	1,52.39
42. Manufacture of rail-road equipment ..	25	3,57.96	19,358	12,53.39	3,88.75
43. Manufacture of motor vehicles ..	8	1,06.91	4,088	3,55.64	1,48.22
44. Repair of motor vehicles ..	31	3,48.13	8,386	4,25.80	1,66.54
45. Manufacture of motorcycles and bicycles ..	10	94.75	2,196	2,48.84	65.29
46. Manufacture of aircraft ..	3	62.80	2,647	2,49.78	95.10
47. Manufacture of professional and scientific measuring and controlling instruments ..	7	73.14	2,311	2,22.21	96.86
48. Manufacture of musical instruments ..	25	2,07.39	5,838	6,49.08	2,20.10
49. Electric light and power and gas manufacture and distribution ..	31	3,39.13	4,493	4,09.61	1,33.16
All Industries ..	1,560	1,76,15.10	663,577	7,45,12.51	1,82,12.71

Note: "Medium Industries" are defined as those owning fixed assets over Rs. 5 lakhs but not exceeding Rs. 25 lakhs.

Small Industries

Industry	No. of Reporting Factories	Fixed Capital (Rs. Lakhs)	Persons Employed	Gross Output Ex-factory Value (Rs. Lakhs)	Value Added by Manufacture (Rs. Lakhs)
1. Canning and Preserving of fruits and vegetables ..	11	13.53	1,177	62.46	11.57
2. Canning and preserving of fish and other sea foods ..	2	7.39	324	51.92	22.09
3. Manufacture of grain mill products ..	326	3,34.51	23,421	52,29.90	2,55.64
4. Manufacture of bakery products ..	11	18.82	1,071	1,33.58	42.34
5. Sugar factories and refineries ..	63	66.86	6,776	5,10.36	1,30.33
6. Manufacture of cocoa, chocolate and sugar confectionery ..	4	7.37	621	60.78	11.85
7. Manufacture of miscellaneous food preparations ..	792	14,83.49	1,19,501	1,23,26.96	20,06.80
8. Distilling, rectifying and blending of spirit ..	13	32.18	1,211	93.51	25.84
9. Wine industries ..	4	6.92	301	32.08	13.90
10. Breweries and manufacturing of malt ..	1	1.45	27	2.73	1.62
11. Soft drinks and carbonated industries ..	5	12.84	301	30.00	10.14
12. Tobacco manufactures ..	224	120.61	55,669	15,90.40	3,91.84
13. Spinning, weaving and finishing of textiles ..	373	5,42.92	68,428	47,86.77	11,92.51
14. Knitting mills ..	27	18.74	1,839	1,42.33	27.90
15. Cordage, rope and twine industries ..	8	11.51	1,112	88.34	20.09
16. Manufacture of other textiles (not elsewhere classified) ..	1,058	9,65.35	73,855	38,65.22	4,55.43
17. Manufacture of footwear ..	5	3.34	1,184	1,28.20	25.49
18. Repair of footwear ..	2	0.44	56	2.88	1.15
19. Manufacture of wearing apparel ..	30	13.99	2,768	1,86.57	50.99

ANNUAL SURVEY OF INDUSTRIES 1960—Contd.

Small Industries

Industry	No. of Reporting Factories	Fixed Capital (Rs. Lakhs)	Persons Employed	Gross Output Ex-factory Value (Rs. Lakhs)	Value Added by Manufacture (Rs. Lakhs)
20. Saw mills and other wood mills	106	1,22.05	7,799	4,37.28	1,03.53
21. Wooden and cane containers and cane small-ware	10	9.07	845	72.97	14.15
22. Manufacture of cork and wood products (not elsewhere classified)	11	12.81	1,255	80.21	15.48
23. Manufacture of furniture and fixtures	51	62.07	6,445	2,59.75	72.70
24. Manufacture of pulp, paper and paperboard	33	54.54	3,090	3,37.20	94.04
25. Printing, publishing and allied industries	216	3,86.87	24,880	14,30.19	6,36.25
26. Tanneries and leather finishing plants	51	51.47	6,153	11,54.27	1,31.90
27. Manufacture of leather products except footwear and other wearing apparel	1	0.30	70	3.43	0.37
28. Manufacture of rubber products	48	87.09	9,199	8,06.29	2,51.95
29. Basic industrial chemicals including fertilisers	35	69.16	4,897	7,10.92	1,40.34
30. Vegetable and animal oils and fats (except edible oils)	5	9.97	544	2,37.83	15.89
31. Manufacture of paints, varnishes and lacquers	13	29.10	1,496	2,79.05	43.62
32. Manufacture of miscellaneous chemical products	146	2,22.92	19,034	18,39.51	4,45.11
33. Manufacture of miscellaneous products of petroleum and coal	4	9.58	1,095	1,66.18	52.15
34. Manufacture of structural clay products	229	2,15.88	28,388	5,72.96	2,88.61
35. Manufacture of glass and glass products	108	1,28.00	22,102	7,09.88	2,66.65
36. Manufacture of pottery, china and earthenware	31	59.60	3,771	1,02.92	45.38
37. Manufacture of non-metallic mineral products (not elsewhere classified)	124	1,56.08	16,684	12,34.34	4,34.19
38. Iron and steel basic industries	185	3,08.67	26,799	26,55.56	5,27.34
39. Non-ferrous basic metal industries	28	42.15	2,647	9,22.83	1,96.26
40. Manufacture of metal products (except machinery and transport equipment)	224	3,12.61	23,926	23,56.42	5,91.76
41. Manufacture of machinery except electrical machinery	241	3,88.27	26,169	18,32.44	5,56.03
42. Manufacture of electrical machinery, apparatus, appliances and supplies	113	1,83.57	13,501	10,26.56	2,99.77
43. Shipbuilding and repairing	22	45.68	5,184	1,95.33	1,02.70
44. Manufacture of rail-road equipment	39	76.63	9,643	3,34.14	1,68.59
45. Manufacture of motor vehicles	33	36.52	3,498	2,88.99	85.24
46. Repair of motor vehicles	176	2,56.80	18,686	9,10.77	3,53.60
47. Manufacture of motorcycles and bicycles	27	58.12	3,015	3,12.00	73.65
48. Manufacture of aircraft	3	5.47	857	23.86	15.11
49. Manufacture of professional and scientific measuring and controlling instruments	17	21.57	1,757	82.11	40.73
50. Manufacture of photographic and optical goods	7	5.99	1,140	52.35	20.23
51. Manufacture of watches and clocks	4	7.49	290	23.39	9.19
52. Manufacture of jewellery and related articles	7	6.47	1,214	77.64	27.90
53. Manufacture of musical instruments	107	1,36.73	13,753	9,35.85	2,44.35
54. Electric Light and power and gas manufacture and distribution	7	11.04	411	37.04	6.50
All Industries	5,421	72,82.65	6,69,879	5,18,27.44	1,10,68.76

Note: "Small Industries" are defined as those owning fixed assets upto and including Rs. 5 lakhs.

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Castor Oil for the Congress

FOR OVER 16 years the Congress has been a gross feeder on the power and pelf of office. In the process it has inevitably accumulated much useless and even harmful stuff in its system. The Kamaraj plan which the All-India Congress Committee has accepted may be described as a massive purging operation which is intended to restore the Congress elephant to political good health. That, however, is not the entire purpose of the plan. As Mr. C. Rajagopalachari has been quick to point out, one of the important effects of the AICC scheme is a total endorsement of Mr. Nehru's leadership of the Party and the Government and a massive affirmation of confidence in him.

We do not know whether Mr. Kamaraj himself intended this to be one of the consequences of his proposal, but we would be surprised indeed if the thought had not crossed his mind that this sort of thing was likely to happen. It is significant that, when the Prime Minister promptly offered to give up office for organisational work, the Chief Minister of Madras declared equally promptly that, in that event, he would not proceed further with his proposal at all. Not very long ago Mr. Nehru said that if ever he decided to quit office it would be not because some Opposition groups were clamouring for his departure, but because he himself was convinced that the Party no longer wanted him to be Prime Minister. Now Mr. Nehru has had it put unequivocally on record that his Party does want him to continue.

In this sense, the Kamaraj plan is first and foremost a personal victory for and vindication of Mr. Nehru. This fact is further emphasized by the absolute authority given to him by the AICC resolution to decide which Congressmen in office are to continue in government and which are to move over into the organisational field. As a consequence, Mr. Nehru is confirmed not only as the absolute leader of his party but also as the sole arbiter of the political destiny of each and every individual Congress leader. It is possible that this is the way which the AICC has chosen of answering outside suggestions that Mr. Nehru's authority among his colleagues is weakening or that his hold over the rank and file of the Congress is beginning to lose its grip. It is also possible that this is the way the AICC has chosen of serving notice on Congressmen themselves that no serious questioning of Mr. Nehru's leadership on the part of any of them will be encouraged or even countenanced. On this reckoning the immediate and possibly the most important consequence of the Kamaraj Plan is to underwrite more firmly than ever the personal ascendancy of Mr. Nehru in the counsels of the Congress in the conduct of the Government.

It is no new thing, of course, for Mr. Nehru to be hailed as the indispensable saviour of the Congress, if not the country. But the almost idolatrous terms of adulation in which his absolute authority was confirmed at the proceedings of the AICC session would have irked even those whose sensibilities were far less fine than his. Particularly sickening, in their sentimentality, were the speeches of Mr. Dhebar and Mr. S. K. Patil. Said Mr. Dhebar, "It is a matter of great pride for the Congress that there is one man on whose mere asking people are prepared to sacrifice even their lives". It did not occur to the ex-President of the Congress that it ought to be right for people to consider what are the purposes for which sacrifices are called for rather than who is calling for sacrifices.

What, however, was really surprising was the most extravagant language in which Mr. Patil eulogized Mr. Nehru as "leader of leaders". If his speech left the impression that he was perhaps trying to make up for his recent recalcitrance in the matter of portfolios, he had only himself

to blame. It is really a lamentable thing that at a serious moment in its history, when the Congress so clearly needed all the adult maturity that its leadership could summon in its service, there should have been such ridiculous exhibition of a father complex.

From this point of view and in psychological terms the Kamaraj plan has probably not been given as sound a start as it may have deserved. Consequently, the responsibility cast on Mr. Nehru has become all the more onerous. Just because he has been hailed as a being of indefinite indispensability, Mr. Nehru has to keep all the more firmly in his mind the sobering thought that, if the Congress organisation has come to need any shock treatment at all after sixteen years of his stewardship, his leadership, with its almost unlimited authority cannot escape responsibility of blame. In what was perhaps the most sensible and certainly the boldest speech of the AICC session, Mr. Mahavir Tyagi, it will be recalled, stood up and said that having failed to build up a second line of leadership so far, Mr. Nehru should at least now try to mend matters before it was too late by trying to bring about some kind of collective leadership of the party. It is true that, so long as even leaders of the status of Mr. Dhebar or Mr. S. K. Patil could make the kind of speeches that were heard at the recent AICC meeting, the temptation to ignore the wholesome advice of Congressmen like Mr. Tyagi may perhaps be too strong for Mr. Nehru. But it must be emphasized that Mr. Nehru ought to try to deserve the trust reposed in him by the AICC resolution by instituting measures for the emergence of a more normal and healthy structure of leadership which will not continue to be so helplessly involved in the single person of himself. This will not be the least important aspect of the implementation of the Kamaraj Plan.

Fortunately, judging from such indications as we have of how the Prime Minister's mind is working on the AICC resolution, there is ground to hope that Mr. Nehru will come out much better than may be expected. For one thing he seems to recognise well enough that the Kamaraj plan has necessarily created a state of uncertainty in the affairs of government as well as of the party which should be ended as quickly as possible. His decisions on the shifting of Ministers to party work may, therefore, be expected fairly early. So far as Chief Ministers and other Ministers in the States are concerned his intention might perhaps have been announced by the time this issue is in print. His plans for such Central Ministers as he might like to charge with organisational work may possibly take somewhat longer to crystallize, but it is to be hoped that, even in their case, decisions will not be delayed very much beyond this month.

Mr. Nehru quite rightly thinks that only such Ministers should be asked to take up organisational work as can really make a significant contribution in that field and produce a powerful impact on the people's mind. If this test is rigorously applied, the number of

Ministers in the States and at the Centre who may be asked to leave office is bound to be limited. This would not altogether be a bad thing as the resulting disturbances in government will not be extensive. A necessary corollary to the Prime Minister's dictum that only Ministers who are likely to be effective in the organisational work should be commissioned for the purpose is that Ministers who are doing good work in the Government should not be disturbed unless it is absolutely necessary, for it would be clearly an absurd denouement if the net result of the Kamaraj plan were to be to leave the Central Cabinet with a load of Shrimalis and Kabirs.

An intriguing question is whether the Prime Minister should keep himself to the strict letter of the Kamaraj plan or he should avail himself of the opportunities before him to ease out in a painless manner useless and ineffective Ministers at the Centre and in the States. Although the Kamaraj plan is primarily intended to improve the image of the Congress in the public

SITUATIONS VACANT

APPLICATIONS ARE INVITED FOR THE GRANT OF EMERGENCY TEMPORARY COMMISSIONS IN THE CHIEF MINISTERS' AND UNION MINISTERS' CADRE.

QUALIFICATIONS:

PHYSICAL — CANDIDATES SHOULD HAVE COMPLETED **SEVENTY YEARS OF AGE** AND SHALL POSSESS THE REQUISITE **WHITE MATTER ON THE HEAD.**

EDUCATIONAL — CANDIDATES WILL BE REQUIRED TO PASS AN **OBEDIENCE TEST** AS ARRANGED BY THE **HIGH COMMAND.**

DUTIES: SELECTED CANDIDATES WILL BE REQUIRED TO **KEEP THE SEAT WARM FOR THEIR PREDECESSORS.**

TENURE OF OFFICE: CANDIDATES SHALL REIGN IN OFFICE TILL THE RETURN OF THE **ORIGINAL INCUMBENTS.**



eye by replacing the power motive by the service motive, it is clear that the future of the Congress Party in the public life of this country would depend not merely on its invigorating its means of mass contact and mass communication, but also in its ability, as the ruling party, to provide the people with good government. It is only partly true that neglect of the organisational aspect has led to the Congress falling from popular grace to a certain extent. Part of the explanation also

Our Bullock-Cart Age

THE STUDY undertaken recently by the Programme Evaluation Organisation on behalf of the Committee on Transport Policy and Co-ordination to assess the changes that have taken place in the relative importance of bullock-drawn vehicles reveals that this mode of transport still plays an important role in the rural economy. The study has been confined to the most important type of trade, namely, marketing of agricultural commodities by villagers and their purchase of commodities produced outside. Rural traffic in goods has been assumed to be determined and conditioned by the nature, volume and direction of such trade. This assumption, in turn, has served to give the necessary focus to the study by implying that the share and role of different carriers in rural traffic could be analysed and observed with the help of what is described as the 'trade-centre' approach. The study has accordingly been based on field data, collected in December 1960 and January 1961, for a few selected markets or mandis representing different regions in the country. The selected mandis are Tindivanam, South Arcot district, Madras; Lasalgaon, Nasik district, Maharashtra; Sirhind, Patiala district, Punjab; Gorakhpur, Gorakhpur district, U.P. and Sainthia, Birbhum district, West Bengal.

From this study, it is easy to gather why bullock carts still hold the field in carrying agricultural produce to the markets. Many villages are connected to markets or mandis by kutchra roads which are quite often too narrow for motor trucks to negotiate. The unit of farming being small, the marketable surplus per household is small and that too is sold in more than one instalment. So carts are both suitable and economical. The growers prefer to send the produce to the nearer sub-mandis or even periodical mandis. This practice makes for a shortening of the hauling distance. The cultivators use carts for various agricultural uses, such as carrying fertilizers and manures to the fields, carrying produce from the farm to the storehouse, sugarcane to crushers or fodder from distant fields. Thus their use for marketing operations involves none or very little additional outlay or expenditure.

For intra-mandi movement only bullock carts and thelas are generally used on account of the short distances which such traffic has to cover. Trucks have not yet made much of a dent on this traffic pattern. The carts used are of ordinary type with wooden wheels and iron rings; pneumatic tyres are increasingly evi-

is that the standards of administration have also steadily deteriorated over the years. The Kamaraj plan will succeed substantially only if this factor is also taken into account. The real test for Mr. Nehru therefore is not merely whether he is able to find enough good men for the organisational work of the Congress party but also whether simultaneously he succeeds in retaining (and discovering) equally good men for the vital tasks of good government.

dent only in Sirhind. They are mostly used by the carters for bringing their own produce to the mandis.

If trucks have been able to wrest traffic both from the railways and the carts in certain areas with regard to intra-mandi and outgoing traffic, it is mostly because of the construction and improvement of roads brought about in those regions. Another factor favouring trucks is the increased production of cash crops such as sugarcane, onions and cotton, which are either perishable or relatively high-priced. The correlation of truck transport with the functional organization of marketing agencies or links has also to be taken note of. A shortening of these links through telescoping or rationalization may make for a larger penetration of trucks into the villages.

The data relating to the frequency of visits of trucks to the villages bring out that till 10 years back (except in the case of one village each in two mandi areas), the trucks were not visiting the villages at all. The position has changed but little during the intervening decade. In some mandis trucks are being used because carts are not available. In the Tindivanam area, even now trucks do not visit the selected villages. In Sainthia, the frequency of visits by trucks has increased in only one of the six simple villages because of the recent improvement of the connecting road. In Sirhind, the change is also marked only in one village, where despite its being in the interior, more trucks have begun plying. This is due to the very large increase in the production of onion which is collected by the traders from the village by the trucks. In Lasalgaon, there has been some improvement in the use of trucks mainly because of the improvement in the connecting road. In another village the contributing factors are rise in the production of cotton and the prospect of getting better prices at Lasalgaon. The share of trucks is generally higher in the higher distance groups. They handle 90 per cent of the traffic originating from points between 10 and 20 miles away in Sirhind and 25-100 per cent of that coming from beyond 20 miles in Gorakhpur. The affinity between distance and mode of transport is, therefore, clearly discernible. The complete exclusion of carts in the despatches from Tindivanam, Lasalgaon and Sirhind is due to the longer distances to which goods are exported from these markets as compared with those from Gorakhpur.

The number of carts during the decade ending

1959-60 rose by about 16 to 49 per cent in four of the selected mandi areas, the increase being most marked in the case of Lasalgaon, Sirhind and Sainthia. Rise in production and the prosperity of the cultivators apparently contributed to this increase. In the Sirhind area, however, the increase is also attributed to the introduction of paddy, rise in the area under sugarcane and the break-up of joint families. It is only in the selected villages of the Gorakhpur mandi that the total number of carts has decreased by about 16 per cent mainly because of a steep fall in the number of carts in one village, Mithaura, due to the restrictions on the movement of goods from Nepal and the increasing use of trucks.

In three mandi areas (including Gorakhpur), the rise in the number of carts has been much less than in the volume of exports with the result that the volume of exports per cart has risen by 5 per cent to 91 per cent. In Sainthia on the other hand, there has been an appreciable decline as the rise in the number of carts was faster than that in exports. Taking the last 10 years, in three mandi areas both the number of carts and volume of exports have risen. But the rate of increase being slower for the former, in two of them the volume of exports per cart has gone up by 1 to 5 per cent. The table below mentioning the percentage changes in the number of carts and volume of exports during the last decade is quite revealing:

1949-50 TO 1959-60

(Percentage Changes)

Mandi Area	No. of Carts	Volume of Exports	
		Total	Per Cart
Tindivanam	16.4	22.4	5.2
Lasalgaon	33.1	N.A.	N.A.
Sirhind	37.7	39.2	1.1
Gorakhpur	-16.3	59.9	90.8
Sainthia	49.0	21.5	-18.4

In Good Hands

TWO YEARS are too short a period to assess the achievements of any organisation, least of all an organisation such as the Indian Investment Centre (IIC), which has had a lot of preparatory ground to cover. However, even within these two years, the Indian Investment Centre has proved its usefulness to investors, both Indian and foreign. The fact that so many appreciative comments about the work of the IIC have been received from *entrepreneurs* in this country as well as from abroad is a clear proof that the Centre has made an impact on the investment scene, as claimed by Mr. G. L. Mehta, Chairman of the Centre, recently in Bombay. It is true that only 1,050

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The volume of incoming traffic to the villages was higher in 1959-60 than that in 1949-50 by between 52 and 131 per cent except in Gorakhpur. This occurred mainly because of a rise in the imports of fertilizers, oil-cakes, cement, foodgrains and coal. The volume of outgoing traffic increased considerably between 1949-50 and 1959-60. The increase was 60 per cent in two mandi areas of Lasalgaon and Gorakhpur, about 40 per cent in Sirhind and 22 per cent in Sainthia and Tindivanam. Sugarcane, gur, onion, groundnut and cotton among the so-called cash crops and paddy, wheat, maize among the food crops, accounted for the bulk of the exports from the villages.

When there is disequilibrium between the number of carts and the volume of outgoing traffic it becomes necessary to ensure the regular supply of carts to keep pace with the requirements of traffic. Nevertheless, the fact that carts are underutilised indicates considerable scope for rationalisation of road transport. As to how this should be brought about, there is no indication in the report. Particularly when 23 to 69 per cent of the carts carry less than three-fourths of their capacity, a study of this kind should have suggested ways and means for saving in transport resources (bullocks and carts) or for their further utilization, but surprisingly it is silent on this subject. It, however, throws interesting light not only on the transportation pattern as such, but on the consumption and production pattern as well and the growth of the economy in the rural sector. A fair inference to be drawn from the findings of the survey is that, but for the millions of bullock carts still in use, the transport of vast quantities of produce would not have been possible at all. Unscheduled though it has been in the Plans, the large number of bullock carts has to a great extent served to make up for the failure of planning to extend the road system and modern transport capacity to match the ever-growing demand of increased production. The conclusion is inescapable that a major shift in the mode of rural transport could come only if structural changes involving changes in the unit of farming and marketing take place.

inquiries were received in 1962-63, as compared with 1,300 in the previous year, but the circumstances in which investment inquiries come depend on the investment climate prevailing at a given time. Indeed, as Mr. Mehta observed, the Chinese aggression of last October has naturally affected the investment climate in the country.

The role of the IIC in attracting investments to this country is certain to increase in importance for a variety of reasons. In the first place, the entire international investment outlook has been undergoing a change—a change for the better. No longer is the subject of aid

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to underdeveloped countries a question of mere debate or even of ideology. It has almost become, in at least a few conspicuous instances, a case of *nishkama karma*, duty done without expectation of any return. The industrially advanced countries have not only realised the desirability of raising the standard of living of people in the underdeveloped countries, but they have also become reconciled to the fact that the aid must take a form that will not present insoluble post-aid problems of repayment and servicing (soft-term loans). Secondly, although aid has all along taken the form of government-to-government loans and grants for economic development, it is tending to become a matter for negotiation between *entrepreneurs* and investors in the aid-receiving and aid-giving countries, respectively. With their experience of the past few years, governments of underdeveloped countries should gradually come to accept that, while it is their responsibility to provide all the infrastructure facilities, the building up of industries is best left to the initiative of their citizens, if they have to be saved from being eternally dependent on government and foreign aid. This, in any way, would seem to be the dominant psychology of the people in the investing or aid-giving countries. So there would appear to be growing scope for interesting investors and *entrepreneurs* in different countries, and, when it is a question thus of having to go to the people rather than to their governments, it is only organisations such as the IIC that can really deliver the goods.

Viewed against this background, the IIC's approach has been ideal. The establishment of an office with a resident-director in New York, the visits to foreign countries by the Chairman and the Executive Director, the meetings with representatives of foreign firms, the high-level conferences held in foreign countries such as West Germany, and the seminars such as those held in the USA, not to speak of releases of publications, pamphlets, fact-sheets, impulse letters and so on, are all well-conceived. The Centre's future has been assured too by the active interest of not only the Government of India but of a number of other foreign Governments and international bodies. From the way in which the Centre has begun to operate, it should be possible for it, in the next few years, to give a prospective investor or *entrepreneur* practically all the information that one needs to start an industry in this country, information for which one has today to run from ministry to ministry, if not from post to pillar. A notable feature, which, it is to be hoped, the Centre will not abandon at any time, is its readiness to advise the *entrepreneur* at any stage of a given project.

In the first two years of operations, i.e. from March, 1961 to March, 1963, the Centre had either concluded, or had in process of negotiation, as many as 147 proposals by Indian and foreign *entrepreneurs* for collaborations in joint industrial ventures in this country. Thirty-six of these proposals have already been approved by the Go-

vernment, 18 have been concluded and submitted to the Government, and the rest are in various stages of negotiation. It is noteworthy that, out of the 36 joint ventures concluded, a majority was from the USA. Thus, 15 of the foreign firms concerned in these thirty-six joint ventures were from the USA, six from the UK, five from Japan, three each from France and West Germany, two from Canada and one each from Belgium and Switzerland. The estimated total capital outlay for setting up these projects is Rs. 355 million, including both local and foreign exchange requirements. The foreign equity investment alone is placed at Rs. 25 million.

Although, as stated earlier, there was a decline in the number of total inquiries in 1962-63 as compared to the previous year, it is significant that there was actually an increase in the number of inquiries from foreigners. Mr. Mehta listed three reasons for the overall decline in the number of Indian inquiries, namely the effect on the investment climate in the country of the Chinese Invasion; the almost fully licensed target capacity for various industries scheduled for development in the third Plan; and the revocation of a number of licences which were not effectively implemented. He also mentioned the unfavourable reaction among both Indian and foreign investors produced by the Super Profits Tax, in particular, and the heavy incidence of taxation in India, generally. A very valuable service that the IIC has started is its industrial surveys and feasibility studies on specific industries. *Entrepreneurs*, who would avail themselves of the authentic information contained in such studies, should be well-equipped to negotiate projects with the ICICI if the latter's help is required. The appointment of advisory committees of industrial experts, both Indian and foreign, is yet another useful activity of the Centre.

Eastern Economist 20 Years Ago

AUGUST 20, 1943

Recently the Federation of Indian Chambers of Commerce and Industry addressed the Government of India on the subject of the slaughter of cattle for the purpose of meat supplies to the Army in India. A statement made by the Commander-in-Chief in the Council of State reveals the seriousness of the problem. The number of cattle slaughtered in 1942-43 for prisoners of war was 62,000 and for the Chinese Army, the American Forces and the British Army stationed in India the figure was 216,000. The Commander-in-Chief stated that no cattle are slaughtered for export outside the Indian Command. More than one member suggested in the course of the discussions in the Central Legislature that owing to the seriousness of the food situation in the country, His Majesty's Government should be requested to make arrangements in some other part of the Empire for the prisoners of war now stationed in this country.

Highlights of the Week

STATUS QUO IN KASHMIR

IN A STATEMENT to Parliament on the Indo-Pakistan talks on Kashmir which were held some time ago, the Prime Minister reiterated last week the Government of India's continued desire to reach a settlement of our problems with Pakistan, based on rational and realistic considerations. At the same time, he very firmly rejected proposals "for internationalising or division of the valley or joint control of Kashmir and the like". He also made it clear that the concessions which the Government of India offered to Pakistan in the course of the abortive talks "are no longer open and they must be treated as withdrawn." Mr. Nehru did not, however, specify what those concessions were, but he was evidently referring to marginal modifications of the cease-fire line. Pakistan, however, had insisted, as Mr. Nehru indicated, on claiming almost the entire territory of Jammu and Kashmir, barring "an insignificant area at the extreme south, roughly coinciding with the district of Kathua". A point which was forcefully made in Mr. Nehru's statement was that coincident with the various stages of the talks, Pakistan was drawing increasingly closer to China in an undisguised process of support to and association with the latter in common hostility to this country. The Prime Minister ended his statement by pointing out that "while the break of the talks is a matter of deep regret, we have to accept the facts and we must wait for a more opportune moment for a settlement of our differences with Pakistan." This conclusion also expresses the Government of India's reaction to US suggestions on the possibilities of mediation.

ARMS AID

MR. T. T. KRISHNAMACHARI succinctly informed Parliament of the results of his visits to Canada, the United States and the United Kingdom during May-June for the purpose of securing military assistance. In a statement laid on the Table of the Lok Sabha last week, he said that we could count on the friendship of the Canadian administration and support from Canada generally. So far as the British are concerned, details of aid going beyond the Nassau Agreement are yet to be worked out, but they are expediting supplies of the aid under the Nassau scheme and also the finding of the spares for aircraft of United Kingdom origin. The Minister for Economic and Defence Co-ordination summed up the results of his discussions in Washington as follows:

"We might expect assistance from the US towards equip-border areas. short term.

"We may also expect assistance towards augmentation of our fleet of transport aircraft. The Americans will also help us in improving the utilisation of the existing aircraft.

"As a complement to the Airlift programme, we might expect assistance for speeding up road construction in the Border areas.

"There was agreement on the high priority attached by us to the installation of radar and communication facilities. Help in this regard would be forthcoming.

"In regard to Defence Production, the U.S. has agreed to help us with plant for the manufacture of small arms and ammunition. They also agreed to provide any technical consultative services we might require and also technical training facilities for our personnel."

Mr. Krishnamachari added that it was clearly understood in the United States that Nassau aid having been almost ex-

hausted so far as that country was concerned, it was necessary that further steps should be taken for the flow of fresh assistance. The Minister described this as a significant advance. He explained that the Americans desired to move forward step by step on an itemwise basis. "The aid from the U.S. is likely to be in three phases. The first phase comprises what has already been shipped or is under way. The second phase consists of items which are being discussed. The third phase of further assistance will be worked out after the Military Assistance Programme is voted upon by the U.S. Congress around August-September."

In a significant concluding paragraph the statement emphasized the importance of the Government of India maintaining adequate machinery for continuous consultation and processing of requirements with these countries. This would need the strengthening of organisations for liaison both in India and in our Missions abroad. The question whether adequate effort is being made on our side in these directions is one which the Krishnamachari statement must obviously give rise to. The answer will have to be provided as discussion during the current Session of Parliament proceeds on the various aspects of Defence preparedness.

CHINESE INTRUSIONS

IN WHAT is perhaps the classic understatement of the year, the Prime Minister, making a statement in the Lok Sabha on Chinese troop concentrations along the India-China border, said that it was clear that China's intentions "are not exactly friendly". Mr. Nehru informed the House that the Chinese had set up seven so-called civilian posts in the demilitarized zone in the western sector in violation of the Colombo proposals which had laid down that there should be civil posts of both sides in this area. In the demilitarized zone in the eastern sector, in which there were to be 16 Chinese civilian posts according to Peking's own unilateral ceasefire declaration, there are today as many as 52 combined military and civil posts. There is also considerable offensive patrolling and probing activity along the borders, particularly in the eastern sector.

This is not all. The Chinese have inducted fresh troops into Tibet and have augmented the strength of their forces along the borders to a point where it is larger than what it was at the time of the unprovoked massive attacks of October, 1962. Apart from this augmentation of Chinese forces, a further development has been the forward movement of these troops to camps and strong points nearer the Indian border than they were last October. There has been, during the last few months, considerable activity by way of construction of barracks, gun emplacements, storage dumps, and air-fields near the Indian border. There has also been great activity in the construction of roads, laying of underground telephone lines and construction of inter-connecting subterranean trenches along these border areas. China's land and air intrusions into Indian areas and Indian air space have also increased considerably, particularly during the last few months.

While it is clear that all these activities have the effect, currently, of consolidating Chinese military position immediately to the northern Indian border, the possibility cannot be ruled out of Peking using these forward bases for another thrust into India. The fact that the Chinese Government had presented a Memorandum last month to the Heads of Missions of the Colombo Conference countries in Peking alleging military provocations by India adds to the ominous import of

China's current aggressive activities along the borders as it is possible that ground is being prepared for renewed aggression against this country on the specious plea of "counter-acting in self-defence", an excuse which, it will be recalled, had been employed earlier in October, 1962, in an attempt to justify the wanton invasion of this country at that time. Mr. Nehru said that the Government of India had brought these developments to the notice of the Governments of the Colombo Conference countries. He underlined the supreme importance of our resolutely intensifying "our defensive preparations to resist any further threat to our territorial integrity."

SUPPLEMENTARY DEMANDS

THE UNION Finance Minister, Mr. Morarji Desai, and the Railway Minister, Sardar Swaran Singh, tabled in the Lok Sabha last week supplementary demands for grants for the current financial year aggregating Rs. 33.9 crores and Rs. 2.5 lakhs, respectively. Of the total supplementary expenditure asked for authorisation by the Finance Minister, a sum of Rs. 21.59 crores relates to revenue account and Rs. 12.31 crores, to capital account. The bulk of the additional expenditure, however, is proposed to be met from higher receipts, recoveries and surrenders, the net outgo from the Consolidated Fund amounting to barely Rs. 29 lakhs.

By far the major portion of the supplementary demands on revenue account — Rs. 14.78 crores — is being occasioned by the establishment of new political and administrative set-ups in the four Union Territories of Himachal Pradesh, Manipur, Tripura and Pondicherry. This virtually is in the nature of book transfers; provision of similar expenditures was made on Central account in the February 28 Budget estimates. Of the remaining additional expenditure on revenue account, Rs. 6.8 crores have been earmarked for the Marketing Development Fund, constituted recently for giving fillip to exports. A sum of Rs. 3.8 crores is being transferred to the Fund as such. The remaining amount would be spent on the various export promotion and marketing schemes during the current year.

The Rs. 12.31 crores supplementary demands on capital account have been necessitated by two major items — Rs. 5.14 crores as loan to the Union Territories for their capital expenditure and Rs. 6.5 crores for the Refinance Corporation. As in the case of the supplementary demands for them on revenue account, the proposed loan of Rs. 5.14 crores to the four Union Territories for their capital expenditure will involve only book entries. A similar provision is already there in the Central Budget. The loan to the Refinance Corporation has been necessitated by the liberalisation effected recently in its refinance facilities for industrial loans and medium-term export credits in view of the stringency in the money market.

The supplementary demands on capital account also include a sum of Rs. 25 lakhs for the purchase of shares in the Cochin Refineries Ltd., a Central Government undertaking floated in partnership with, Phillips Petroleum and Duncan Brothers, and part of an amount of Rs. 73.35 lakhs for meeting the capital outlay on setting up the Central Consumer Co-operative Store in Delhi. The store will have a number of branches in the Government staff residential colonies and major office buildings in Delhi and New Delhi.

Of the supplementary demands for grants to the tune of Rs. 2.5 lakhs made by the Railway Minister, a sum of Rs. one lakh is proposed to be spent on doubling the capacity of the wagon-ferry at Farakka from 200 to 400 wagons per day each way. The remaining Rs. 1.5 lakhs are required for meeting the expenses on preliminary investigations in

connection with certain works on the Eastern and Southern Railways. Defence requirements presumably have occasioned a major portion of the supplementary demands for grants by the Railway Minister.

TRANSPORT PLANNING

REALISATION HAS apparently dawned on the Planning Commission that if the rate of economic growth in India is to be stepped up to any substantial degree, the approach to transport planning has to undergo some far-reaching changes. Hitherto, the growth of various transport services had been sought to be fostered in isolation to each other, emphasis being placed on the strengthening and expansion of the railway system. Besides this segmented approach, stress has been laid on what could be achieved in a given period of time rather than on what was necessarily required. Further, the traffic projections had been made not on a sector-wise basis but in aggregate terms. The result had been that a number of bottlenecks had cropped which could perhaps have been avoided if the approach to transport planning had been a realistic one.

Profiting from past experience, the Planning Commission experts, it is understood, have now decided that in drawing up the fourth Plan transport development programmes, not only a co-ordinated view should be taken of all the transport services — railways, roads, inland waterways, shipping, pipelines and civil aviation — but these programmes should also be closely related to the industrial and agricultural targets. Whereas, therefore, the various transport services are to be assigned their due role in the next Plan, studies are to be undertaken of the traffic requirements of the more important industries and essential consumption and export commodities. In the case of industries, these studies will aim at ensuring raw material supplies as well as disposal of the end-products. The industries included in this list are iron and steel, cement, coal, power generation units, petroleum refining, petrochemicals, aluminium, fertilizers, glass, paper, salt, sugar, jute and cotton textiles. The essential consumption goods to be covered by these studies are foodgrains, sugar and salt. The major export items, apart from those covered in the afore-mentioned list of industries, for which studies are to be conducted, are tea, manganese ore and iron ore. Transport requirements of all of these industries and commodities are to be studied in general terms right up to 1975-76 and in a detailed manner up to 1970-71.

Two other changes are also contemplated in the approach to transport planning. They relate to regional development and the location of new industrial enterprises. Individual State considerations are proposed to be subordinated to the national interests. The development of railways and roads is to be attempted on zonal basis, the country is being tentatively divided into eight regions: (1) Madras and Andhra Pradesh; (2) Mysore and Kerala; (3) Maharashtra and Gujarat; (4) West Bengal, South Bihar and Orissa; (5) U.P. and North Bihar; (6) Punjab, Himachal Pradesh and Jammu and Kashmir; (7) Rajasthan and Madhya Pradesh; and (8) Assam, NEFA, Manipur and Tripura. The development of ports will take into account the requirements of the whole of their hinterlands.

As regards dispersal of industries as a means of regional development, the thinking appears to be in favour of developing emerging new industrial towns and cities into big complexes rather than going in for further large-scale dispersal. This is considered to be necessary for keeping the transport development plans within manageable proportions. Defence needs, of course, have to be reckoned in some detail. A more rapid growth of civil aviation is considered necessary.

FROM THE PRESS GALLERY

Monsoon Session Begins

NEW DELHI, Tuesday.

EVEN ANTICIPATING the discussion of the "no confidence" motion moved by the non-Communist Opposition groups in the Lok Sabha on Monday, the Monsoon Session of Parliament which began on the previous Tuesday, started its work in an atmosphere of tension. It was clear from the outset that the Opposition groups in both Houses had come prepared to make use of every opportunity, legitimate or otherwise, to harass and annoy the Treasury benches in particular and the ruling party generally. The tactics adopted to this end were more often than not clearly obstructive to the proceedings of the House and repugnant to its rules and conventions. The naming of a member of the Socialist Party in the Lok Sabha today was only the climax to a series of unseemly incidents day after day on the Floor of the House which the Chair quite often found impossible to control.

It is clear that some Members — fortunately only a few in number — have made up their mind to use Parliament as a forum for political agitation of a kind which is more properly confined to the market place. What lends a peculiarly disagreeable complexion to this state of affairs is that some Opposition front benchers too seem to be playing into the hands of the disrupters. It is high time that responsible members of the Opposition realise the dangerous drift of this kind of conduct. It is a legitimate political ambition for Opposition groups to seek to pull down the ruling party but in a democratic constitution party tactics as well as party strategy have to adhere to democratic decencies. If this is not realized, it may well come to be the case that the Opposition groups find themselves to be the losers in the bargain.

Question Hour

QUESTION HOUR on the opening day of the Monsoon Session of the Lok Sabha, August 13, was largely taken up by a volley of interrogation fired at Mr. S. K. Patil, Minister for Food and Agriculture. Scarcity of rice and high prices were the main causes of concern which prompted as many as 27 Members to put the joint question on rice alone. Members sought clarifications on the steps that the Government was taking to hold the price of this staple article of food. It was pointed out that in some areas of Assam and West Bengal the retail price of coarse rice was Rs. 35 per maund and that of finer varieties rocketed to Rs. 85 per maund. The Food Minister explained that in the immediate context the problem of rice distribution was aggravated by reason of the fact that there was a shortfall of 1.5 million tons in the normally surplus States of Madhya Pradesh and Orissa. The situation would improve when the next crop would start arriving in the market. He stated that the Government was opening an increasing number of fair price shops particularly in the two States of Assam and West Bengal. As for the criticism of the quality of rice, he maintained that rice supplied in the fair price shops was quite edible. He also claimed that there were no reports of non-availability of rice from the Government of West Bengal as was suggested in the course of the supplementaries.

The Food Minister stated that stocks of wheat were quite adequate and wheat was supplied in certain areas where there was a shortage of rice. This "little diversion", so he claimed, would cause no hardship to the rice-eating population. Building up of buffer stocks of rice by means of internal procurement was difficult in view of the present inadequacy

of domestic output. In the premier rice-producing countries of the world the quantities of surplus rice production were low this season. Arrangements were being made to expedite the shipment of one million tons of rice contracted under the prevailing P.L. 480 Agreement with the United States Government. In the projected new P.L. 480 Agreement, which is very likely to be negotiated in about a year's time, the Government proposes to obtain two million tons of rice from the U.S. for the buffer stock. An essential preliminary was the construction of modernized store houses for holding the stocks to safeguard their quality as well as quantity intact from damage. He repudiated the allegation that there were differences between him and the Planning Commission on the issue of building up buffer stocks.

Mr. A. V. Thomas, Deputy Food Minister, informed the Lower House that the Government had not taken any decision to set up the organization for State trading in foodgrains which would presumably include rice also. Questions about price and the distribution of sugar were not pursued in detail by means of supplementaries because the Speaker intervened to suggest that a separate debate may be allowed later during the present session.

Refineries: Expansion Issues

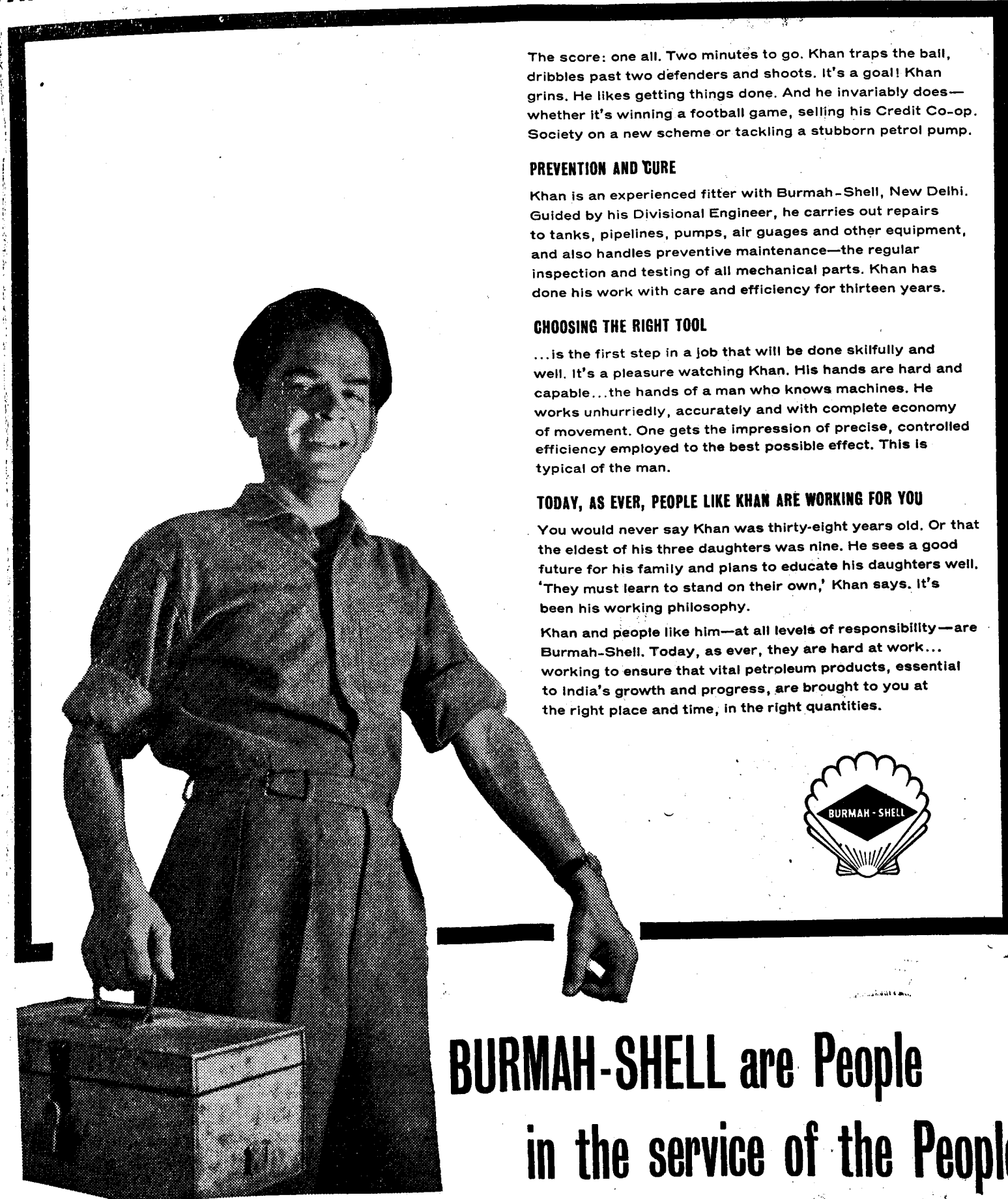
Mr. O. V. Alagesan, Minister for Mines and Fuel, explained the position in the Rajya Sabha in regard to the expansion of the refining capacity of the two oil refineries at Trombay and the third one at Vishakhapatnam. He disclosed in the course of his reply to a question on this subject that the Burmah-Shell Refinery and the ESSO Refinery, which started production in 1955, with the originally installed capacities of 2 million tons and 1.2 million tons respectively, had now expanded their outputs to 3.75 million tons and 2.5 million tons respectively. This expansion was achieved without incurring any appreciable capital outlays. The Caltex Refinery at Vishakhapatnam also raised its refining capacity by some margin. ESSO had sought the Government's permission to expand its capacity, but the other two refineries did not specifically adopt that course. The Minister, however, clarified the position by stating that the expansion of capacity was in the interest of the country and it was, therefore, permitted. Probably, he implied that the expansion was ratified by the Government.

A point of policy with regard to the future was raised in a supplementary and the Minister was asked whether the Government was not committed to the principle of permitting no further expansion of the capacity of the private refineries. He replied that even long before he took over the Mines and Fuel portfolio, the question of private capacity expansion was under examination. Therefore, there was no violation of the policy as suggested and the expansion did not amount to any contradiction of any principle in this matter. He also stated that in considering the request from private refineries into account would be the prospective demand for petroleum products and the respective possibilities of the public and private sectors.

Nunmati Refinery

The Minister for Mines and Fuel explained to the Rajya Sabha the salient features relating to the dislocation in the operations of the Nunmati Refinery. The kerosene unit of this refinery had stopped functioning for some time and the

Ali Khan and his tool kit have travelled together for 13 years!



The score: one all. Two minutes to go. Khan traps the ball, dribbles past two defenders and shoots. It's a goal! Khan grins. He likes getting things done. And he invariably does—whether it's winning a football game, selling his Credit Co-op. Society on a new scheme or tackling a stubborn petrol pump.

PREVENTION AND CURE

Khan is an experienced fitter with Burmah-Shell, New Delhi. Guided by his Divisional Engineer, he carries out repairs to tanks, pipelines, pumps, air gauges and other equipment, and also handles preventive maintenance—the regular inspection and testing of all mechanical parts. Khan has done his work with care and efficiency for thirteen years.

CHOOSING THE RIGHT TOOL

...is the first step in a job that will be done skilfully and well. It's a pleasure watching Khan. His hands are hard and capable...the hands of a man who knows machines. He works unhurriedly, accurately and with complete economy of movement. One gets the impression of precise, controlled efficiency employed to the best possible effect. This is typical of the man.

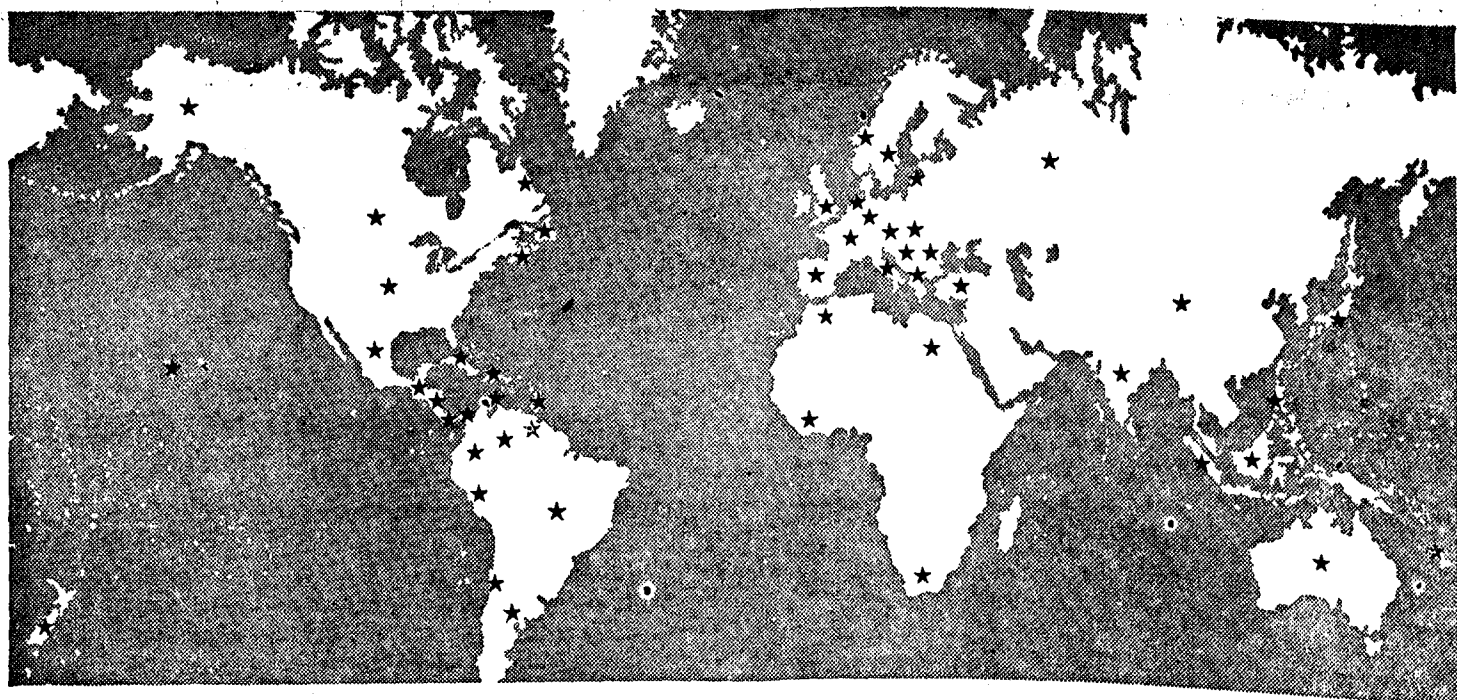
TODAY, AS EVER, PEOPLE LIKE KHAN ARE WORKING FOR YOU

You would never say Khan was thirty-eight years old. Or that the eldest of his three daughters was nine. He sees a good future for his family and plans to educate his daughters well. 'They must learn to stand on their own,' Khan says. It's been his working philosophy.

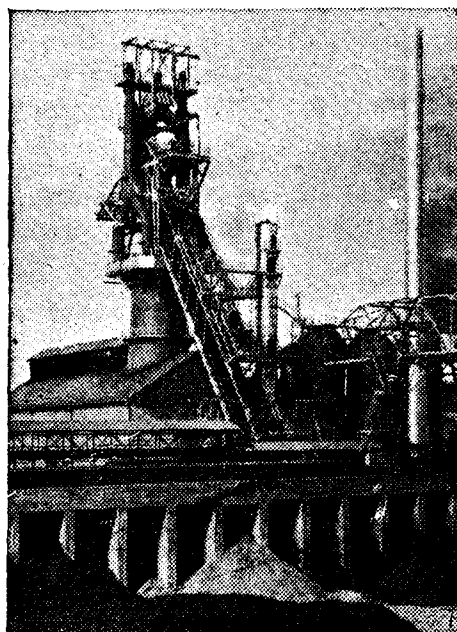
Khan and people like him—at all levels of responsibility—are Burmah-Shell. Today, as ever, they are hard at work... working to ensure that vital petroleum products, essential to India's growth and progress, are brought to you at the right place and time, in the right quantities.



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refinery as a whole could not be operated at full capacity. The reasons for the temporary closing down of the kerosene unit were the prolonged mechanical troubles in the compressors and corrosion and malfunctioning of the related equipment. The loss incurred owing to the closure of the kerosene unit and the partial operation of the refinery was estimated at Rs. 1.8 crores. This refinery was set up and started with the collaboration of the Government of Rumania. A team of Rumanian experts is now in Gauhati to carry out a full and comprehensive inspection of the kerosene unit of the refinery.

The Moscow Exhibition

Mr. Manubhai Shah, Minister for International Trade, informed the Lok Sabha that in the first 15 days of India's Trade and Industrial Exhibition at Moscow orders were booked for goods worth Rs. 11 crores. As many as two million exhibits were on display. He said that the exhibition evoked great interest in the USSR as well as in other countries of Eastern and Western Europe from which purchase organizations paid visits. He gave the assurance that the success so far achieved at the exhibition would be consolidated and care would be taken to ensure that shipments conformed to the samples. As regards the long-term impact of the exhibition, he maintained that it was premature to make any categorical assessment at this stage. A 2,000-foot documentary of the exhibition was being prepared by India with Soviet collaboration to continue the publicity function as a supplement to the exhibition. The Minister stated that the anticipated cost of the exhibition would be about Rs. 84 lakhs.

The export of shoes to the USSR was not only being stabilized but progressively expanded. India expected to export shoes worth Rs. 1.4 crores in 1963 on payment of foreign currency and these earnings were most likely to be doubled in another three years. He expressed the confidence that, in view of the rapidly rising demand for Indian shoes, mechanized factories also would be asked to produce shoes for export.

Growth of Shipping

Mr. Raj Bahadur, Minister for Shipping, informed the Rajya Sabha that the total tonnage owned by private Indian shipping companies in August, 1947, was 2,49,000 GRT, from where it increased to 4,69,369 GRT on March 31, 1957 and then nearly doubled to 8,72,166 GRT on June 30, 1963. Out of this private tonnage, 1,70,530 GRT was under foreign registry in August 1947, but none in March 1957 and June 1963. As for the public sector of the shipping industry, he recalled the fact that in 1947 the State did not enter this sphere. The tonnage of the Eastern and Western Shipping Corporations combined added up to 55,260 GRT on March 31, 1957. On June 30, 1963 there was only one public sector corporation, the Shipping Corporation of India, owing to the merger. Its tonnage was 2,11,019.

The approximate earnings of the private shipping concerns during 1961-62 were Rs. 35.36 crores and those of the public sector undertaking were Rs. 9.27 crores.

Transport in Assam

Intervening in the debate on the demands for supplementary grants for the current year, Mr. Raj Bahadur, Minister for Shipping, explained how the Government was preparing to strengthen the transport system of Assam. During the Chinese aggression, river transport services in Assam were paralysed owing to the abrupt and deliberate strike of the Pakistani crew in joint steamer companies. The Government of India took the necessary warning from this unexpected

experience and immediately set down to the task of developing the road and rail transport network to cope with any additional traffic loads as also to meet any emergency. One handicap under which the Indian seamen, seeking employment in the joint river boat services, were now put was the increasing employment of non-Indian crew by the foreign shipping concerns. He stated that the proportion of Pakistani crew in these services was being raised rapidly, among other reasons, owing to the conversion of Chittagong as a recruitment centre though it was not officially recognised as such. The Indian Government was keeping a watch to safeguard the interests of the Indian seamen.

Gold Control: The Aftermath

Mr. Morarji Desai emphatically denied in the Lok Sabha that the Government was giving second thoughts to its policy as reflected in the Gold Control Order. On the other hand, constant thought was being given to ensure how it could be improved upon and implemented more effectively.

The aftermath of the Gold Control Order, resulting in the displacement of goldsmiths from their traditional trade, was the subject of a barrage of supplementaries. Mr. Desai repudiated the suggestion that the rehabilitation of goldsmiths had proved a failure and maintained that it was being pursued with determination.

Mr. B. R. Bhagat, Deputy Minister of Finance, earlier placed a statement on the Table of the House to explain the various aspects of the rehabilitation programme. The statement disclosed that bona fide goldsmiths were being registered at all the employment exchanges with the specific purpose of giving them appropriate priorities in employment in Government departments or avenues under the Government's control or influence. The State Governments were asked to provide facilities for the training of goldsmiths in other trades. Conditions of admission to the training institutes concerned would be relaxed in their case. Displaced goldsmiths who preferred to undertake other trades or professions were to be granted loans for which purpose schemes are being drawn up. Other concessions such as priority in the grant of statutory licences, allotment of land etc. were being extended to them. Their children were being granted scholarships and educational concessions up to the school leaving stage. Eight State Governments were provided by the Centre with loans and advances amounting to Rs. 124.96 lakhs for financing the schemes of rehabilitation and additional sums would further be provided to them after necessary scrutiny.

Mr. Bhagat informed the House that the aggregate amount of gold collected by the sale of Gold Bonds was 16,471,000 grammes, valued approximately at Rs. 8.83 crores. The maximum collection came from Maharashtra State. He further explained that the sale of Gold Bonds was discontinued from March 1, 1963, and it was not in operation now.

Steel Plants

Bokaro: The deep feeling of concern for suspense over the negotiations for setting up the Bokaro Steel Plant with US assistance was evinced by the fact that as many as 41 members put a joint question on this subject. In the nature of the negotiations and the delicacy with which they are surrounded, Mr. C. Subramaniam, Minister of Steel and Heavy Industries, could not but be brief in his replies. He informed the Lok Sabha that negotiations to set up this plant in the public sector were under way with the US Government. But preliminary steps which were not dependent on any substantial foreign aid, such as acquisition of land, arrangement for power, water, raw materials and their transport and so forth, were already being taken. A decision had been taken

by the Central Cabinet that the Bokaro Plant would be managed and operated by an entirely separate company from Hindustan Steel. But the details of the organizational structure of the new company were still under consideration.

In-reply to another question, he disclosed that the short-fall in the production of finished steel at the end of the third Plan from 6.8 million tons to 5.8 million tons, which was unavoidable, would be due to the delay in establishing the Bokaro Plant.

Goa: The Minister disclosed in the Lower House that there was no provision for establishing a million-ton steel plant in the Goa-Hospet region during the period of the third Plan. But the feasibility of a plant of this capacity or higher capacity to meet the increasing demand in the fourth Plan was being actively investigated. The question of French financial and technical co-operation for this plant would be taken up at the appropriate stage.

Rourkela: The Minister confirmed the fact that a fresh agreement for a loan of DM 400 million (approximately Rs. 48 crores) for the expansion of the Rourkela Plant was signed between West Germany and India on April 25, 1963. The amount of the loan was intended to meet the cost of supplies of materials and equipment and technical services to be procured from West Germany for the projected expansion. The loan will be for a period of 20 years with interest at 5½ per cent per annum. No delegation was deputed to West Germany for the purchase of machinery and equipment, but the delegation that has been sent there is charged with the task of finalising the procedure of disbursement of the loan and related matters.

Bailadila: Mr. C. Subramaniam informed the Lower House that studies were being undertaken to ascertain the feasibility of establishing a new steel plant in the public sector at an appropriate site in view of the fact that the Bailadila iron ore mines disclose likely potentialities of yielding sufficient supplies. The site might be located somewhere in the Bailadila-Visakhapatnam area in the region adjoining the border of Madhya Pradesh and Andhra Pradesh.

Plant in the South: The Minister stated in the Lok Sabha that the firm of consulting engineers had not so far submitted the project report for setting up a steel plant in the South. The question of starting the preliminary work for the projected plant would be taken up after the site is located in the light of the consultants' report.

Durgapur Alloy Steel Mill: Mr. Subramaniam stated in the Lok Sabha that the report about setting up the Alloy Steel Mill at Durgapur with the collaboration of the Japanese consortium was not wholly correct. The Mill is being set up by the Hindustan Steel which has issued a letter of intent to a Japanese consortium for the supply of bulk of the plant and equipment as well as for erection, supervision and putting the mill into commission. The collaboration is thus of a restricted nature. The contract is expected to be concluded and signed shortly and the Mill may be fully erected by 1965-66.

—And Pig Iron: Mr. C. Subramaniam gave the following information about the erection of pig iron plant: **Goa-Hospet:** The preliminary report envisaged a pig iron plant of the capacity of 300,000 tons at Goa. But in the light of subsequent additional information, the scope of the enquiry was enlarged and the engineering consultants are engaged in examining the feasibility of a full-fledged steel plant. **Punjab:** The Central Government has approved in principle the Punjab Government's proposal to set up a pig iron plant in the Public sector with a capacity of 100,000 tons for which the iron ore deposits in Mahendragarh would be utilized. The plant is likely to

be sited at Satroda, a village near Hissar-Delhi road. The letter of intent is to be issued in due course. **Yellandeo:** A licence to set up a pig iron plant at Yellandeo in Andhra Pradesh was granted to Messrs. Kalinga Industries of Calcutta in August, 1962. Its capacity was to be 100,000 tons. But later the company in question surrendered its licence to the Government.

Bills

The Textiles Committee Bill: The Lok Sabha passed the Textiles Committee Bill, 1962. Its salient features are that it supersedes the earlier enactment for the constitution of the Cotton Textile Fund (established in 1944) and enlarges the scope of the activities of the Fund by extending it to all textiles, namely, cotton, wool, silk, art silk and fibre. It also extends to textiles machinery. The scope of examination and inspection of the quality has been extended to textiles and textile machinery in response to the desire expressed by the trades and industry concerned and endorsed by the Tariff Commission. The balance of Rs. 78 lakhs standing to the credit of the Cotton Textile Fund on October 10, 1962, would be transferred to the Textiles Committee. For the present, new financial aid will be required by the Committee. But a provision has been made in the Bill for grants, loans and other financial assistance to be provided by the Centre to the Textile Committee to meet the salary bill of the staff and administrative expenses as also to meet expenditure consequent on enforcement of its duties of carrying investigations and inspections into the qualities of the textiles and machinery. Under Clause 12(1), the Textiles Committee is empowered to levy fees for investigations and inspections and other services it would render. Its non-recurring expenditure is placed at Rs. 4 lakhs and recurring expenditure at Rs. 26.3 lakhs. The scheme is intended to be self-supporting. The maintenance of quality and standards is intended for domestic supplies as well as for exports. A penal clause in the Bill arms the Committee with the power to prohibit sales of varieties of textiles and types of textile machinery which fail to conform to the standard specifications. Subsequent violation of quality standards is made punishable with imprisonment or fine or both.

The Customs and Central Excise (Amendment) Bill, 1963: It was introduced in the Lower House to amend the Customs Act, 1962, and the Central Excise and Salt Act, 1954. The need for these two amendments arose because under Article 289 of the Constitution, the State Governments claimed exemption from the customs and excise duties on the plea that the Article in question provides for exemption from Union taxation on the property of a State. The question was raised whether what the two Acts taxed were property or proceeds of trade or business. This point of law was referred to the Supreme Court for its advisory opinion. The Supreme Court expressed the view that the duties were not a taxation of property but they related to trade and business for which the exemption did not enure. The two amendments clearly specify the liability of the State Government to pay the customs and excise duties under the two Acts.

The Iron Ore Mining Labour Welfare Cess (Amendment) Bill: This Bill seeks to amend the Act of 1961 which received the President's assent on December 14, 1961. The Amendment is procedural rather than substantive. The Government of Orissa has moved the Central Government for exemption under Section 6 of the Act from its application on the ground that there was a separate State Act in respect of this cess. The State High Court has declared the State Act to be inoperative, but the validity of the enactment is still 'sub judice' in further proceedings. The Amendment Act, therefore, provides that the original Central Act of 1961 may be brought into force in different States on different dates.

The Achilles Heel of Railway Organization

By T. M. RAO

HERE IS a typical morning scene in a Divisional office of the Railways:

7:30 A.M.: An Assistant Operating Superintendent is seen on the telephone for over half an hour answering questions from the Head Office about the previous day's performance.

A little later another officer from the Head Office comes on the phone and asks more or less the same questions. This time it is the Divisional Transportation (or Operating) Superintendent who gives more or less the same answers as his Assistant did a while before. No sooner that is over than the Deputy Chief Operating Superintendent from the Head Office would call him again to elicit the same information in perhaps a different order.

By now it is 10 A.M. and the Headquarters' offices are rapidly filling with the top brass. And then it is the turn of the Chief Operating Superintendent to do some more questioning. He would, of course, talk to the Divisional Superintendent and there is not much variance either in the questions or the answers.

Past Problems "Solved"

By the time the so called "Yard Report" conference ends it is nearly 11:30 A.M. Most of the officials were there from 8 o'clock in the morning. They have all worked up a good appetite. Thank heavens, it is lunch time anyway! In the afternoon, well there is paperwork to do and files to dispose. What does it matter that they have not done a thing about today's performance? After all, have they not "solved" all of yesterday's problems?

What seems astonishing in railway management is that this goes on day after day, the same questions and the same excuses for bad performance, congestion and undelivered wagons. Why does not someone get to the root of the problem and remedy the situation that seems to cause the same trouble every day? If it is constant engine failures, something must be done at the loco sheds. If trains are delayed en route, the movement office must do something about scheduling of trains. Sometimes the only thing required may be an additional siding at a crossing station, or it may be installation of a water column at another station. At one time a slight change in the schedule of a passenger train helped ease the movement of freight trains remarkably on a congested section in the Guntakal Division of the Southern Railway.

But the railway operating officials just don't have the time to think and remedy the causes. As we have seen above, much of their time is spent in dissecting previous performance and answering the Head Office. Whatever time is left, goes for endless paperwork and of all things, accident inquiries.

A drawback in railway operation may well be the plethora of operating officials. A second is lack of clear demarcation of duties and responsibilities amongst them. Let me illustrate these points. To supervise the movement of trains, and passenger and freight operations in a Division there are five people including the Division Transportation Superin-

A series of eight articles by Dr. T. M. Rao on the Nature of the Rail Transport Problem was published in the June - August issues of "Eastern Economist." Here Dr. Rao stresses the importance of the human element in the improvement of railway performance.

tendent and his Assistant, the Chief Controller (or Despatcher) and his Deputy and Wagon Controller. In some Divisions there is a Transportation Superintendent II, besides. It is revealing to know that all the above named are highly-paid supervisory officials. But I doubt if any of them is aware what his specific duties and responsibilities are. The result is that all of them seem to be doing more or less the same thing. So much so the picture of a movement office is one of confusion and perpetual post-mortem examination of train delays. To make matters worse, there is endless questioning by an array of officials from the Head Office. No wonder that in the whole of a working day, save for jangled nerves and frayed tempers, very little gets accomplished.

It would seem obvious that in any organization men should be judged by their results. In a Divisional set up, the Divisional Superintendent is, of course, responsible for the performance of the Division as a whole. Then on the Indian Railways, why is he not judged by the results over a month or a quarter? Instead why is there daily interference in the performance of the Division? No one would, of course, deny for a moment that the Headquarters' office has responsibility for overall co-ordination of operations and stock movement between the several Divisions and with other contiguous zonal railways. What is being pointed out here is that if each Division were left to run its affairs and each Division Superintendent held accountable strictly for his performance and results, there is reason to believe that it would by itself improve railway operation.

Exhilarating Feeling

It may sound strange but this is what it would mean. First the Divisional officers would have more time at their disposal to think and plan their operations and improve their performance. They will no longer be satisfied with offering excuses for bad performance; they will begin to do something about it. Secondly, a feeling of autonomy is certainly exhilarating and it would help fresh thinking and experimentation which are so badly needed on the railways today.

One of the chief organizational lapses in the railways is the lack of cohesion between the transportation and mechanical branches. While the Divisional Superintendent is the head of all branches in the Division, transportation and mechanical remain two separate branches and this leads to constant friction and difficulties. For efficient railway operation the two must work as a single team.

An innovation that is urgently needed is to give effective control over locomotive power requirements to the Transportation Superintendent. In the existing set-up he is handicapped because the official in charge of locomotive power distribution reports not to him but the Division Mechanical

Engineer. This has naturally reduced the effectiveness of the Transportation Superintendent in the Division besides leading to serious operational difficulties. An organizational change that cannot brook any further delay is to have the Assistant Mechanical Engineer (Power) and along with him the Power Controller and engine crews work directly under the Transportation Superintendent rather than the Division Mechanical Engineer. This is the extension of the same organizational principle in which the Deputy Chief Mechanical Engineer (Power) reports to the Chief Operating Superintendent at the System level.

On the same lines, Train Examiners (called Car Inspectors in U.S.A.) located at major terminals and yards, should report to the Transportation Superintendent instead of the Division Mechanical Engineer. Such a change would undoubtedly reduce the yard and terminal delays that have become so characteristic of present-day railway operations.

The suggestions made above are nothing revolutionary; they are, in fact, what may be found in the United States railroad practice. But there is every reason to believe that these changes, minor as they may seem, would go to improve the results of railway operations on the Divisions significantly.

Another innovation that would bring in fresh thinking is to appoint Mechanical and Divisional Engineers as Transportation Superintendents. Apart from new ideas that would come from such an interchange of officials between different branches, it could also be viewed as a 'training position' for promising men. If a man proves himself successful as a Transportation Superintendent and produces results then he should be able to go up quickly to higher management positions.

The Division Superintendent is certainly the keystone in the railway administration at the Divisional level. On him depends the efficiency of operations in the Division. He sets the tone as well as the pace of the railway administration in the Division. In view of the important role that he plays and in order to reflect the true nature of his office, it would seem more appropriate to designate him Division Manager rather than Division Superintendent.

Two-fold Advantage

Once a Division Manager is appointed he should be given a free hand in running his Division. He would be accountable to the General Manager for only two items; viz., the profit position of his Division and, second, the efficiency of operations. The rest including personnel matters within the Division would be entirely within his province. Needless to say, neither he nor his assistants would be subjected to daily questioning and interference from the Head Office. This would have a two-fold advantage. As mentioned earlier, it would free the Divisional officers to concentrate on their immediate tasks. Secondly, it would leave the Head Office to work on co-ordination, planning, research and development, which are so badly neglected now.

Unless decentralization is brought in as the cornerstone of railway organization, it would turn unwieldy as undoubtedly it has become now.

One of the reasons for high efficiency in United States industry is the high degree of 'mobility' of personnel. If you don't like your position in a company and you feel you are not getting anywhere, you quit and join another company, usually in a better position and much higher salary. The reverse is also true. If a supervisor feels that he is not getting the best out of you he would tell you so and it is a signal

for you to leave the organization. Job mobility such as this constantly secures the right people in the right places and helps build high motivation in each employee.

To some extent this has been possible because of a large number of competing organizations as also a wide variety of job opportunities. It should not be forgotten, however, that there is a high rate of unemployment in the United States. The fact that high employee mobility still exists would go to show that it is not only a characteristic of the American scene but that it is independent of the unemployment picture.

On the Indian Railways, jobs are looked upon as life tenures. This cannot but affect efficiency adversely. The situation can be corrected by encouraging greater mobility of personnel. A few changes in rules can bring this about. For instance, it should not be necessary for employees to send applications through the proper channel, when applying for outside jobs. As a rule, applications for other jobs sent through the official channel should not be withheld. Similarly, it should be possible for the administration to dispense with the services of those who are found wanting. It should not be necessary to go through complicated disciplinary proceedings to discharge an employee.

Another measure that could be tried is to bring in some fresh blood at the Division Manager's level. A few of these positions in each zonal system could be filled by direct recruitment from the open market. Successful business leaders, military officers and civilian administrators with a flair for leadership would be some of the desirable categories from which to draw new management talent for the railways.

Employee Discontent

An important factor that inhibits efficiency on the railways is the employee discontent arising out of personnel policies. Suffice here to give a few examples.

In one Division of the Southern Railway, the employees felt that a 'miracle' had happened when they found that they were in receipt of leave sanction and railway passes within a couple of days after sending their applications to the Divisional Office. Until then, it was an accepted fact that replies from the Divisional Office could not be expected in less than a month. What speeded up the whole process was a slight change in the procedure for sanctioning leave and communicating it.

Another example is the policy regarding mutual transfers. Where two employees want to exchange their places and there are no other issues involved, it should be a fairly simple matter to allow such a transfer. But because of an inflexible attitude towards mutual transfers, all such applications were automatically rejected causing a good deal of discontent amongst the staff. In one Division with which the author was associated, a reversal of this policy proved itself as a great morale booster.

There is a good deal of confusion as to what role the personnel department should play. Looking at the way that the personnel department has been functioning on the railways and the conventions that have been established so far, it would seem that the personnel department has become a 'line' organization. But this cannot happen without eroding the authority of the true 'line' organizations such as Transportation, Engineering and Mechanical departments. This is what exactly has taken place, however. For instance, station

cool
clean
drinking
water



any time...for any number...
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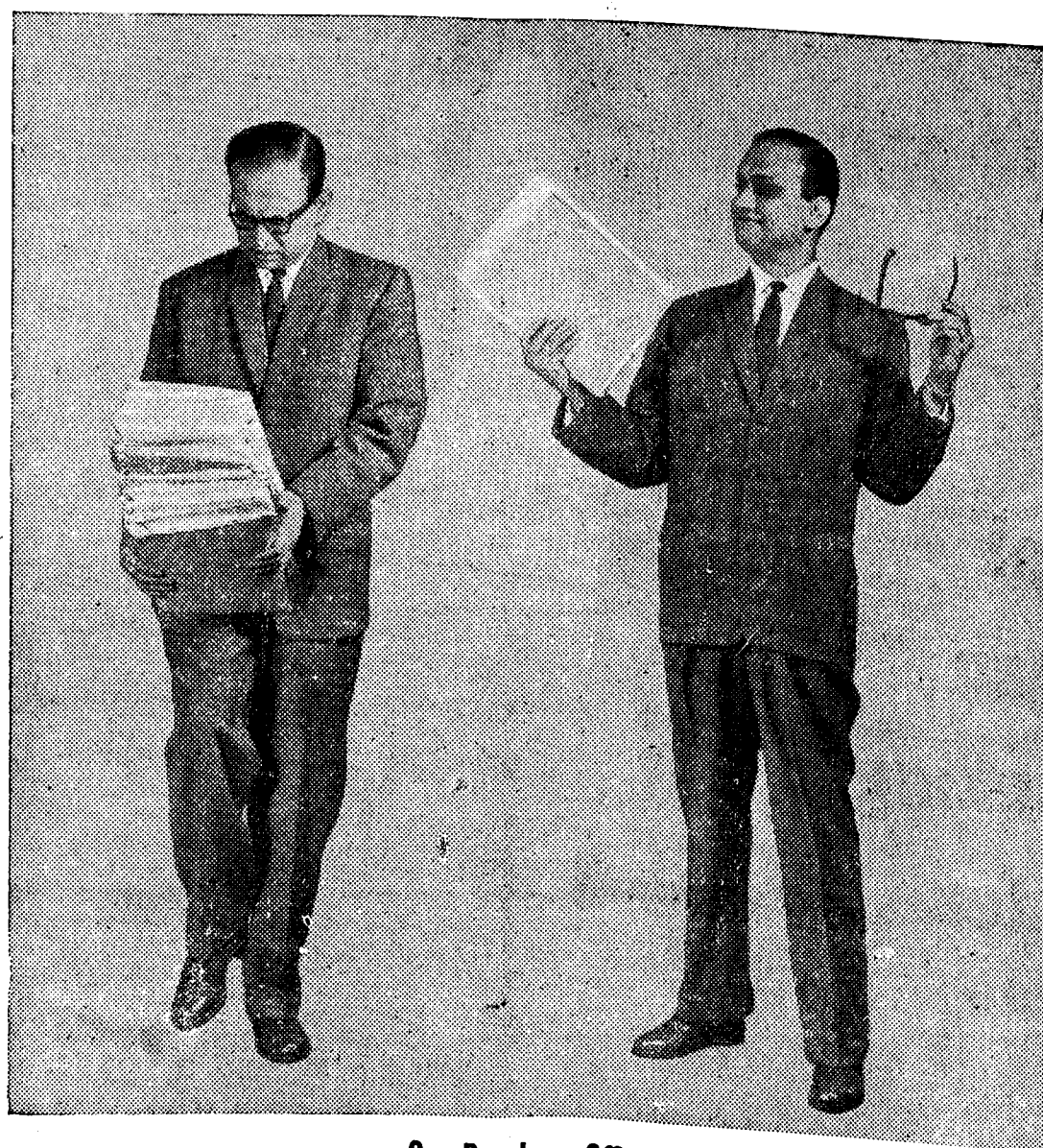
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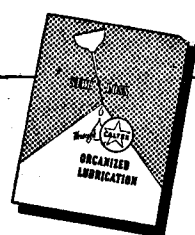
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SAVE FOR SECURITY

August 23, 1963

masters (in certain categories) in a Division are transferred without the knowledge and much less the approval of the Division Transportation Superintendent. This cannot but lead to the weakening of the authority of 'line' departments and detract from the usefulness of 'staff' people.

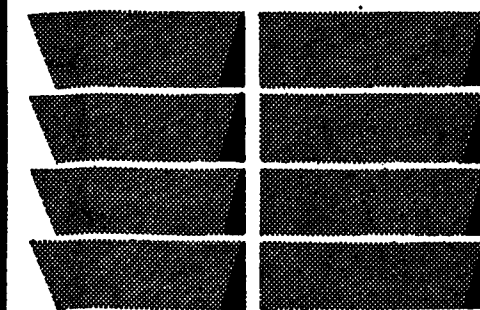
The objective of the 'staff' department should be to create healthy human relations in the organization. The 'staff' man can achieve this objective only by working through the 'line' management, whose function it is to integrate and direct the activities of all the people comprising the organization. The 'staff' expert, if he is to be successful, must therefore confine himself to advice, counselling and the 'method of augmentation' as Professor Douglas McGregor of M. I. T. calls it.

If our prevailing notions of line and staff relations are correct, then much indeed will have to be done to remedy the situation on the railways. It would mean, first and foremost, bringing the day-to-day personnel activities under the authority of 'line' managers. It would also mean that if an employee has a 'grievance', he would seek redress from his own supervisor and not from the personnel officer. Thus, 'line' people who demand and get work done will also be the men who would be concerned with the morale and welfare of their employees.

Where then do the staff or personnel people come in? As experts in personnel policies they would come in to interpret rules and guide 'line' departments. In the field of labour relations, their superior knowledge would be taken advantage of by the 'line' people. As men with a view from the 'outside', the personnel experts could keep a vigilant eye on employee morale and promote healthy human relationships through which organizational objectives could be achieved.

It is unlikely that innovations in organization and management suggested here would be introduced so long as the railways are run as a department of the Central Government. Particularly is this true in the field of personnel policies. Under Article 211 of the Constitution of India, no employee could be reduced in rank or removed from service without a 'show cause notice' being served on him. This would, of course, serve to reduce the effectiveness of supervisory officials. What is more characteristic of a government department is its apathy and resistance to change which are not conducive to the spirit that must pervade a dynamic business organization such as the railways. For these reasons as well as those advanced in the previous articles, the conclusion seems inescapable that the creation of an autonomous Railway Authority may well be the first step in streamlining the railway administration and providing it with new management sights.

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WINDOW ON THE WORLD

The European Plan

From Our Special Correspondent

PARIS:

THE LATEST label that the Common Market Commission has put on its draft of a European plan is "medium-term economic policy". The Commission, it will be remembered, began by referring incautiously to its plan as a "plan", but in West Germany this word is taboo, so it had to be christened "economic programming". The Germans soon became sensitised to that word too, so it has been censored in Brussels in favour of the newest label in the hope that no one could be allergic to anything so innocuous. This terminological hide-and-seek is not just comical; it is accompanied by a genuine effort to clear up misunderstandings that now divide people who are doing similar things but calling them by different names. For it would be quite mistaken to believe that the Europeans are sundered, in practice, into socialist planners and free-enterprise libertarians. On the contrary, it is notorious that French "planning", as applied to what the ECM Commission wants, suggests a striking contrast between German and other European economic behaviour, it is not only sentimentally objectionable but inaccurate.

Dogmatic Criticism

In discarding it for "medium-term economic policy", the Brussels executive is obliged to seek a clearer understanding of what it really wants. It has thrown overboard much of the paraphernalia of French planning and finds that it is still left with all that is important and all that is effective in French practice. Dr. Erhard's dogmatic criticism of planning is not wasted, however much it is beside the point. For example, he accuses the planners of favouring centralism against federalism; of having unfounded pretensions about fixing long-term targets for free economies; and of seeking to increase the responsibilities of the bureaucrats. When the Commission is forced to reply that it is not trying to do those things, and to put up proposals immune from such criticism, it is sifting out the essential from the incidental in its own ideas. The residue, which comes down to harmonisation of medium-term economic policies, is what matters and happens to be what the advocates of democratic planning have always demanded.

The document that the Commission sent to the Council of Ministers in the last days of July shows this reduction of the planning ideology to its essentials. As far as five members of the Common Market are concerned, it is preaching to the converted; its arguments in support of harmonisation of medium-term policies are all directed at the West Germans. The Commission has no trouble in demonstrating that all member-States, and not least the Federal Republic, already practise some sort of economic forecasting over the middle range; they have to, because many of their governmental actions have repercussions that go beyond the annual budget span. Some of the clearest examples may be found in West Germany: the "German Plan" for agriculture, superhighway construction, subsidies for ports, and so on. Since the six nations are being economically integrated in many other ways, there is an evident necessity to co-ordinate such policies at the European level. If you do not want to call this "planning", you are well within your rights, but it is going to

entail procedures of consultation and forecasting that pass by that name elsewhere.

The procedures that the Commission suggests in its memorandum are instructive, as an effort to state the fundamentals of democratic planning in ways that could not offend the doctrinaires of liberalism. It outlines three successive steps. First, the stage of "prospective study", where it is a question of organising joint reflection on the future using all the information at hand. This work is to be entrusted to independent experts recruited from competent private and governmental organisations; specifically, in this case, the Commission recommends that they study the five-year period 1966-70. They are not required to fix growth targets for the Community, nor to set out any objectives that would be binding on governments or on the European institutions. They would draw "projections" from current trends, using various hypotheses so that they got, not one forecast, but a certain range of possible and probable developments. In particular, they would try to foresee the longer-term implications of the various economic policies that might be adopted. National governments presumably do something very like this now — at least one hopes that before they put a tax on oil that disadvantages it against coal they have stopped to think whether this makes sense in terms of a long-term fuel policy. The only innovation here would be that forecasts would be established at the Community level, instead of each nation trying to guess in isolation.

A Running Commentary

The second stage would be the elaboration of a programme for the period in question. A "committee for medium-term economic policy" would be set up in Brussels, its members being designated by government and by the Commission. Working from the forecasts of the independent experts, it would outline, in fairly general terms, the most rational economic policy relevant to the period 1966-70. This committee would remain in existence after adoption of its programme (which is stage three), in order to keep up a running commentary on its implementation. Especially, it would find out for what reasons actual developments were diverging from expectations, and would make recommendations in consequence.

The third stage is that of decision. The programme would be sent to the European Parliament in Strasbourg for its views and to the Economic and Social Council, which groups private business and trade union interests as well as officials. After this discussion by those liable to be affected, the programme would get the approbation of the Council of Ministers which is the real cabinet of the Common Market. Such approval would commit national governments and the ECM Executive to "take such steps as lie within their competence and to follow such policies as would ensure the realisation of the programme".

Anticipating Bonn's criticisms, the Commission says that the European programme thus elaborated would be an instrument of co-ordination of economic policies, not an attempt to co-ordinate the activity of economic agents. It would not try to tell anyone what to do, but to ensure that when governments took decisions impinging on the economy, they were not acting at cross-purposes as between themselves. Such co-ordination, it adds for Dr. Erhard's benefit, "should

not in any instance have the effect of increasing the intervention of public authorities". In other words, granted that governments already exercise extensive responsibilities, they are not making any further invasion on the scope for free enterprise when they seek to ensure that they act in unison and in accord with the most probable future developments in their economies. Indeed, the part of the programme that would be most precise would relate to spheres where public action is already dominant, i.e. where untrammelled free enterprise no longer exists. The Commission specifies four such regions.

The first is general financial policy, where of course the government's budgeting and its control over investment and the money market are decisive. The aim here would be to co-ordinate, at least in broad outline, what governments are doing in allocating expenditures as between private consumption and collective facilities, in encouraging the various forms of saving, in influencing the financing of investment, and in controlling the capital markets.

The second is regional development. All the member-States have their relatively backward regions and they practise, unashamedly, planned interventions with a view to repairing these regional discrepancies. This is of course as true of the Federal Republic as of any other country; a subtle co-ordination of housing development and employment assistance aims to benefit one region as against another, and more extensive action will no doubt have to be taken in favour of Schleswig-Holstein. The Italians, in turn, have ambitious regional plans for their poor South, the French for Auvergne and Brittany, the Belgians for the Flemish regions. It is necessary, says the Commission, that such actions be compatible as between themselves, and in line with the Common

Market's development. This is indeed important, because the tendency of the process of European integration is to polarise industrial development in a central region, while exacerbating the backwardness of the periphery. The whole context of regional "uplift" changes with the emergence of a unified market, and present planning techniques will have to be transferred to the European level.

Over-riding Policy

The third is harmonisation of pluri-annual development programmes for roads, ports, urbanisation, inland navigation, education and scientific research. All the States, whatever their official doctrine, have such programmes in hand and it would be idle to deny that they all impinge on each other and need to be compared at a European level. The fourth and last point is so obvious as hardly to need mention: all the States (and again West Germany is not the least active in this respect) restrict free enterprise in agriculture, transport and fuel in favour of an over-riding national policy. The necessity to co-ordinate these "sector plans" is so plain that the Common Market already has inter-governmental groups working on them.

This, then, is the style and the content of what the ECM Commission means by planning or programming or medium-term economic policy. Whatever name it be given, it points to necessities that cannot be dismissed with doctrinaire defences of free enterprise nor impugned with observations on the wickedness of socialist planning. If the Common Market survives the four-month reprieve that President de Gaulle has given it, when he demands resolution of its disagreements about trade in farm produce by the end of December, it will no doubt adopt a plan of this sort.

Inflation and the Small Saver

By JOSSLEYN HENNESSY

LONDON:

THE BRITISH people have, since the war, achieved one of the highest rates of private saving in the western world.

In 1938, they saved 5 per cent of the gross domestic product; in the lean immediate post-war years, when people were replacing the goods that they had done without during the war, private savings fell to 0.4 per cent, but by 1959-61 they averaged 6 per cent; and in 1961 alone they attained 7.7 per cent of GNP. This equals 10.5 per cent of personal disposable income and is expected to rise to 11.75 per cent within three years. Personal savings constituted 48 per cent of all savings (compared with company savings at 52 per cent) in 1938, fell to 3 per cent in 1949-51 (compared with company savings at 57 per cent), and rose to 43 per cent (compared with company savings 41 per cent) in 1961. The actual figures of all personal savings in 1961 were: Persons £2,031 million; Companies £1,954 million; Nationalised Industries £381 million; Government £461 million; Statistical Error — £107 million; Total £4,721 million.

Since very rich personal savers, owning comparatively substantial capital, have become a vanishing handful, it is clearly the rise of the lower and middle ranges of the population to affluence — real disposable income between 1952 and 1961 rose by over 40 per cent — which is contributing the bulk of personal savings.

What do they do with their savings? Life assurance funds rose from £351 million in 1952 to £821 million in 1961; investments in non-financial assets (private business, houses etc.) rose from £289 million in 1952 to £921 million in 1961;

increases in identifiable debt (hire purchase, and other private loans) rose from £130 million to £270 million; but the most interesting post-war change in investing habits has occurred in financial assets, as follows:

NET INCREASES IN IDENTIFIED INVESTMENTS IN FINANCIAL ASSETS*

	(In £ million)					
	1952	1955	1957	1959	1960	1961
Personal deposits with clearing banks†	60	74	153	52	116	271
Shares and deposits in building societies	119	191	171	270	203	204
National Savings	—80	41	68	390	338	213
Other	2	7	10	10	13	12
	101	313	402	722	670	700

* Households and non-profit-making bodies.

† Net of increase in personal advances.

If one could disentangle the amounts invested in (a) shares and (b) deposits in building societies, and couple the resulting figures with the steadily declining trend in National Savings Certificates, we could "quantify" the slowly widening understanding of what inflation means and how it can, to some extent, be countered. More people gradually came to realise that the belief that gilt edged government stocks were "safe" amounted in the 1950s to no more than a racial memory of the golden interlude in the history of inflation — the year 1816 to 1913 in which the U.K. never had a balance of payments deficit, in which the national product grew at the

(then incredible) rate of 2.8 per cent a year, and the £ could be solidly linked to gold. The new post-war middle classes began to get the point as economists wrote popular articles recalling that, for example, in 1536 the price of a sheep was 6sh.; that in 1906, a man with 3 sh. in his pocket could buy a seat at a music hall, three pints of (genuine undiluted) ale, and an ounce of tobacco; and, that in 1963, a man absent minded enough to go out with only a solitary shilling in his pocket could only buy one cup of coffee (10d) and a box of matches (2d).

Theoretic Answer

Early on after the war, the emerging new middle classes learned that equity shares were the answer, but this knowledge remained largely theoretic, because the mysteries of the Stock Exchange were outside their experience; the amounts that they had to invest were not large enough to make it economically possible for them to get first class advice, and being small inevitably meant the big risk of too many eggs in one basket.

The solution for the small investor was the unit trust, which will accept small amounts (often down to a pound), which, combined with thousands of other small amounts, add up to a vast fund with the risks well spread over several hundred expertly selected shares.

Unit investment trusts started in the U.K. in 1932, but they never really got under way because the comparatively wealthy pre-war investor had no need of their services. In

1938, savings invested in unit trusts totalled only Rs. 104 crores. By 1959, the total was still only about Rs. 123 crores. Since then, however, the movement has begun to snowball and the investments of some 40 trusts have risen at an average of Rs. 71.5 crores a year to a combined total of Rs. 390 crores, divided among 857,000 shareholders. This gives an average of only Rs. 4,550 for each shareholder, which suggests that unit trust investors are genuine small holders.

The movement, obviously still in its infancy, continues to gather pace. In illustration of the admirable job that it is doing among people unfamiliar with investment problems may be cited the recently launched monthly journal, "The Unit Holder" (Price 1sh. 9d.; 64 Aldermanbury, London E.C.2), which reviews the portfolios of the unit trusts, points out additions and switches, and discusses the reasons for them. Particularly useful to the small investor are the analyses, in non-technical language, of the differing aims and records of the various trusts, with suggestions for switching from one to another. The intelligent small investor can, for example, spread his risks in different trusts which specialise in, e.g., insurance, electrical, consumer and other industries, overseas shares (giving a spread around the world), new issues etc. etc.

As evidence of the efficiency of the management of these trusts, out of 40 recently reviewed in the "Statist", only six failed to attain the level of the "Financial Times" share index, and the top scoring trust's units stood 128 per cent above the "Financial Times" index.



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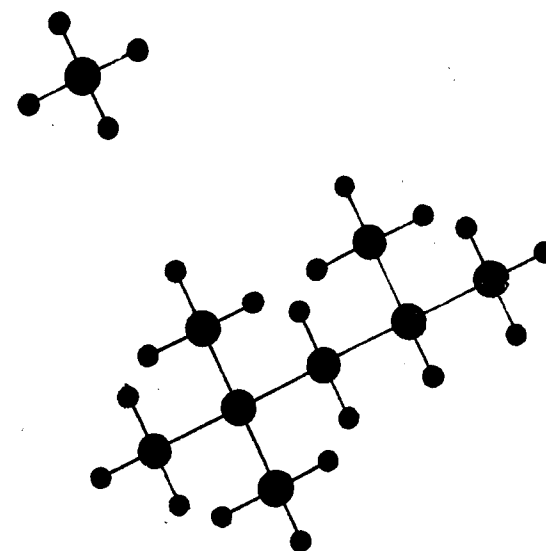
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CHAIN LANGUAGE

Petroleum consists almost entirely of hydrocarbons—compounds of the elements hydrogen and carbon. In picture form one atom of carbon can be shown as ● and one of hydrogen as ●, the arms linking them together being a measure of their power to combine chemically. A simple combination, or molecule, is *methane* (top picture) which is the main constituent of natural gas. A more complex molecular structure is *iso-octane* (lower picture), used in making aviation spirit.

Hydrocarbons are present in crude oil in a great variety of patterns, differing not only in the number of atoms in their molecules but also in the way in which the atoms are bound together. Through the application of petroleum chemistry, the rings and chains can be separated, reassembled or rearranged in different ways to obtain a widely varied assortment of petroleum products. The plant where the processes take place is the oil refinery—a chemical laboratory on a giant scale.



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LISTENING POSTS

Paper Targets Only on Paper

By Our Special Correspondent

NEW DELHI:

THE DEVELOPMENT Council for paper, pulp and allied industries, meeting earlier this year, noted that, although the total capacity for paper and paper boards licensed was far in excess of the third Plan targets, the actual performance was not very satisfactory. Against a target capacity of 820,000 tons per year fixed for paper and boards, the total capacity which could be expected to materialise within the Plan period was only 680,000 tons per year thus leaving a big gap of 140,000 tons per year. The actual production that could be expected on the basis of this trend was only 580,000 tons per year while a production target of 700,000 tons per year had been fixed in order to fulfil the demand anticipated by 1965-66. The shortfall of 120,000 tons per year would create serious scarcity conditions.

The main difficulties of new schemes were problems of raising rupee finance, lack of assurance of sustained supplies of raw materials and the profitability of the industry being inadequate to attract fresh capital, internal as well as foreign. "Licensing of new units at this stage will not be a real solution as the basic problems confronting the existing licensees will have to be faced by the new licensees as well. The only way to narrow down the gap between the anticipated demand and production during the remaining plan period is for the existing units to increase production by effecting suitable modifications and adjustments to their existing equipment within the shortest possible time and the least amount of investment. The experience of some of the mills like Bengal Paper Mills, West Coast Paper Mills, etc., has proved that there is considerably large scope for such an increase in production in many of the existing units."

The Council noted that during 1963-64, the Government demand for paper would be of the order of 110,000 tons against 87,000 tons in the previous year. A substantial part of the increase was due to the larger defence requirements.

During the next three years the internal production of paper would fall short of the demand by about 120,000 tons annually. With the increased offtake by Government, the quantity left for civil consumers would be much lower than under normal circumstances. Shortage in supply being inevitable, the Council considered measures that should be taken to ensure equitable distribution of the restricted supplies of paper to civil consumers.

No progress is reported in respect of the following six units:

	Capacity per year
Northern India Paper Mills	27,000 tons
Delhi Cloth and General Mills	36,000 tons
Somani Pulp and Paper Mills	15,000 tons
Bedi and Company, (Panipat)	30,000 tons
Sohan Lal	4,200 tons
K. L. Gupta	37,000 tons

The U.P. Paper Mills has been permitted to negotiate a loan from Export/Import Bank. Its licensed capacity is 21,000 tons a year. Another unit, Asok Paper Mills, licensed in 1956

is expected to go into production in 1964. Its capacity is 15,000 tons. The following licences have been revoked:

Bilaspur Paper Mills	Capacity 30,000 tons
Madhya Pradesh Paper Mills	Capacity 18,000 tons
Century Paper Mills	Capacity 6,000 tons
Megna Mills	Capacity 30,000 tons
Assam Pulp Mills (paper grade pulp)	Capacity 312,000 tons

A similar tale is told of the rayon grade pulp schemes. Out of five units licensed, Gwalior Rayon, with a capacity of 4,500 tons a year, has gone into production while the scheme for West Coast Paper Mills, Mysore, capacity 27,000 tons and National Rayons, Bombay, capacity 30,000 tons are being implemented. No progress is however reported of Greater Mysore Rayons Grade Pulp and Paper Mills, capacity 30,000 tons and Rohtas Industries, Limited in Assam, capacity 60,000 tons.

★★

The Ford Foundation's Team on Small Industries, which submitted its report to the Government of India a few days ago, has indeed done a good turn in suggesting a new perspective for the thinking on the development of what in technical jargon is known as the decentralised industrial sector. Hitherto, the growth of small enterprises had been sought to be fostered with a view to effecting better utilization of the unused resources of capital and skill, for augmenting the supplies of some essential consumers and simple producers goods, for helping regional development, for creating employment and for ensuring a more equitable distribution of the national income. The pursuit of these objectives has brought in its trail a host of problems, the most important among them being large-scale under-utilization of the installed capacity which has pushed up industrial costs by no small extent.

To put matters right, the Team suggests that the small-scale industry's positive contribution to development should be the principal criterion by which its future growth plans should be judged. This is to say that the economic test should be paramount: "Will a small firm in this product and place be efficient, competitive in cost terms, and capable of growth?" The Team is categorical on avoidance of subsidies except in strictly pioneering areas where also they should be only temporary and has opined against reservation of certain lines of manufacture for small enterprises under common production programmes. For reducing the cost of production of the existing units and avoiding wastage of capital assets, the Team rightly calls for consolidation of the progress already made before indiscriminately going in for setting up of new small units. The latter course will aggravate the raw material and components starvation that small industries are experiencing today.

For the optimum utilization of existing capacity, the Team recommends a scheme divided into two parts. In the short term it recommends the placing of small-scale industrial units on an equal footing with the larger ones for allocation of scarce materials, both of indigenous source and those imported. From the long-term point of view, it has advocated a single price-tax system for all commodities, by virtue of which a more or less open market will be established for the various raw materials, excessive margins of profit being mopped up by enhancing State taxes. The over-riding crite-

tion for allocation of scarce materials through distribution controls, the Team suggests, should be the use to which the end-products are put. High priorities should be fixed only in a limited number of cases.

The regulation of the future growth of the small-scale sector, the Team recommends, should be brought about indirectly through utilizing the foreign exchange available for small industries more for the import of raw materials than for additional capital equipment. Any further loans to the small-scale industrial sector are also suggested to be provided on this basis. The present efforts of the Central and State Governments to bring into being new small industrial units, it is further recommended, should be subordinated to technical assistance programmes designed to make the existing units more efficient and productive.

Centre's Role

The Team calls for some far-reaching changes in the role of the Central Small Industries Organisation and quite appropriately observes that the Central Government's role in small industry's development should be to make and enforce rules and not operate the programmes except in unusual circumstances and then only temporarily. The CSIO should assist and stimulate the States, quasi-public associations, private associations and individual firms to perform function of value in the building up of an efficient small industry. It should be prepared to disengage itself from activities that it has demonstrated and which can be carried forward by others. Consideration is recommended for setting up a society or quasi-governmental institute, similar to the National Productivity Council, to take over extension services on an essentially self-sustaining basis with only limited Government subsidy. Turning over of the local small industries service institutes, especially in the localities where industry is more advanced, to societies having mixed boards of control representing the Central and State Governments and perhaps the municipality and trade associations, with the CSIO assisting originally in the change-over, is also suggested. A wide range of other recommendations has been made for making the Small-Scale Industries Corporation and the Prototype Centres effective in their role of fostering the development of small enterprises as also on provision of finances for the small-scale industrial sector.

The Committee does not favour the formation of small industries as the sole or even major means of achieving regional growth or the desired spread of industry. It suggests that large industry locations, transport and power facilities must be combined to produce an effective dispersal programme. The economic advantages and disadvantages of location should not be ignored with impunity. The focus for industrial development under a dispersal policy, it is recommended, should be neither the metropolis nor the village, but rather the large range of potentially attractive cities and towns between these two extremes.

The small-scale industries, it is further recommended, should be differentiated from the rural industries because the former have an integral relationship with the large factories, have an orientation towards urban locations and need modern requirements for their growth. In this connection, the ancillary role that the small-scale industries can play to the large-scale industries is highlighted.

★★

The Ministry of Industries has suggested a working formula to streamline the basis of calculating capacity in a particular unit of industry. It has been decided that capacities in industries should normally be expressed only on the basis of maximum utilisation of plant and machinery on an annual basis. For this purpose industries may be divided broadly into two categories — (a) the 'continuous process'

industries, which work continuously (whether on the basis of 330 or 300 working days per year or, as in the sugar industry on a seasonal basis), and (b) the remaining industries. Having regard to the conditions obtaining in India, it has been decided that, in the case of industries falling in category (b), capacity on the basis of maximum utilisation would normally be deemed to be the capacity as assessed on the basis of double shift operation.

While assessment of capacity on a double shift basis in other than 'continuous process' industries will be the normal rule, it may be that in certain of these industries units are generally running on a three shift basis or are fully capable of running on 3 shift basis. In such industries a "no objection to capacity" certificate will be required.

To give effect to these instructions, the following action is suggested, namely:-

The appropriate authority may examine each industrial licence so far issued, and, in cases where capacity has been expressed on a shift basis, review the position so as to express the capacities of all units on an annual basis. The appropriate authority will also arrange for a random check of some of the licences already issued even on the basis of annual capacity with a view generally to ascertain that the capacities licensed are appropriate. Subject to the limitations of staff, it is considered desirable to have a physical check or verification of at least an important cross-section of cases by technical officers of the appropriate authority.

Excess Installed Capacity

In order to keep this work within manageable limits, verification may be confined to some of the larger units in important industries only. There may be cases where it is found that the capacity actually installed is substantially in excess, say by more than 10 per cent, of the capacity licensed. Such cases should be reported to the Licensing Committee by the industries sections concerned before they are regularised. Before the revised capacities, as assessed above, are communicated to the parties or published, it is proposed that the result of the factual survey regarding the existing capacity in different industries should be discussed at an inter-ministerial meeting including the Planning Commission.

In the case of all industrial licences to be issued hereafter the capacity will be specified on an annual basis only, without any reference to shifts. In certain industries where there are more than one major processed or end products, capacities are required to be stated separately, as for instance for pig iron, steel ingots and rolled products in the Iron and Steel Industry. In such cases the appropriate authority should recommend fixation of capacities separately for major processed or end products.

★★

The Bhakra Right Bank Power Station which is being erected with economic and technical assistance from the U.S.S.R. is being further expanded by the installation of a fifth 120 MW hydro-unit. This will raise the total installed capacity of the hydro stations in India. The foreign exchange cost of this project is being met out of the 112.5 million roubles (Rs. 59.53 crores) credit granted to India in February, 1961.

The first 120 MW hydro-unit will start arriving from the Soviet Union in a few months and the fifth unit is expected to be made available in 1965. Work on the construction of the power station is going ahead and it will be equipped with the latest types of Soviet machinery. A number of Indian engineers have already visited the USSR where some of them have participated in drawing up the project report. Some others have attended model tests of the hydro-units at the Soviet manufacturing plants. Soviet engineers will help in

the construction, erection and commissioning of the power station.

★★

A five-member delegation left for West Asia and Europe on August 19 to explore the markets for export of Indian bananas. The delegation during its four-week tour will visit Teheran, Baghdad, Basra, Damascus, Beirut, Brussels, Frankfurt, Hamburg, London, Stockholm, Paris, Zurich and Rome. Arrangements are under way for the delegation to receive at each place it visits a sample quantity of fresh banana fruits, flown from Madras, for distribution to the prospective consumers.

The West German quota of duty-free imports of bananas from countries outside the European Economic Community in 1963 will be increased from 347,000 tons to 443,000 tons shortly. This has been agreed between West Germany and the other EEC members in Brussels. Earlier estimates had put West Germany's banana consumption at 477,000 tons this year. The possible difference between the estimate and the newly fixed tariff-free import quota could either be covered by duty-free imports from other EEC members or associated overseas territories, or by imports from countries outside the EEC for which, however, an import duty of six per cent (present rate) would have to be paid.

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The Government is taking active steps to replace copper by aluminium in this country. In the manufacture of conductors, for example, aluminium has already replaced copper. Barring switchboard cables and flexible cables, it is now proposed to replace copper by aluminium in the manufacture of cables also. It is also proposed to train adequate number of people for this change over and in particular for the purpose of joining cables.

There is a re-thinking in regard to export commitment by new industries in general and of aluminium industry in particular. Industrial development under existing conditions is confined to such industries, the produce of which was in demand and was imported into India. It should, therefore, be unwise to insist on export of such items, which were being imported and which were also in short supply. Aluminium is already in short supply and with few exceptions, the units licensed have not made any noticeable progress. With the proposed switching over from copper to aluminium, the internal demand for aluminium will further increase. It

A City Held to Ransom

From Our Correspondent

BOMBAY :

CIVIC EMPLOYEES launched their fourth strike within the last six years to secure their demands. According to the Chief Minister, Mr. Kannamwar, the civic body will have to bear an additional expenditure of Rs. 2 crores if the demand of the workers for an increase of 25 per cent in dearness allowance was conceded. In spite of prohibition of the strike by the State Government under the DIR, as certain municipal services constituted an essential category, it (the strike) was successful since a majority (95 per cent) of 30,000 civic employees stayed away from work. Although 300 arrests were made on the first day, the strike was completely peaceful. The Maharashtra Government made adequate arrangements through volunteers and Home Guards to maintain the essential services. The minor leaders of the strike continued to be rounded up by the Government. The situation took a more serious turn on Friday last, the fifth day of the strike, when the central figure of the strike, Mr. Madhu Limaye, was arrested by the Government. The strike spread to municipalised transport services at midnight on Friday

may be added that almost twentyfive percent of aluminium is for electric power.

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After considering the recommendations made by the two foreign experts commissioned to study the scope for economy in the use of fuel in industry, the Government have decided to set up Fuel Efficiency Service. The organisation of this Service and its operation have been entrusted to the National Productivity Council. The main objective of the service will be to advise industry on efficient utilisation of fuel. While the service may ultimately cover all aspects of economic utilisation of coal and other fuels including aspects such as substitute fuels, fuel handling and transportation, utilisation of generated heat energy etc., to begin with it would concentrate on the effective utilisation of coal through adoption of, what may be called, "First-aid Measures", "Instrumentation" etc.

It has been decided that to begin with, the Fuel Efficiency Service would operate in the Greater Bombay industrial area. It is proposed to charge fees from industry for the services rendered.

★★

Licence has been issued for setting up a cement factory in Madhya Pradesh. This licence has been granted to Messrs. Associated Cement Companies Ltd., for setting up a slag cement factory at Jamul near Bhilai. The factory is expected to be commissioned by the middle of 1964.

A letter of intent has been granted to Mr. P. V. Krishna Reddy, Gudur, for setting up a cement factory of capacity of 200,000 tons a year at Yerraguntla.

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The Metal Corporation of India, a private limited company, has been licensed to set up a new Zinc Smelter at Udaipur and also to expand its existing Lead Smelter at Tundoo (Bihar) for refining the lead/zinc ores mined by the Corporation from its mines in Zawar near Udaipur. The Corporation will also manufacture cadmium and sulphuric acid for further manufacture of superphosphates as by-products at their Zinc Smelter.

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The landed cost of synthetic rubber of the S.B.R. type is of the order of Rs. 2,900 per ton, inclusive of an import duty of 22 per cent ad valorem. The Indian producer has proposed to sell this product at Rs. 4,400 per ton and the reasonableness of this price is under examination.

last, when 13,000 employees of the BEST Undertaking joined hands with the 30,000 civic workers. Two hundred and odd buses which ply on 15 routes in the city and suburbs went off the roads.

At the time of writing, the position is that the transport strike, in the first instance, will last till Tuesday midnight (August 20) when it will dovetail into the proposed token general strike. The Hind Mazdoor Panchayat which controls several labour unions, such as the fire brigade personnel, taximen and hotel workers, among others, gave a call to these unions to keep themselves in readiness for an indefinite strike to support the municipal employees. The Government declared the BEST and fire brigade services as essential once again under the Emergency powers but this is unlikely to have any significant effect on the strikers' decision. While a civic strike was successfully averted at Poona, it is not understood why it was allowed to take place in Bombay city. The Municipal Commissioner, Mr. S. E. Sukhtankar, who was a former Labour Commissioner of Bombay, made the fantastic claim that, since the last settlement, in July,

1962, with the municipal workers, the Cost of Living Index Numbers had not gone up! He quoted the All-India Consumer Price Index Numbers month-wise to support his contention and concluded that the Union did not have even an 'iota of a case.' The Corporation meeting convened to discuss the strike situation therefore adjourned amidst scenes of confusion and disorder and the city fathers showed that the 30,000 civic employees, who went on strike, had better discipline and a sense of purpose.

★★
Incessant rains in Bombay brought all dock operations to a near standstill on the day of civic strike. Hardly 2,000 tons of general cargo were loaded or unloaded daily during last week against the usual average of 20,000 tons a day. The number of ships tied up in the anchorage for want of dock accommodation rose to twice the usual number (15). The waiting period for a ship in the harbour varies from three to seven days. One of the ships waiting, it is learnt, is carrying foodgrains.

Several old buildings in the city came down due to heavy rains causing damage to property and human life. In view of the acute housing shortage, several families continue to occupy dilapidated buildings. The buildings are left in disrepair, especially this is the case with Trust properties, in view of the uneconomic rents fixed in the pre-war period which makes impossible proper repairs to properties. The Municipal Corporation has not somehow taken energetic measures to compel the landlords of Trust properties to keep the buildings in good condition.

★★
A Tripartite Conference was convened by the Maharashtra Government on August 16 to consider implementation of the Delhi decision to open fair-price shops in industrial establishments having more than 300 employees. The representatives of the All India Trade Union Congress led by Mr. S. A. Dange staged a walk-out when the Labour Minister Mr. S. G. Mane, who presided, refused to allow any discussion on the cost of living index and the actual prices which workers had to pay and which affected their dearness allowance. Mr Dange insisted on a discussion of the question because the dearness allowance was at the root of the agitation and the strikes. It was a clear violation, according to the communist leader, of the understanding and decision taken at the Delhi meeting a few days earlier and they had no alternative except to voice the protest at the unreason-

Tea Target in Trouble

From Our Correspondent

CALCUTTA:

WHILE IT is encouraging that India is steadily emerging as an exporter of finished goods, the fact remains that the traditional commodities will continue to be the mainstay of our exports for a considerable time to come. Despite severe competition in world markets, some of these commodities notably tea and jute manufactures had shown good results last year and there is every reason to hope that, given the necessary effort on our part, they will continue to make still larger contributions to the national exchequer in coming years. Take, for instance, tea. Thanks to increased attention given to fostering overseas trade, exports in 1962 were higher by 9 million kg compared to the previous year. Concerted efforts are now being made to popularise Indian tea in consuming countries. During the past one or two years the Tea Board has considerably intensified propaganda abroad by opening tea centres in a number of countries, including the UK. These efforts are bound to bring in rich dividends.

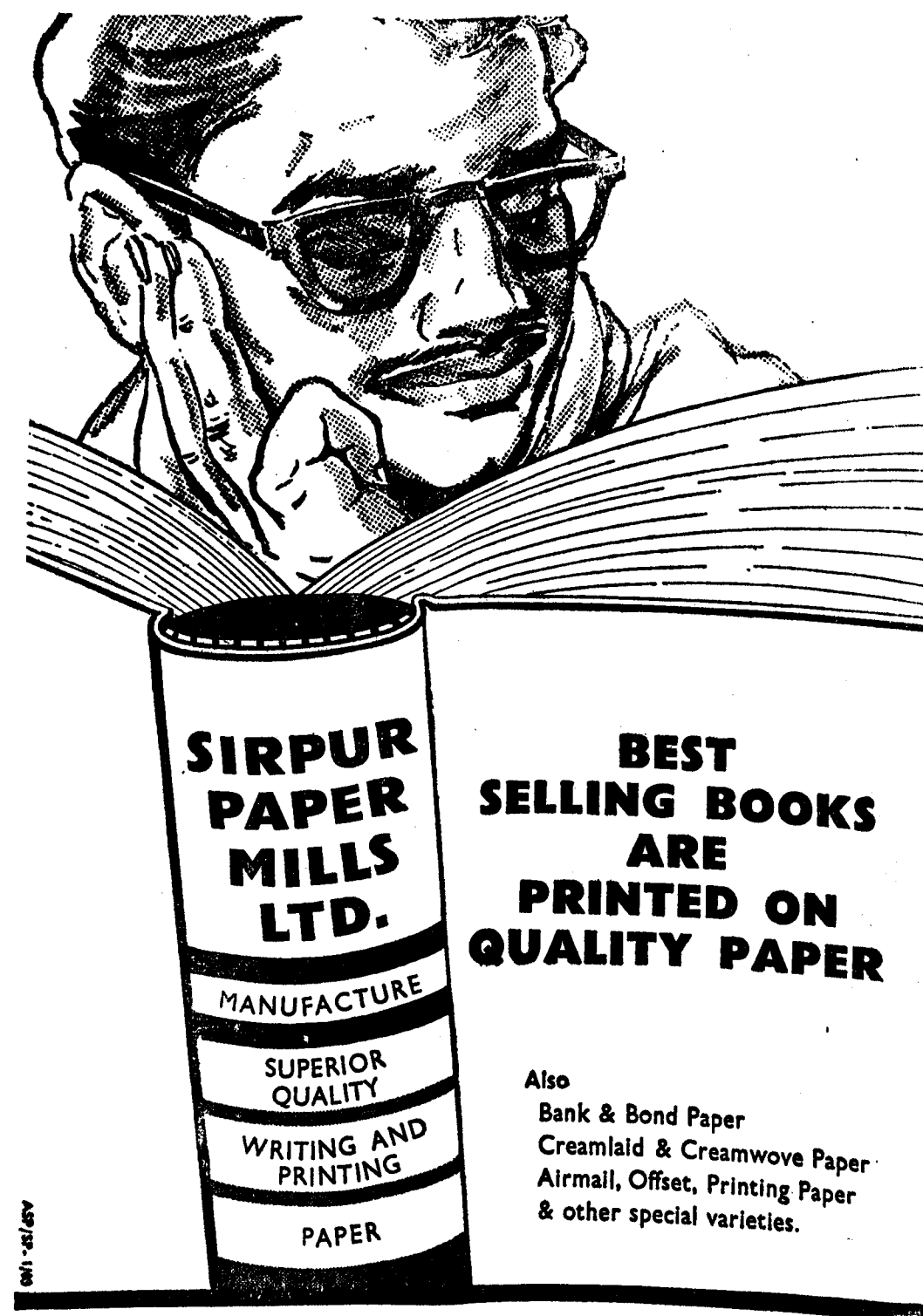
But if we are to obtain full results from these promotion-

able attitude of the Government. The representatives of employers agreed at the Conference to give full facilities for opening fair price shops and assist the Government in holding the price line. The shops will not however sell all essential commodities but only rice, wheat, sugar and jowar. It is therefore doubtful that they will help in containing the price level. The Tripartite Conference should have discussed the present municipal strike and other questions like the CDS, increase in dearness allowance and revision of cost of living index which are agitating the minds of workers. The Government of Maharashtra has lost yet another opportunity to iron out the differences in view-point on these matters and take the workers into confidence.

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In view of the slack conditions in credit and money market and sufficient return flow of funds, the banks are placing deposits with business houses. Two or three big banks are understood to have placed three days' notice money with a few renowned business houses. The deposits will fetch the banks an interest of 4.50 per cent per annum. Although banks collect deposits from the public at rates varying between 3 to 5 per cent per annum, the average interest rate paid on deposits does not work out to more than 2.4 per cent per annum. Banks lend these funds to industry at a minimum rate of 6.50 per cent —2 per cent above the Bank rate. Business houses themselves offer between 5 to 7 per cent on term deposits, up to one year, from public. The amount of public funds with industrial houses is not more than Rs. 500 crores or about 5 per cent of aggregate deposits with scheduled banks. The opinion among bankers is divided on the desirability of placing deposits with business houses. A section considers such deposits as call money and not as advances and the placing of idle funds with business houses is in order. The opposing section considers such notice money as advances under the counter and criticises such advances as violation of the inter-bank agreement on advances. The agreement prescribes the minimum interest rate on advances, as referred to earlier, at 2 per cent above the Bank rate and the 3 days' notice money has been lent at 4.50 per cent per annum. The inter-bank call rate was ruling around 2½ per cent per annum and the Treasury Bill rate at 2.3 per cent. Hence the attraction of placing notice money with business houses. It should be noted that there is no specific provision in Advances agreement prohibiting such a practice. But it is not a healthy tendency especially if the deposits are kept with the directors' firms.

al measures, two main conditions have to be satisfied. It is a truism that larger exports need larger production. It will be useful for everyone concerned with the tea industry and targets for tea production and exports are 408 million kg and 277 million kg respectively. Let us consider what is the progress that has been made in the first two years of the Plan towards hitting the output target. Tea production which reached a level of 354 million kg in 1961 declined in 1962 to 344 million kg. In the first half of the current year production trend has been disappointing but according to the Deputy Chairman of the Tea Board, there are already signs of the shortfall being made up. In his opinion tea output in the current year may reach a level of 370 million kg. But this optimism is not shared by tea producers. In his presidential address to the annual general meeting of the Tea Association of India, Mr. S. R. Daga has pointed out that prospects for attaining sizable increase in production are not very bright. He is of the view that "it is only towards the end of the fourth five-year Plan that we can expect an in-





crease in production from the new plantation that will be carried out now". Mr. Daga has made it clear that a marked increase in production will result only if more area is brought under tea together with a higher rate than hitherto of replanting and replacement. He has suggested some tax incentives to speed up the work, one of them being a new plantation rebate similar to development rebate on plant and machinery.

The need for stepping up production is also emphasised by the fact that internal consumption is increasing rapidly. It is true that official policy is to discourage any runaway rise in internal offtake. The excise duty on the commodity is having a restraining influence. There has been a welcome drop in internal consumption during 1962-63 to 130 million kg from 137 million kg in the previous year. In marked contrast to its activities a few years ago, the Tea Board has progressively turned its attention on propaganda outside the country. Even so, with the steady increase in the standard of living of the people within the country, last year's drop in consumption cannot be taken as a valid indication. It is only proper to expect that internal consumption will increase since tea in spite of the increase in excise duty will still continue to be the cheapest beverage available to the poorer sections of the community.

Quality the Main Factor

A high level of tea production alone will not ensure higher exports. Current efforts at projecting the image of Indian tea in foreign countries will no doubt go some way towards increasing our exports. But in the ultimate analysis, the factors that will help our tea to move faster in world markets are its quality and price. The delegations which visited various parts of the world during the past two or three years agree on one point and that is that the main deterrent to the larger sales of our tea in overseas markets is its high price. Quality for quality, Indian tea is dearer than almost all other teas. Tea producers in India point out that they are helpless because production costs have gone up and are still going up for no fault of their own. Mr. Daga has given a list of factors that go to inflate cost of production. Even the abolition of export duty has been made ineffective by the additional surcharge on excise duty. Mounting labour costs, the recent increase in the rates of Agricultural Income-tax by the Assam Government and the statutory obligation on the industry of providing each year eight per cent of the total number of houses for labour are some of the more serious burdens that the industry has to bear. The decision of the Karmahom Conference to raise freight charges on West bound cargo by 12½ per cent will further add to the cost of our tea in foreign markets. It is therefore imperative that serious consideration is given by Government to devising ways and means of enabling the industry to reduce its cost of production so that our tea is able to compete on level terms with teas from other producing countries in respect of price also.

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Curiously enough the reported directive of the Central Government to the various financial institutions and the State Bank of India to lend support to the corporate sector has not engendered much en-

thusiasm. As expected the LIC has been extending support to equities, though as yet in a modest measure; but operators are not hopeful of any sizable buying from this quarter as this institution cannot be expected to invest its funds without first ensuring that such investments will be in the interests of policy holders. There has been some good news from the corporate sector during the past few days. Reports of bonus issues from Anglo-India Jute and Kumardhubi Engineering have been welcomed with an immediate rise in the prices of these shares but the general tone of the market has not changed much. The old apprehensions about dividend and expansion prospects continue to be the main stumbling block in the way of the genuine investor taking an active part in the trading.

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The continued firmness of sacking prices seems to indicate that earlier fears that Pakistan would continue to dominate the overseas markets in this category of goods longer than usual this year were exaggerated. For some weeks now there has been a steady stream of orders from various quarters and indications are that more orders are in the offing. It is evident that Pakistan has almost exhausted its availability and future enquiries have perforce to come to Indian mills. The recent flow of orders has been so encouraging that it is now expected that before long there will be a squeeze in certain constructions. Besides the orders from overseas, it is expected that a substantial order for B Twills will be forthcoming from the Government of India soon. All this has somewhat helped forget the essentially unsound position of sacking the performance of which on the export front last year had been none too good.

In marked contrast to sacking, there has been practically no overseas business of note in hessian for some time. Despite this, hessian prices too have improved. This is because of the sound statistical position of this category. At the end of July hessian stocks at 32,500 tonnes were only 100 tonnes higher than at the corresponding date of the previous month while production during July was 4,300 tonnes higher at 45,800 tonnes. Stocks with the industry are thus much less than a month's output. Trade circles believe that there will be a revival of foreign interest in hessian also in coming weeks. The improvement in sentiment has extended to the raw jute section as well where buying has been going on by mills to fulfill their quotas for the current month. The firmness in the gunny market has also been a contributory factor. A feature of the current trend in raw jute is the rapid narrowing down of the gap between the market price and the official minima. Jute growers do not seem to be in a hurry to dispose of their harvest in view of the concerted steps taken by authorities to ensure them an equitable price. The expectation is that in view of the recommendations of the Shrivatsava Committee, goods production will continue to be maintained at maximum capacity of the industry and this will mean larger offtake of the raw material. Since indications are that effective measures will be taken by both Pakistan and India to stop smuggling of jute across the border into India, the pressure from unauthorised supply will not be felt to the same extent as last year. The report that crop outturn has not been uniformly good in all the growing regions also seems to have entered into the calculations of jute holders.

Sugar: Plans and Prospects

From Our Correspondent

MADRAS:

AT THE MEETING held in Hyderabad recently between the Union Minister for Food and Agriculture and the two Chief Ministers of Andhra Pradesh and Mysore and the Madras Minister for Agriculture, the question of providing additional incentives to cane-growers and sugar mills in order to in-

crease the output of sugar during the next season was considered in its various aspects. A higher minimum price for sugar-cane for the 1963-64 season has already been announced with variations in the premium paid for changes in the sucrose content of cane. But it is feared that even the higher prices for cane might not ensure adequate supplies to the mill as

prices for jaggery are ruling high even now. Actually, it is expected that there will be no larger accumulation of stocks on account of the larger demand for gur and khandsari following the rather serious decline in output of factory sugar in the current season. The Southern States have acquitted themselves creditably as even with a slight reduction in cane supplies the output is not expected to be very much lower in Andhra Pradesh, Madras and Mysore. Many new mills have been commissioned into production. It must be accepted, however, that the output would have been very much higher but for the fact that in some jaggery areas, where new factories are operating, the full capacity for crushing could not be utilised. The price realised by the grower on the basis of current demand for gur would no doubt be high being nearly double the minimum price for cane paid by mills. Only it cannot be said that the full benefit of higher prices is derived by the cane-grower as the trade has been exploiting the situation and it is not expected that prices will go down appreciably until the new season sugar arrives in fairly large quantities and it is also clear that no serious difficulties will be encountered later in the next season.

Graded Rebate

It is anticipated that there will be a rebate in the cane price for early crushing by mills though this will benefit mainly mills in Northern India. If a rebate can be given for late crushing many units in the South would probably be benefited. But there is a demand that the rebate in excise duty should be so given that equal benefit is derived by mills which have been able to maintain production at a fairly high level and which consequently would have a higher average production in the basic period. It has, therefore, been pointed out that the rebate in excise duty should be given on a graded basis so that mills which step up output appreciably can benefit to a greater extent. The announcement of Government's policy for the next season is keenly awaited and there is a general anxiety that the output of sugar in the next season should be raised substantially. Otherwise, it would not be possible to meet fully internal demand and at the same time maintain exports at a fairly high level.

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Madras and Mysore States have developed in recent years into an important region for the production of components and parts for the automobile industry. While the recent boom in the capital market has been responsible for the promotion of ancillary industries in different parts of the country, in this part of the country many industrial units were even earlier in the process of being erected in collaboration with foreign interests. Without the investing public being asked to put up large sums, Madras City particularly has grown into an automobile centre though the bigger producers are operating from Bombay and Calcutta. Ashok Leyland which is an important producer of heavy trucks has been engaged in an expansion programme for some time past and with the promotion of a sister company, Ennor Foundries Limited, the indigenous content has been substantially increased. It is now felt that it would be necessary to increase continually production capacity as with a shortage of trucks and the strengthening of roads and bridges, there would be a larger demand for heavy duty trucks.

Standard Motor Products of India Limited has also been making efforts to double production of cars. The facilities for manufacturing certain types of components and parts have been increased latterly. But it is now felt that, in order to be able to raise the indigenous content appreciably and utilise more effectively the allocation of foreign exchange for import of components the manufacture of car bodies should be undertaken. Towards this end, the Directors of the company have proposed that an expenditure of about Rs. 85 lakhs

should be incurred on the installation of presses and press-tools. Efforts are being made to keep down capital expenditure by fabricating press-tools more advantageously within the country. The presses are expected to be imported and it is anticipated that, by the end of next year, it would be possible for the company to increase the indigenous content to about 90 per cent. When this target is reached it is felt that there would be scope for increasing substantially the output of cars besides achieving economies through the manufacture of car bodies.

In order to finance this expansion scheme, it is proposed to raise Rs. 25 lakhs by way of additional capital from the existing shareholders and specific proposals are expected to be made after getting the consent of the Controller of Capital Issues. There is naturally anxiety to keep down the paid-up equity capital because, on account of the rather unremunerative nature of car manufacture, attractive dividends cannot be paid. It is, however, emphasised that, after sometime, there would be improved profitability especially if the Government agree to the suggestion of the company to undertake the manufacture of one-ton trucks. This scheme has been under consideration for some years.

In order to find the balance of funds it is felt that there may be need to borrow from the Industrial Finance Corporation or other sources. While some part may be available from internal sources, the borrowing from outside agencies may be for about Rs. 50 lakhs.

Standard Motor Products has, however, done well during the year ended December 31, 1962 in spite of various handicaps. Till the close of the year, the output was running at a fairly high level and the net profit, before taxation and depreciation, has risen slightly to Rs. 31.37 lakhs from Rs. 29.07 lakhs in 1962. The provision for depreciation is the larger sum of Rs. 13.95 lakhs against Rs. 11.08 lakhs formerly and development rebate Rs. 5.25 lakhs against Rs. 2 lakhs. The charge on account of taxation is lower at Rs. 5.2 lakhs against Rs. 8.25 lakhs and there is no liability towards Super Profits Tax. The dividend on equity capital has, however, had to be reduced to 6 per cent, taxable, from 7 per cent, taxable, on account of the larger allocations towards depreciation and development rebate.

Ancillary Industries

The success of the various producers in raising the indigenous content to around 80 per cent is in great measure due to the sudden growth in the stature of various industries. While the automobile producers themselves are manufacturing some of the major items like engine blocks, gear boxes, axles and the like, the ancillary industries have been producing nearly the whole of the requirements of engine valves, spark plugs, truck wheels, dynamos, shock absorbers, springs and the like.

In Madras, one big group has been developing in a big way. The TVS group of enterprises have launched in an ambitious way on the manufacture of truck wheels, electrical equipment, air-brakes etc. Wheels India Limited which is collaborating with Dunlops can supply very nearly the whole of the country's requirements in terms of truck wheels while TVS-Lucas, which has already spent over Rs. 2½ crores on erecting a new factory, will be producing the whole range of electrical equipment for the automobile industry. A different unit is under construction for producing air brakes in collaboration with US interests. There is also a proposal under consideration of the Government for producing steering gears. It will be readily agreed that the developments in the automobile industry in the past three years have been truly

The moving finger writes

I think the devil put it in his mind.
In all arithmetic you couldn't find
Until today so tricky an equation.

Chaucer: *The Summoner's Tale*

THE PRIME Minister's statement on Mr. Justice Das's report on Mr. K. D. Malaviya's dealing with Serajuddin and Company was a clumsy exercise at eating one's cake and having it. It showed Mr. Nehru in an unusual light — as one lacking in courage, personal or political. If it is true, as he said, that he is not convinced that Mr. Malaviya has done anything which casts a reflection on his impartiality and integrity, the Prime Minister showed lack of personal courage in agreeing to throw a colleague to the wolves. If, on the other hand, as Mr. Nehru's grossly vague reference "to those high principles of Parliamentary government by which the office of a minister is governed" suggests, Mr. Justice Das's findings against Mr. Malaviya on two counts had left him with a feeling that the latter's conduct has been less than what is correct and proper in the case of a member of the Government, the Prime Minister's anxiety that the matter should end with the acceptance of the resignation of Mr. Malaviya shows that he lacks the political courage to countenance a complete and thorough inquiry, either judicial or Parliamentary, which might possibly unearth transactions of a nature likely to damage seriously the status and fortunes of the Congress Party.

In either case the Prime Minister's statement must produce the impression that he has merely tried to evade unpleasant, or possibly dangerous, issues. Incidentally, his repeated description of the Das findings as "prima facie conclusions" makes no sense at all since he, for reasons best known to him, is reluctant to order a further and full inquiry. "Prima facie", in any case, does not mean "insufficient", "provisional" or "tentative" as Mr. Nehru evidently wants the phrase to be taken to mean. All that "prima facie" amounts to is that sufficient ground exists for a further inquiry and that in all fairness this inquiry should be made.

If the Prime Minister's performance was pathetic, that of some members of the Opposition was positively repulsive. Mr. Dwivedi and Mr. Hem Barua apparently, fancied themselves in the role of a Hound of Heaven, but in reality they seemed and sounded like the Hound of the Baskervilles. I had not seen before such a naked exhibition of venom and vindictiveness and I have no desire to see another such again. It is clear that they were pursuing no principle but were only attempting to persecute a person.

In the result, Mr. Malaviya it was who came out best out of this sorry episode in the Lok Sabha last week. His explanation of the handicaps imposed on him by the procedure adopted by Mr. Justice Das was natural and restrained, his claim for his work as a Minister dignified and his assertion of innocence firm and clear. This is not to say that I am prepared to believe that Mr. Malaviya is as innocent as he claims to be, but I do certainly hold the view that, innocent or guilty, he has had no fair deal either from his prosecutors or from his Prime Minister, especially the latter. Well might Mr. Malaviya have asked to be saved from his saviour.

★★

After Mr. Nehru's admission, although grudging, of responsibility, even if partial, for the misadventure of the VOA deal, it is pointless to try to apportion blame among the Minister for Information and Broadcasting and the Secre-

taries of the two Ministries concerned. It is, of course, plain that there has been a degree of amateurishness and absent-mindedness about this piece of business at almost all levels, but it can hardly be denied that the prime responsibility was the Prime Minister's, he having been brought into the transaction at some point or another. I have heard it suggested in political circles here that the Prime Minister was perhaps not as unconscious of the implications of the Agreement when it was being negotiated as he would now like Parliament and the public to believe. What seems to have happened probably is that he is having second thoughts. The raucous support which the Agreement had received from certain sections of the Press and political opinion in this country, which are known to be opposed to non-alignment and all its works and the conclusion drawn widely by commentators abroad that the VOA deal should be taken as a point of departure from the foreign policy hitherto pursued by Mr. Nehru seem to have frightened the Prime Minister into wanting to retrace his steps.

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The IAC has been rightly criticized, I believe, for dropping Tiruchirapalli out of its flight schedules in the South. It is true that considerations of commercial profitability cannot be ignored, but then what becomes of the boast made at the time of nationalisation that the IAC would provide a national network of services more efficiently and economically than private airlines could ever hope to? It is not as if Tiruchirapalli can be regarded as an insignificant place of call. Even as it is, its importance as an urban centre in Tamilnad is next only to that of Coimbatore and Mathurai, apart from Madras itself.

I hope the decision to abolish the halt at Tiruchirapalli is only a temporary measure and that IAC will soon be able to restore the status quo ante. The point is that the only way to remedy a situation caused by insufficient traffic potential is to bring down the cost of air travel. It is obvious that if air freights are lower, more people will travel by plane. Unfortunately, air fares in this country have been going up and up with the result that marginal traffic is being continuously discouraged instead of being encouraged. Surely there must be some way of effecting economies in air transport operations. It will not do for the IAC to plead helplessness in this matter. Now, far be it for me to suggest that this country is in any way comparable to West Germany in economic circumstances, but it still leaves a bad taste in the mouth that the IAC should be so far away from developing internal transport services to the extent demanded in this vast country when Lufthansa has been able to operate a very successful air bus service between Frankfurt and Hamburg and is planning to convert its entire domestic services to the air bus system, where no check-in procedures are necessary and the fare is paid by the passenger while airborne.

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Finally, I cannot resist referring to the delicious episode of old King Ibn Saud and his corrupt Finance Minister who was caught in the act of uttering a false cheque. It appears that the King, who is being treated for stomach ulcers and is evidently in no mood to be played with, beat the errant minister with an ivory stick until it broke and, in breaking, restored its wielder to good humour. I wish Mr. Nehru could use an ivory stick rather than a Judge's report which he could neither discard nor disclose. It would so simplify matters for everybody.

V.B.

Trade Winds

SURPLUS STAPLE

THERE IS a large accumulation of staple fibre in the country with the indigenous producers as well as the Indian Cotton Mills Federation. The total value of stock-pile today is conservatively estimated at over Rs. 6 crores. The justification for importing staple fibre was that it could well take the place of the relatively costlier long-staple raw cotton which has also to be imported in sizable quantities. So far so good, but it is a pity that the Government of India has not been able to tackle the problem of surplus staple fibre so far.

To stimulate sales, the two indigenous producers have effected a cut in their price from Rs. 3.72 per kg. to Rs. 3.57 per kg. but the Government apparently seems to have done nothing. Failing to get any response from the authorities for their gesture, both the producers of staple fibre in the country have put forward a proposal to the powers-that-be that complete relief from excise duty be given to staple fibre when it is mixed with cotton. The two producers could have well pleaded for abolition of the excise duty on all staple fibre, but they have not done that. Obviously it means that even after the proposed exemption is given, excise duty will continue to be payable by those who convert staple fibre into yarn and use it as such. It means that the proposed abolition of duty will not cause any substantial loss to the exchequer. If the proposal is accepted by the Government, the textile mills in the country will find it economical to resort to staple fibre in place of raw cotton. If the textile mills have not been mixing staple fibre with cotton to any appreciable extent so far, at least part of the explanation is to be found in the uneconomical price of staple fibre by reason of its being loaded with heavy excise duty component. In case the authorities do not wake up in time, it is feared that there will not only be loss in quality especially of the imported stock, but there will also come about a curtailment in production capacity affecting in turn adversely the employment situation as such.

JUTE GOODS IN U.K.

A review of the policy regarding British imports of jute goods from India and Pakistan was recently made by the Board of Trade in the light of various developments including the breakdown of the negotiations for Britain's entry into the European Economic Community (under which certain arrangements for jute goods had been determined), the judgment of the Restrictive Practices Court, which found against the jute industry's uniform price agreements and representations from the Government of India and other interests. Following consultations with the jute industry changes in the arrangements for the import of jute goods from India and Pakistan into Britain were announced by the Board of Trade on August 13. They include a reduction in the mark-up on common hessians from 20 per cent to 10 per cent and the return of imports of heavy bags and sacking to private trade. It was made clear by the Minister of State in the Board of Trade (Mr. Green Allen) that the changes will continue to give a very substantial measure of protection which for a year will be very similar to that at present available for the vast bulk of goods which the industry produces. Below are given the details of the present and future arrangements, by broad categories, for imports from India and Pakistan.

Jute Goods Imports from India and Pakistan

"Category: Cloth and bags: (1) Heavy bags, common sacking and wool-packs.

Present treatment: imported by Jute Control and sold without mark-up.

New arrangements: being returned to private trade.

"(2) Common hessian cloth, mainly used for bag-making. Present treatment: sold by Jute Control with 20 per cent mark-up.

New arrangements: the mark-up reduced to 10 per cent with effect from August 16, 1963.

"(3) 'Equated' goods:

Present treatment: sold by Jute Control at "Dundee price" (i.e., based on prices charged for similar goods by the Dundee industry under the uniform price agreements now terminated).

New arrangements: Jute control to import and continue to sell with a variable mark-up for one year pending the outcome of the inquiry. If the inquiry produces no satisfactory alternative proposals after a year, a uniform percentage mark-up will be introduced.

"(4) 'Excluded' goods:

Present treatment: not imported.

New arrangements: cloth to be imported by the Jute Control, against specific orders, and sold for one year at a 50 per cent mark-up or the Dundee price, whichever is lower; the treatment of bags is one of the technical matters still subject to discussion. If the inquiry produces no satisfactory alternative proposal after a year, a uniform percentage mark-up will be introduced.

"Yarn:

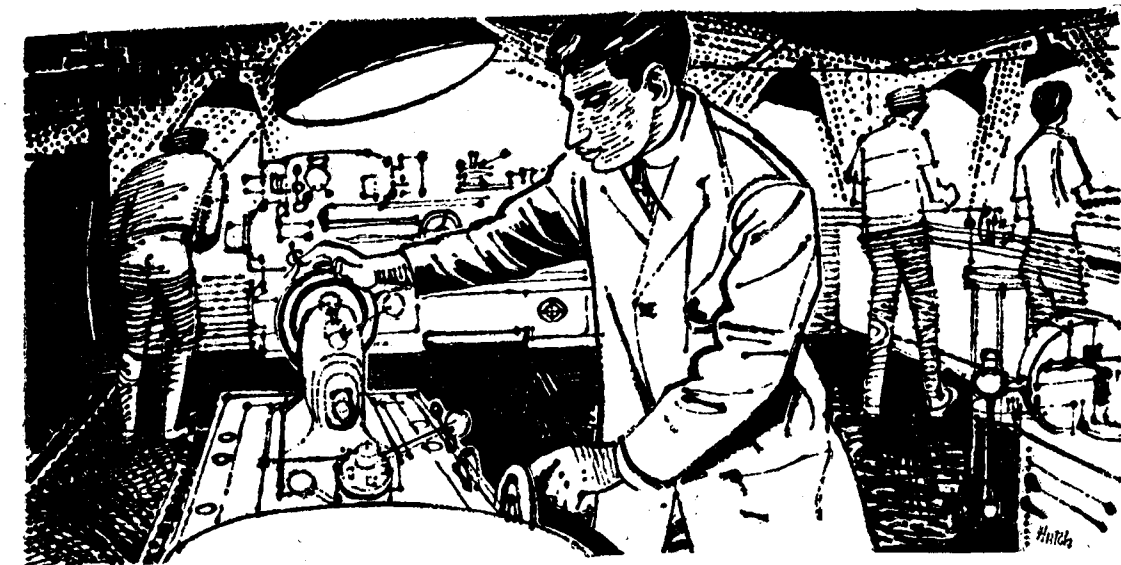
Present treatment: Jute Control does not hold stocks, but imports against specific orders; no mark-up applied.

New arrangements: as at present."

RUMANIA'S ECONOMY

The Rumanian economy has made progress by leaps and bounds. In the first three years of the six-year Plan, Rumania's national income exceeded by over 30 per cent the 1959 level. The national income is now nearly 3.5 times bigger than in 1938. State investments in the first three years of the six-year Plan amounted to 82,000 million lei. Due to these investments, many new and modern industrial units were built and put into operation.

Steel output per capita amounted in 1962 to 130 kg. compared with 18.2 kg. in 1938. In the first three years of the six-year Plan the average annual rate of growth of production reached 15.7 per cent. The electric and thermal power output at the end of 1962 was 15 times bigger than in 1938. The Rumanian trade registered in 1962, a 282 per cent growth over 1950. An analysis of the statistical data reveals that per cent of the total volume of Rumanian foreign trade, and Latin American countries represent 32.1 per cent. The Soviet Union holds the top place in Rumania's foreign trade. Next are, according to the value of mutual deliveries, Czechoslovakia, land, Hungary, Britain, France, Austria, the UAR, Bulgaria, Switzerland and Syria. Trade with India has increased considerably. While exports from India to Rumania in 1956-57 were of the value of Rs. 22 lakhs, in 1962-63 they were of



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SUDDEN DARKNESS

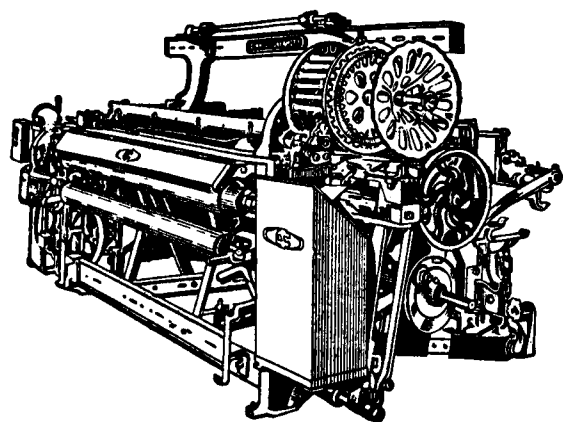
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the value of Rs. 3.41 crores. Imports, on the other hand, in 1956-57 were of the value of Rs. 19 lakhs and in 1962-63 of the value of Rs. 3.83 crores.

TEA PRODUCTION

At the seventh annual general meeting of the Tea Association of India, Mr. S. R. Daga in his presidential address, dealt at length on problems of the tea industry and how an increase in production of tea could be brought about. According to him irrigation of tea plantations could play an effective part in raising the production of tea from the existing bushes. Since the industry was burdened with all sorts of taxes, he pleaded that the Assam Government should provide finance to the industry for sinking tube wells which could be utilized for irrigation purposes in the drought area. To increase the production considerably, it was also necessary that more area was brought under tea and simultaneously replanting and replacement were done at a higher rate. To enable the industry to do these, Mr. Daga suggested that some tax incentives should be provided by the Government. He urged that cost of replacement of tea areas on virgin land should be allowed to be charged to revenue expenditure, provided the uprooting was done either simultaneously or before the replacement. In the event of uprooting taking place subsequent to the date of replacement, the capitalised value of the uprooted tea areas should be allowed to be charged to revenue expenditure. In all the cases where the cost of the new extension was capitalised afresh, a new replantation rebate of 20 per cent of the capital cost should be granted, which might be more or less in the form of development rebate on plant and machinery.

Although the export duty on tea had been abolished, the Government had sought to make up the loss by levying additional surcharge on excise duty on tea. The excess duty being made non-refundable at the time of export, played its part in raising the cost of production. In order to reduce the cost of production, he stressed that no additional levy should be put on export teas. It was also necessary that the drawback of excise duty should be allowed. Mr. Daga also suggested that the Assam Government should reconsider their decision to increase the rates of agricultural income tax.

MACHINE TOOLS BLOCKED

At a press conference at Harihar (Mysore State), Mr. S. L. Kirloskar, President, Indian Machine Tool Manufacturers Association, stressed the fact that private machine tool manufacturers find it hard to attract capital because the industry requires a large initial investment on which substantial profitable returns are slow to accrue. The most frustrating handicap which the private sector had to face in its formative period was a conservative licensing policy coupled with delays in finalising foreign collaboration agreements and in obtaining import licences for capital goods and components. Even as late as January this year, no less than eight leading firms cancelled their machine tool projects. It is obvious that the manufacturers in question risked cancellation of their licences, because they found themselves in a blind alley as far as finance and import facilities were concerned. The private sector also suffered from a slow tempo of orders. At one time it was urged that the third Plan target of machine tool manufacture should be stepped up from Rs. 30 crores to Rs. 45 crores. But, as matters stand, it is hard to say whether the private sector will at all be able to lift its share of Rs. 15 crores even by the end of the third Plan.

ROURKELA EXPANSION

The expansion programme of Rourkela steel plant was inaugurated by Mr. C. Subramaniam, Union Minister for Steel and Heavy Industries on August 12. The programme will

cost Rs. 130 crores of which Rs. 56 crores is expected to be spent on plant equipment, civil works, erection and other auxiliary services. On completion in 1966, the programme will enable the steel project to produce 1.8 million tons of ingot steel a year. The financing of foreign exchange would be done largely from the additional credit of D.M. 400 million made available by the Federal Republic of Germany. The civil engineering work would provide temporary employment to 25,000 persons in various categories. The plant has 244 German, 15 Austrian and 15 American technicians helping the various departments.

MINIMUM PRICE FOR SUGAR

The Deputy Minister of Food, Mr. A. M. Thomas, announced in the Lok Sabha that the Government has decided to relate the minimum price of Rs. 1.62 per maund of sugar cane to a sugar recovery of 9.4 per cent during the ensuing season 1963-64 instead of relating it to a recovery of 9.8 per cent as in the season 1962-63. This would mean a general increase of 6 nP. per maund in the sugar cane price. He said that prices were fixed factory-wise and that the incidence of increase in each factory would depend on its recovery of sugar. The minimum prices of sugar cane payable by individual factories was being worked out and would be notified well before the start of the crushing season.

LEIPZIG TRADE FAIR

During the first week of September, the city of Leipzig in East Germany will play host to business executives from all over the world coming to attend its autumn Fair at which as many as 50 countries are likely to be represented. It has added importance for the Indian Union in view of India's growing trade with the G.D.R. The total volume of India's trade in 1958 was around Rs. 7.6 crores and it rose to Rs. 22.5 crores in 1962. According to present indications, the total turnover in 1963 is likely to be about Rs. 26 crores. Within the span of five years India's total trade with the G.D.R. has, thus, multiplied almost four times.

A salient feature of India's trade with the G.D.R. is that there is no balance of trade problem. A minor balance of payments problem continues because the G.D.R. is slow in picking and choosing the commodities and goods which it would like to buy from the Indian Union in exchange for machinery and other products supplied. The most important commodities which have been exported to the G.D.R. in recent years are tea, coffee, pepper, cardamom, iron-ore, mica and cashewnuts. Large quantities of tobacco have also been exported. Cotton fabrics for shirts and bed-sheets, jute for packaging material and handicrafts from India are popular in the G.D.R.

The only countries from the Communist bloc which are not participating in this Fair are China (Mainland) and Albania.

LAUSANNE AUTUMN FAIR

The Forty-fourth Lausanne National Autumn Fair will be held this year from September 7 to September 22. It will be a general fair divided into 38 different sectors, with the main emphasis on consumer goods. It will also include a number of specialised displays of agricultural machinery, building, and arts and crafts, as well as the salons of watch-making and elegance. Each year, the Lausanne National Autumn Fair invites a foreign country to participate as its guest of honour. This year it will be Japan's term to present an official exhibition within the framework of the 44th Lausanne National Fair.

Company Affairs

ASIATIC OXYGEN

LAST WEEK foundation stones were laid for two factories, one at Hyderabad and the other at Madras, for the manufacture of industrial gases. The factories will be set up by the Asiatic Oxygen Ltd. of Calcutta. Mr. B. L. Jalan, Chairman of the company, stated at these ceremonies that the company had secured collaboration of international manufacturers of industrial gases such as the Air Products and Chemicals Inc., M & T Chemicals Inc., K. G. M. Equipment Co. and Westinghouse Electric International Co. Mr. Jalan also said that the company had a programme to set up six gas factories throughout the country. There was another programme to set up three factories for the production of electrodes, welding and cutting equipment and welding transformers. The factories at Hyderabad and Madras will produce, in addition to the gases, the essential accessories and other requirements of the gas industry such as welding and cutting equipment, electrodes and welding transformers.

KESORAM

The working results of Kesoram Industries and Cotton Mills Ltd., for the year ended March 31, 1963 make cheerful reading. The gross profits rose to Rs. 201.01 lakhs as against Rs. 182.82 lakhs in the preceding year. After providing for depreciation and taxation, the net profit amounted to Rs. 99.12 lakhs compared to Rs. 64.74 lakhs in the last year. The provision for taxation for the year under review was lower at Rs. 8 lakhs in relation to the allocation of Rs. 36 lakhs last year. The provision for depreciation was, however, raised to Rs. 82.49 lakhs from Rs. 69.43 lakhs. "Development Rebate Reserve" was also raised from Rs. 13.38 lakhs to Rs. 39.21 lakhs. After making a few other marginal adjustments, the available balance was Rs. 62.27 lakhs (Rs. 53.80 lakhs last year). The Directors proposed a transfer of Rs. 22 lakhs to General Reserve and Rs. 40 lakhs to Dividend Reserve, leaving a balance of Rs. 26,969 to be carried forward to next year. A taxable dividend of 13 per cent on the Ordinary Shares (and also a proportionate dividend on the Ordinary Shares pending allotment) has been recommended by the directors. This as well as the dividends on both classes of Preference Shares were proposed to be paid out of the Dividend Reserve. It may be recalled that last year a taxable dividend of 12 per cent was paid.

MINERVA MILLS

The audited accounts for the year ended December 31, 1962, of the Minerva Mills Ltd., showed a gross profit of Rs. 9,28,397. The provisions for depreciation and development rebate were Rs. 4,45,255 and Rs. 1,36,572 respectively. The net profit after various other allocations, came to Rs. 1,95,677. Credit was taken of over-provision for depreciation during the period 1957 to 1961 amounting to Rs. 2,65,630. The Cumulative Preference shares of Rs. 100 each are proposed to be paid a dividend for the year 1962 at 9½ per cent (subject to deduction of tax) absorbing Rs. 31,027. On the equity shares of Rs. 100 each, a dividend of Rs. 3.50 per share (less tax) is proposed, absorbing Rs. 1,03,590. The directors have drawn attention to the high prices of Indian cotton which ruled throughout the accounting period under review owing to failure of the cotton crop all over the country; the prices of yarn and cloth remained stationary under the voluntary price control scheme undertaken by the cotton industry which reduced the profit margins. At the same time, the compulsory export obligation scheme which was introduced in July, 1962, also had an un-

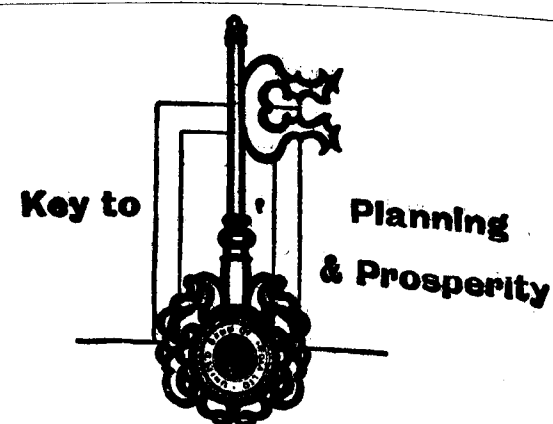
favourable impact on realisation in respect of cloth sold abroad.

NUDEA MILLS

The gross profits of the Nudea Mills Company Ltd., (Managing Agents: Macneill & Barry Ltd.) for the year ended March 31, 1963, at Rs. 47.74 lakhs showed a marked increase over the preceding year's level of Rs. 12.25 lakhs. This was made possible by the resumption of 48-hour week from the commencement of the year under review. Adequate supplies of raw jute were available throughout the year and the demand from the world consuming centres was appreciably strong. After providing Rs. 8.49 lakhs for depreciation, the net profit for the year was Rs. 39.25 lakhs as against Rs. 3.53 lakhs in the preceding year. Development Rebate Reserve at Rs. 4.93 lakhs and Provision for Taxation at Rs. 17.90 lakhs have been allocated. A sum of Rs. 3.65 lakhs has been transferred from the Development Rebate Reserve while additions have been made of Rs. 38,375 being "Reserve for Doubtful Debts no longer required" and of Rs. 18,442 being the "Adjustments on account of previous years". With the carry-forward of Rs. 65,041, the total amount available for disposal was Rs. 21.29 lakhs. The directors have recommended dividend of Rs. 5 per share (or 10 per cent per annum) absorbing Rs. 6.68 lakhs. The transfer to "General Reserve" was Rs. 7.25 lakhs. "Reserve for Building Replacement" was Rs. 6.73 lakhs. A sum of Rs. 50,000 was transferred to "Investment Depreciation Reserve" leaving a credit balance of Rs. 13,111 which the directors have recommended to be carried forward.

GOURPORE

The working results of the Gourpore Company Ltd., (Managing Agents: Macneill & Barry Ltd.), for the year ended March 31, 1962 showed a steep rise in gross profits to Rs. 88.24 lakhs as against Rs. 24.15 lakhs in the last year. Taking into account "Reserve for Doubtful Debts" at Rs.



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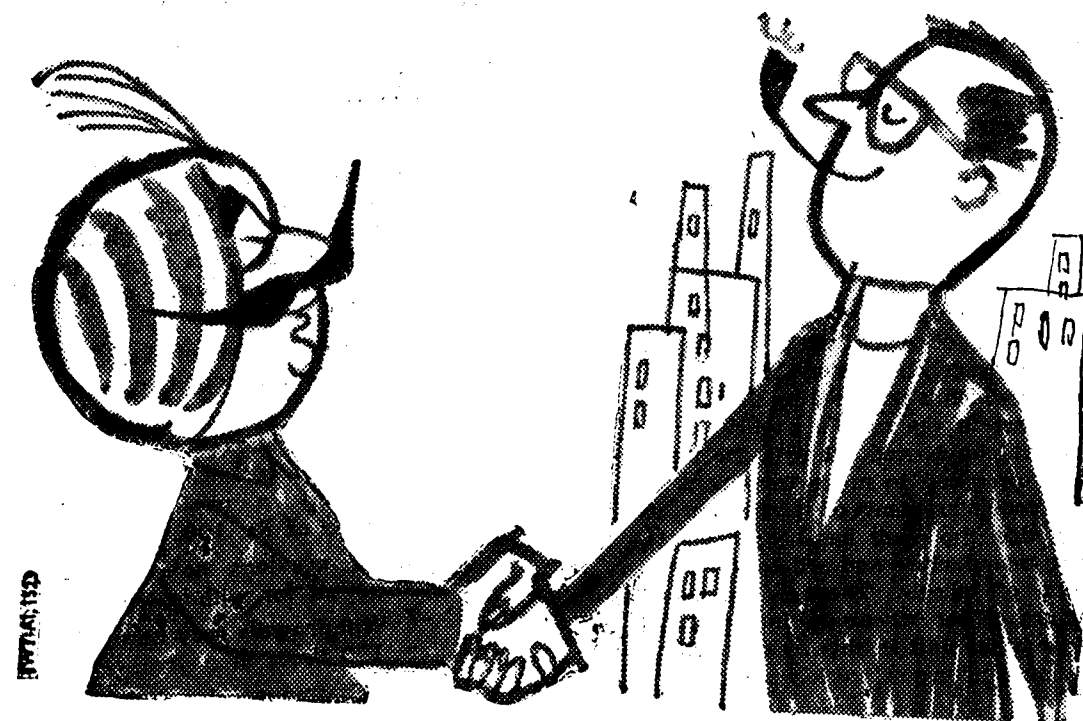
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14,625 and "Adjustment on account of previous years" at Rs. 60,919, the gross profits rose to Rs. 88.99 lakhs. Deductions made were: "Depreciation for the year" at Rs. 14.75 lakhs, "Provision for Taxation" at Rs. 47.10 lakhs and "Development Rebate Reserve" at Rs. 4.83 lakhs. Adding a sum of Rs. 49,518 as "amount brought forward", the net profit available for disposal was Rs. 22.81 lakhs out of which, according to the recommendations of the directors, dividend on preference shares at the rate of 8.75 per cent per annum will absorb Rs. 2.32 lakhs and dividend on ordinary shares at 20 per cent per annum will utilize Rs. 9.60 lakhs. Transfer to various reserves were recommended as follows: "Reserve for Doubtful Debts" at Rs. 10,063, "Investment Depreciation Reserve" at Rs. 4.50 lakhs and "General Reserve" at Rs. 6.00 lakhs. The balance of Rs. 28,659 was recommended to be carried forward.

UNIVERSAL ELECTRICALS

The working results for the year ended March 31, 1963, showed a net deficit of Rs. 25,840 (which is proposed to be carried forward) after transferring Rs. 202,950 to "Expenses during Construction Period" Account and providing Rs. 15,230 for depreciation.

The construction of the House Service Meters factory was completed early this year and the factory went into production in May 1963. The initial teething troubles, according to the directors, have been overcome and it is anticipated that the rated capacity of the plant would be achieved soon. A heartening feature of the performance of the unit is that the quality of the meters produced has been found to be satisfactory both by the company's own tests and by the reports of the Government's Test House. Valuable assistance and co-operation was received from the collaborators, Messrs. Mitsubishi Electric Corporation, in the completion of the project.

SANKEY WHEELS

Six lakh shares of Rs. 10 each are being offered by Sankey Wheels Ltd., for public subscription. The subscription list will open on August 26 and close on September 9 but not before August 28. The entire public issue has been underwritten—Rs. 40 lakhs by the ICICI and the balance of Rs. 20 lakhs by two stock brokers. While the authorised capital is Rs. 2.50 crores, the subscribed and paid-up capital is Rs. 1.10 crores, distributed as under: Rs. 38.50 lakhs held by Joseph Sankey and Sons Ltd., of England, a promoter and technical collaborator in this project, Rs. 38.20 lakhs held by Guest Keen Williams Ltd., of Calcutta, a promoter, Rs. 10 lakhs held by the Commonwealth Development Finance Corporation, of London, Rs. 21.60 lakhs held by Mr. Sant Singh Sahney, a promoter and Rs. 1.70 lakhs by other directors and friends.

All types of wheels will be manufactured by the company at Durgapur. The manufacture of truck wheels is being undertaken with a new plant largely imported for the purpose, the foreign exchange for which is provided by the CDFC. Production is expected to start in the middle of 1964. The manufacture of car wheels will be carried out with the plant transferred to GKW. It is proposed to move this plant to Durgapur soon after the commencement of production of truck wheels, but pending this, the plant has been hired to GKW, which has agreed to manufacture and sell to the company its entire production of wheels. There is no other licensee for the manufacture of car wheels in India except GKW and there is only one other unit in this country which has been licensed for the manufacture of truck wheels.

MUKUND IRON

A substantial increase in sales from Rs. 4.73 crores to Rs. 6.46 crores has been reported by Mukund Iron and Steel Works Ltd., for the year ended March 1963. The gross profit

has also increased from Rs. 61.43 lakhs to Rs. 67 lakhs. After providing Rs. 15.25 lakhs for depreciation, Rs. 4.25 lakhs for development rebate reserve and Rs. 29.75 lakhs for taxation, the net profit was Rs. 17.48 lakhs. Taking credit of "provision for gratuity written back" at Rs. 8 lakhs, "tax refund" at Rs. 3.33 lakhs and "excess provision written back" at Rs. 1.47 lakhs, the surplus available was Rs. 30.84 lakhs out of which Rs. 15.30 lakhs are proposed to be transferred to general reserve and Rs. 15 lakhs to dividend reserve. The proposed dividend, maintained at the last year's level, at Rs. 1.20 a share (subject to tax) and the dividend on the deferred shares will absorb Rs. 14.01 lakhs.

KARANPURA COLLIERIES

The Karanpura Collieries Ltd., (Secretaries & Treasurers: Bird & Co. Private Ltd.) have not published their audited accounts for the year ended February 28, 1963 because of the prohibition under Rule 52 of the Defence of India Rules, 1962. The directors have recommended dividend on ordinary shares at the rate of 10 per cent per annum (subject to deduction of tax) and, in the case of the 5½ per cent Cumulative Preference Shares, a dividend of 4.579 per cent per annum (subject to deduction of tax) in accordance with the provisions of the Preference Shares (Regulation of Dividends) Act, 1960.

CAPITAL ISSUES

The Controller of Capital Issues has authorised five capital issues aggregating Rs. 1.68 crores. Only two of them are from new companies. Three companies will offer their shares for public subscription by prospectus. One company will issue part of its shares to its foreign collaborator. The consent is valid for 12 months in all cases.

Sri Ramakrishna Steel Industries Limited, Coimbatore, a new company incorporated in the State of Madras, has been

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6. The amounts deposited will earn interest @ 3% per annum on minimum monthly balance.

J. RITCHIE
General Manager.

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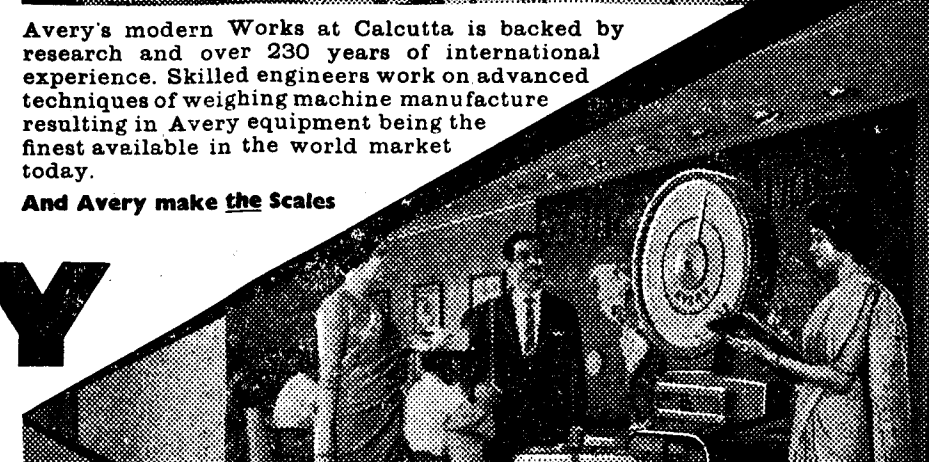
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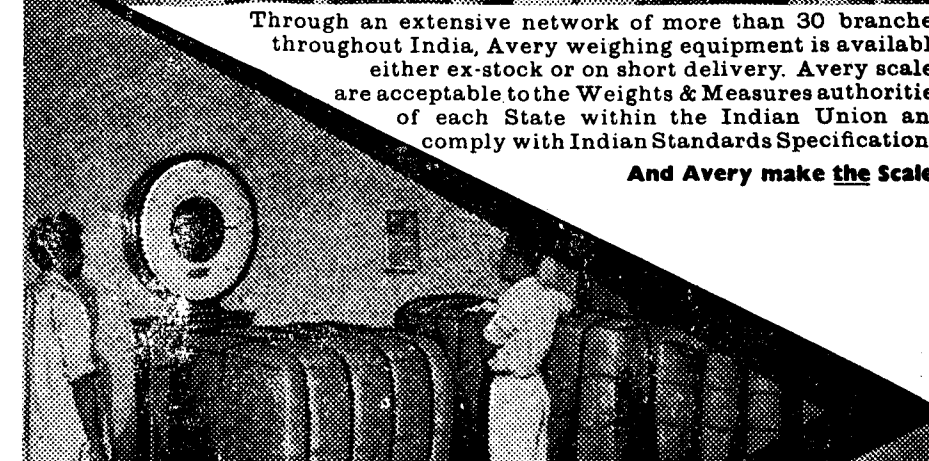
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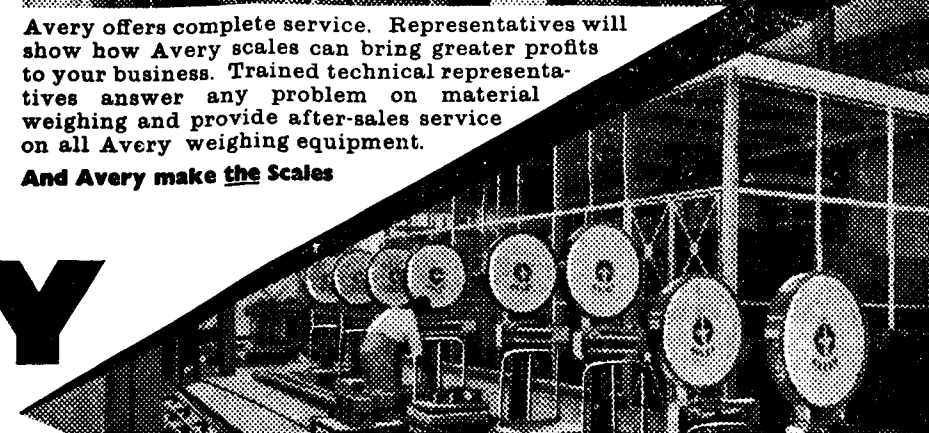
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The Truth about Man-Made Fibres...III

How Man-Made Fibres Will Help CLOTHE 117 MILLION EXTRA PEOPLE In The Next 10 Years

AN ALARMING population explosion! India's population is estimated to spiral upward to 555 million in the next decade. Already the demand for textiles far exceeds the country's production. How then, will 117 million extra people be clothed? Improved standards of living make this problem even more acute as more people will be requiring better fabrics every year.

The Problem With Natural Fibres

If these extra textile requirements are to be met by cotton alone, 2000 million more yards of cotton fabrics will have to be produced! This creates an impossible dilemma...for by increasing its production of cotton the country will have to sacrifice arable land, desperately needed for growing more food. Alternatively, we will have to forfeit valuable foreign exchange to buy fibres from abroad. Today we are already in the grip of an acute fibre shortage. A decade from now our planners may be confronted with critical problem.

Man-Made Fibres The Answer

Man-made fibres like rayon and nylon are both a substitute and a blend for cotton. The raw materials required for them comes from petro-chemicals, coal, oil and trees on mountain slopes—not from land needed for food crops. Man-made fibres can thus meet the country's textile requirements without affecting the nation's food production.

Compared to other fibres very little foreign exchange will be needed for the production of man-made fibres. India has already imported cotton and other fibres worth nearly 250 crores in the past three years. A fifth of the sum will exceed the capital costs needed by the man-made fibre industry to expand and fulfil India's entire textile needs. The recurring costs will also be nominal, declining with India's increasing self-sufficiency in wood pulp, sulphur and chemicals.



Food and clothing are both basic needs and one cannot be sacrificed to achieve self-sufficiency in the other. By increasing the production of rayon and allied man-made fibres the problem can be

satisfactorily solved—and valuable foreign exchange conserved. What is now needed is an objective and far-sighted policy by the Government to encourage more production of man-made fibres.

Man-Made Fibres Serve India's Vital Needs

The Association of Man-Made Fibre Industry, Resham Bhavan, Vir Nariman Road, Bombay 1

given consent to issue capital of Rs. 50 lakhs. It is divided into 50,000 equity shares of Rs. 100 each to be issued for cash at par. This is inclusive of 1,172 shares already subscribed by the signatories to the memorandum of association. Out of these, such number of shares as would enable the company's scrip to be listed on a recognised stock exchange will be offered for public subscription by prospectus. The money will be used for establishing a new undertaking to be located in and around Coimbatore for the manufacture of 4,800 tons of steel castings per annum.

Borax Morarji Limited, Bombay, a new company, will issue capital of Rs. 30 lakhs divided into 60,000 equity shares of Rs. 50 each for cash at par. Out of this, shares of the value of Rs. 13.50 lakhs will be offered for subscription to Borax (Holdings) Limited, London, and Rs. 7.50 lakhs to Dharamsi Chemical Company Limited. The balance of Rs. 9 lakhs is to be issued to the public by prospectus. The capital will be used for the manufacture of borax and boric acid.

Simon Carves India Limited, Calcutta, a subsidiary company of Simon Carves Limited, UK, is to issue capital of Rs. 60 lakhs divided into 60,000 equity shares of Rs. 10 each. Of this, shares of the value of at least Rs. 24 lakhs will be offered for public subscription by prospectus for cash at par. The balance of Rs. 36 lakhs will be issued to the foreign collaborator partly for cash and partly for consideration other than cash. The capital will be used for taking over a part of the assets of the Indian branch of the British company.

Bajaj Electricals Limited will issue additional capital of Rs. 27.50 lakhs in equity shares of Rs. 100 each to be issued for cash at par. The money will be used in providing working capital for the company and also investing in Matchwell Electricals Limited.

LICENCES ISSUED

The following licences have been granted under the Industries (Development and Regulation) Act, 1951, during the week ending 10 August, 1963.

The list contains the names and the addresses of the licensees, articles of manufacture and annual installed capacity.

ELECTRICAL EQUIPMENT

M/s. National Electrical Industries Ltd., Industrial Estate, Lalbaug, Bombay-12 (Maharashtra) — Power and distribution transformers 5,000 to 15,000 KVA and voltage ranges up to rating 132 KV. 2,40,000 KVA per annum.

AUTOMOBILES

M/s. Ghatge Patil Industries Private Ltd., Rajaram Road, Kolhapur, Urchagaon, Distt. Kolhapur, (Maharashtra) — Clutches and power-take-offs for heavy duty engine, 1,500 Nos. per annum.

MACHINE TOOLS

M/s. Bengal Enamel Works Ltd., 60/2, Dharamtala Street, Calcutta-13, (Titagarh (Noapara) 24, Parganas-West Bengal) — Industrial furnaces Rs. 50 lakhs worth per annum.

EARTH MOVING MACHINERY

M/s. Garden Reach Workshops Ltd., 43/46, Garden Reach Road, Calcutta-24 (West Bengal) — 8-10 ton diesel engine driven road roller 120 Nos. per annum.

SMALL TOOLS

M/s. The Indian Tool Manufacturers Ltd., 101, Sion Road, Sion, Bombay-22 (Maharashtra) — Carbide tipped tools 1,80,000 Nos. per annum.

DRUGS AND PHARMACEUTICALS

M/s. Alembic Chemical Works Co. Ltd., Alembic Road, Industrial Area, Baroda-3 (Gujarat) — Inhaler for 5,00,000

units — Hompro first aid spray for 1,50,000 bottles of 50 ml. each — Glare lotion (mild antiseptic) for 50,000 bottles of 100 ml. each — Antiseptic shaving cream for 2,00,000 tubes of 75 gm. — Glare liquid (for scalp hygiene) for 25,000 bottles of 200 ml. — Antiseptic dentifrice for 5,00,000 tubes of 100 gm. — Glare cream (for scalp hygiene) for 25,000 bottles of 200 ml. each.

CHANGES IN NAMES

(During the week ended August 10, 1963)

From M/s. Zwick UC I Testing Machines (India) Ltd. or Zwick Bharat Testing Machines Ltd., Bombay to M/s. Bharat Zwick Testing Machines Private Ltd., Bombay. From M/s. Modi Vanaspati Manufacturing Co., Modinagar to M/s. Modi Gas and Chemicals, Modinagar. From M/s. The Vishnu Pratap Sugar Works (P) Ltd., P.O. Rajabazar, Khadda, Distt. Deoria (U.P.) to the new owners: 1. Rani Rebati Devi, 2. Kr. Ram Pratap Narain Singh.

LICENCES REVOKED

(During the week ended August 10, 1963)

M/s. Jolly Brothers (P) Lt., Bombay — corrugated of medium, liner paper, printing and writing paper and pulp. M/s. Tilawat Oil Seeds & Cakes Co Private Ltd., Kanpur. — Vegetable oils. M/s. Damodar Valley Refractories Ltd., Calcutta — Firebricks.

*Here with a loaf of
Bread beneath the bough,
a bottle of Gold Coin,
a book of verse and thou,
Beside me singing in
the wilderness—and wilder-
ness is Paradise enow.*

— with apologies to 'Omar Khayyam'

This fruit-ful
drink is delicious,
refreshing and so
nourishing. It is
really good for
health and beauty.

Gold Coin

Real
APPLE JUICE

Non-Alcoholic
SPARKLING &
NON-SPARKLING



DYER MEAKIN BREWERIES LTD.

BOOKS BRIEFLY

The Ways of Small Industry

Small-Scale Industries of Mysore: National Council of Applied Economic Research, New Delhi; Pages 215; Price Rs. 12.50.

THIS STUDY undertaken for the Mysore Government covers a field where ignorance of factual details has probably been as much responsible as mere apathy for the traditional stagnation. The modest entrepreneur is, in effect, every body's poor cousin There is, in fact, a big gap between the loud profession of concern for small industry and the difficult conditions of birth and survival in this field where costs are exorbitant and earnings uncertain. It is to be hoped that the details relating to the terms on which trading capital is available for the small-scale sector as well as the recommendations regarding future development (growth possibilities) will attract the Government's attention.

The study was undertaken after a survey of about 150 small industries covering 19 districts, and makes original suggestions on how to turn small-scale industry into productive and value-yielding enterprise. The chapter entitled "Development pattern and policy", apart from the novelty of its methodology for economists, will be useful as a guide of action to practical statesmen.

MODERN MANAGEMENT PRACTICE

Fundamentals of Business Organisation: By Y. K. Bhushan; Saitan Chand & Sons, Delhi; 1963; Pp. 756; Rs. 13.00.

WITH THE character of business organisation getting inevitably complex, business practice calls for a far more systematic and specialised training than a mere reliance on inborn business acumen and it is to this end that Mr. Y. K. Bhushan's book appears to be a valuable addition to the literature on

the subject. Aspects of management such as production control, budgetary and cost control, marketing, personnel management etc. have been dealt with in a lucid manner. The author's analysis is generally acceptable, but not always. For example, in the chapter 'Industrial and Corporation Finance', the author says that it is a sign of over-capitalisation when a company does not earn sufficient profits to pay interest and dividend at "proper" rates. This view may not be fully subscribed to, as it is known that much of the financial results depends upon the uninterrupted working of the company which again may depend on factors such as the availability of power, transport, raw materials and imported components, changes in fiscal policies, price levels at home and abroad and the state of industrial relations. Similarly, the view that under-capitalisation is the reverse of over-capitalisation but "also leads to low dividends and low quotations at the stock exchange" does not seem to be wholly true. After all, business activity is in essence a part of the economy in general and it would be wrong to hold otherwise.

PROGRESS DOCUMENTED

Industrial March, 1963: A Kirloskar Publication; Edited by M. S. Kirloskar, Poona-2.

THE ANNUAL number of 'Industrial March', which is incidentally its May issue, is a useful documentation of the industrial progress of the country and of the various problems of production which press for solution in view of the emergency. A special feature relates to a symposium "Is foreign collaboration helpful?", sponsored by this periodical and attended by Mr. G. L. Mehta, Mr. B. D. Sonani and Dr. R. J. Rathni among others. Among contributors to this issue are Mr. Bharat Ram, Prof. M. S. Thacker, Prof. M. P. Gandhi, Dr. S. K. Muranjan and Mr. F. S. Antia

Readers' Roundtable

HIGH FENCE AND OLD HORSE

Sir,—“You can't jump high fences on an old horse.” Mr. Khrushchev quoted this folk-saying at the 22nd Congress of the Communist Party criticising various aspects of Soviet planning. Our country has been subjected by the Planning Commission to the comprehensive centralised planning of the Soviet model since 1956, with results which are apparent — rising prices, economic stagnation and frustration of productive economic activity by administrative controls, the latest protest against which is from the Union Minister for Steel and Heavy Industries.

A recent study of the economies of Russia, Poland and Yugoslavia by the Institute of Economic Affairs, London, published under the title "Communist Economy Under Change", shows that the discipline of the free market is gradually substituting centralised comprehensive planning in those countries. There is relaxation of central planners' grip over the economy, introduction of incentives and more attention to consumer goods and agriculture. The inexorable laws of economics have driven even Communist countries to relax their doctrinaire planning. Should India persist in this error?

Bombay.

"ARISTIDES"

CHIT FUNDS IN THE CAPITAL

Sir,—With regard to the item which appeared on page 125 of the issue of your journal dated July 19, regarding the operation of Chit Funds in Delhi, I would like to mention that the Madras Chit Fund Act, 1961 has been extended to the Union Territory of Delhi vide Government of India, Ministry of Home Affairs, Notification No. 1311 dated September 26, 1962. It is understood that the Delhi Administration authorities have taken in hand the framing of the necessary regulations in this connection and that the operation of the Act is likely to be enforced in Delhi very soon. Mr. S. P. Bansal, an officer belonging to the Sales Tax Department of the Delhi Administration has been appointed as Registrar of Chit Funds, Delhi.

I shall be grateful if the present position is brought to the notice of the readers of your journal.

S. K. BHATTACHARYYA,
Registrar of Companies, Delhi.

New Delhi

COMPANY MEETING

THE SOUTH MADRAS ELECTRIC SUPPLY CORPORATION LTD.
Tiruchirapalli

Address delivered by Sri K. A. P. Vishvanatham, Chairman, at the 23rd Annual General Meeting of the company held on 9th August, 1963.

I have great pleasure in welcoming you to this Twenty-third Annual General Meeting of the Company.

Under the Defence of India Rules, which have been promulgated under the present National Emergency, your Directors were enjoined not to publish the Balance Sheet and any other accounts of the Company, nor reveal statistical data as to the activities of the Company. Hence these documents, on which we usually have such lively and illuminating discussions from all of you, have not been published and circulated to you. Opportunity was, however, given to such of the shareholders as desired to do so, to see the accounts of the Company at the office. This was done with the distinct expectation that the information will be deemed by them to be confidential.

You have now my assurance that the Company's affairs as to its various phases like construction, expansion of rural electrification, prudent management of its revenues and expenditure, have all been carried out diligently and with care; this has reflected in the dividend we have been able to declare which you will observe is higher than what it was last year. In addition, I would also like to say we have given supply to ten more villages than we did last year; there has also been a substantial increase in revenue. I trust this will give you satisfaction.

I am confident that in the years to come this rate of progress will be maintained and I also hope that our National Emergency will soon be over and that we will again be free to discuss with you more fully the affairs of the Company at similar future meetings.

The Company's staff have been working loyally and there has been great cordiality in the labour-management relationship. Your Managing Agents were able to successfully negotiate and conclude a further 3-year agreement commencing with 1st April, 1962 giving substantial benefits to all grades of staff and I am sure this has been appreciated by labour and earned their general satisfaction.

You will notice that amongst the retiring Directors are Messrs. V. Ramaiah who has been the Vice-Chairman of the Company and Sri G. Sreenivasulu Chetty. Both these gentlemen, having attained the age of 65 offered not to seek re-election after retirement this year, in accordance with the conventions set up by us in the Board and in fulfilment of the promise that the strength of the Board shall be reduced to ten elected Directors. I have however requested that Sri V. Ramaiah should seek election and be a colleague on the Board, as he is an eminent engineer, very fit in spite of his being 65 years old and his services are invaluable to the Board. I am sure you will all heartily support this suggestion of mine.

Sri G. Sreenivasulu Chetty, as a Director of over five years standing has been extremely helpful to me in the discharge of my duties. On behalf of you and on behalf of myself and my colleagues on the Board, as well as of the Managing Agents, I wish to tender to him my sincere and heartfelt thanks.

Though he has retired from his directorate, I am confident he will continue to take an abiding interest in the affairs of the Company.

This year again we had a few anxious days due to acute water shortage in the hydro-electric reservoirs, and power position became critical during the month of June and part of July. Though the cut has been now removed, I regret to say that the position is still unsatisfactory. Let us hope that, soon, this state of affairs will improve.

As a consequence of power shortage on the one hand and increasing operational costs all round, your Company was perforce compelled to make some slight increases in tariffs to meet the unforeseen added expenditure.

The Company received a peculiar request from some shareholders; it was a petition to table a resolution before you, to pay, retrospectively, from the beginning of times, increased gratuity benefits to all retired staff on the basis of some very recently agreed formula. While the Directors were clear in their mind that such a decision is outside the scope of their powers or of the General Body as the proposal has nothing to do with either the accounts or day-to-day administration of the Company, they still sought legal opinion and were advised that the proposal was ultra vires and should not be placed before the General Body. I am sure you will appreciate the position.

I referred earlier to the National Emergency in the country on account of the threat of a Chinese invasion. There was a lull in the minds of people for sometime, but we are again hearing of the massing of troops by the Chinese on the borders, giving rise once again to feelings of perturbation all over the country.

It is a matter of gratification, that people all over the country are alive to this threat and have the single minded resolve to fight aggression of any time and at any cost. It is also heartening that all over the World there is sympathy and support for us. All the members of staff of this Company have subscribed voluntary contribution to defence funds, and the Company has offered its unqualified support with its resources of every kind to fight this threat to our Nation, apart from a cash contribution to the above fund of Rs. 32,500. I join you all in my sincere prayers to the Almighty that we are soon out of this grave situation and that we will be free to carry on our peaceful avocations as usual. I am very happy to inform you that a number of our staff are in Defence services and quite a large number are active members of the Home Guard teams. I convey to them my good wishes and yours.

With the request that the discussions do not relate to any aspect of the Company which will conflict with the principles of discretion laid down by the Defence Rules, I now request your kind comments, before we adopt the various resolutions relating to dividends, elections, etc.

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

Gwalior Rayon



TERYLENE
Polyester ICI Fibre

SUITINGS

are the latest creations
in fashion



NPS/GS-61

THE GWALIOR RAYON SILK MFG. (WVG.) CO., LTD. Birlanagar - Gwalior.

Available in Delhi at: SYLCO, 11-E, Conn. Place; ORIENTAL TEXTILE CORPORATION, Madras Hotel Block, Conn. Circus; BHAGIRATHMAL & SONS, Opp. Chartered Bank, Ch. Chowk and other leading stores.

Distributors in Delhi: SHIVLAL KANHAYALAL, Katra Nawab, Ch. Chowk; RUGGANMAL PURANCHAND, Katra Choban, Ch. Chowk; HAZURASINGH MANOHARSINGH, Katra Rathi, Nai Sarak; RAKESH AND RAJESH CO., Katra Rathi, Nai Sarak.

RECORDS AND STATISTICS

Company Finances: 1961-62

A STUDY of the finances of large and medium-sized public limited companies during the period July 1961 to June 1962 has been published by the Reserve Bank of India in its June 1963 issue. The analysis is based on the financial results of 1333 companies, (as compared with 1001 companies in the previous years) which accounted for 87 per cent of the paid-up capital of all the companies in the corporate sector. Like the previous ones, the present survey does not include banking, insurance and investment companies, Government companies, non-profit companies and associations, and companies limited by guarantee.

Rates of Growth: The working results of the 1333 companies during the year under review disclose a fall in the rate of growth of total income, sales, profits and capital formation as compared with the growth rates observed in the case of 1001 companies in 1960-61 (Vide Table I). The comparatively smaller rise in agricultural production, bottlenecks in coal, power and transport, the continued import restrictions and under-utilisation of capacity in most of the industries accounted, by and large, for the slow-down in the rate of progress of the companies in 1961-62.

The smaller turnover nearly halved the rate of growth in profits. It fell steeply from 14.8 per cent in 1960-61 to 7.4 per cent in 1961-62. With the enhancement of the rate of Corporation Tax from 45 per cent to 50 per cent the pro-

vision for taxation was much higher (21.3 per cent) and as a percentage of profits before tax it increased substantially from 38 in 1960-61 to 43 in 1961-62. The higher allocation for taxes resulted in a fall in the profits after tax for the first time in three years.

Distributed profits however increased by 3.6 per cent. This was partly as a consequence of the rise of Rs. 38 crores in paid-up capital. Consequently the retained profits recorded a substantial fall of 8.6 per cent in 1961-62 as against a rise of 13.6 per cent in 1960-61.

The combined income and expenditure account of the 1333 companies is summed up in Table II. Sales which constituted the main income of the companies improved by Rs. 260 crores to Rs. 2831 crores in 1961-62. Appreciable rise in sales was recorded in cotton textiles, jute, sugar, chemicals, iron and steel and trading and they accounted for three-fourths of the aggregate rise. Among the individual industries, the cotton textile industry contributed the largest increase of Rs. 70 crores in sales.

The higher income of the companies was accompanied by a corresponding rise in manufacturing expenses. Raw materials consumed and "other manufacturing expenses" which claimed the bulk of the expenses increased by 7.5 per cent to Rs. 1623 crores. The rise in manufacturing expenses was shared by most of the industries. In contrast, declines in

TABLE I.
GROWTH OF THE CORPORATE SECTOR

Item	1960-61 (1,001 Companies)	1961-62 (1,333 Companies)
A. Rates of Growth (% increase or decrease per annum)		
1. Paid-up capital plus free reserves (net worth) ..	8.3	7.7
2. (a) Gross fixed assets ..	8.0	9.9
(b) Net fixed assets ..	4.7	7.9
3. Inventories ..	17.1	10.7
4. (a) Gross fixed assets plus inventories ..	10.6	10.1
(b) Net fixed assets plus inventories ..	9.6	9.1
5. (a) Total gross assets ..	10.3	9.9
(b) Total net assets ..	9.5	9.1
6. Total income ..	12.7	10.0
7. Sales ..	11.1	10.1
B. Profits		
1. Profits before Tax ..	14.8	7.4
(% increase or decrease per annum)		
2. Retained profits as percentage of profits before tax ..	23.7	20.6
3. Gross profits as percentage of total capital employed ..	10.1	10.0
4. Gross profits as percentage of sales ..	10.2	10.0
C. Other Ratios		
1. Gross fixed assets formation as % of total assets formation ..	44.1	56.4
2. Capital formation as % of total assets formation ..	80.4	82.7
3. External sources as % of total sources of funds ..	43.5	43.8
4. Increase in bank borrowings as % of external sources ..	48.3	35.5

TABLE II
INCOME AND EXPENDITURE

(Rs. lakhs)		
Item	1960-61 (July-June)	1961-62 (July-June)
EXPENDITURE		
1. Opening stock of finished goods and work in progress ..	301,36	379,11
2. Raw materials consumed ..	1,251,92	1,335,48
3. Other manufacturing expenses ..	258,58	288,00
4. Salaries, wages and bonus ..	386,62	415,53
5. Employees' welfare expenses ..	16,55	18,10
6. Provident fund ..	18,53	20,19
7. Bad debts ..	77	76
8. Excise Duty and Cess ..	183,02	206,31
9. Other Expenses ..	205,09	230,04
10. Depreciation provision ..	96,03	103,20
11. Gross Profits ..	263,31	284,25
12. Interest ..	37,77	43,45
13. Managing agents' remuneration ..	12,98	12,45
14. Profits before Tax ..	212,56	228,35
15. Less tax provision ..	81,70	99,08
16. Profits after Tax ..	130,86	129,27
(a) Dividends ..	79,38	82,24
(b) Profits retained ..	51,48	47,03
17. Total ..	2,981,78	3,280,97
INCOME		
18. Sales ..	2,571,27	2,830,99
19. Other income ..	31,40	34,96
20. Closing stock of finished goods and work-in-progress ..	379,11	415,02
Total ..	2,981,78	3,280,97

manufacturing expenses was recorded by aluminium, mineral oils and transport equipment industries. Salaries and wages, too, increased during the year under review; they went up substantially by Rs. 28.91 crores to Rs. 415.53 crores.

Profitability Ratios

Profitability ratios, industry-wise, are presented in Table IV. They indicate a set-back in the profitability of the companies in a majority of the industries. Sugar, plantations, jute textiles, chemicals and most of the engineering industries recorded declines in the ratio of gross profits to

sales and in the ratio of gross profits to total capital employed. In contrast, the profitability ratios were improved in the case of mineral oils, cotton textiles and transport equipment.

An analysis of the pattern of profit allocations, is given in Table III. The ratio of tax provision to profits before tax, which increased moderately from 36.6 per cent in 1959-60 to 38.4 per cent in 1960-61, shot up to 43.4 per cent in 1961-62. The larger tax provision resulted in a fall in distributable profits. Consequently the retained profits and dividends as a percentage of profits before tax declined from 24.2 and 37.3 in 1960-61 to 20.6 and 36.0 in 1961-62 respectively.

TABLE III.
PROFIT ALLOCATION RATIOS, INDUSTRY-WISE
(Based on 1333 selected Public Limited Companies)

	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	
		1960-61	1961-62	1960-61	1961-62	1960-61	1961-62	1960-61	1961-62	1960-61	1961-62
1. Tea Plantations	149	46.5	51.4	43.4	47.2	10.1	1.4	81.1	97.1	18.9	2.9
2. Coffee Plantations	15	25.5	43.5	57.0	71.8	17.5	—15.3	76.5	127.2	23.5	—27.2
3. Rubber Plantations	21	50.6	56.4	37.0	41.1	12.5	2.5	74.7	94.3	25.3	5.7
4. Edible, vegetable & hydrogenated oils	17	45.4	55.6	31.5	37.6	23.1	6.8	57.7	84.6	42.3	15.4
5. Sugar	80	41.8	50.6	39.1	43.1	19.1	6.3	67.2	87.3	32.8	12.7
6. Tobacco	7	48.6	53.6	37.8	40.6	13.8	5.9	73.3	87.4	26.7	12.6
7. Cotton textiles	257	34.9	42.0	30.3	27.1	34.8	30.9	46.6	46.8	53.4	53.2
8. Jute textiles	58	39.2	107.7	43.1	117.3	17.7	—125.0	70.9	..	29.1	..
9. Silk & rayon textiles	10	20.3	16.1	27.5	27.6	52.1	56.3	34.5	32.9	65.5	67.1
10. Woollen textiles	7	47.7	46.4	26.7	20.9	25.6	32.7	51.1	39.0	48.9	61.0
11. Iron & steel	2	13.1	25.9	53.8	44.6	33.1	29.5	61.9	60.1	38.1	39.9
12. Non-ferrous metals	7	31.7	46.0	24.7	29.6	43.7	24.4	36.1	54.9	63.9	45.1
13. Transport equipment	32	39.7	51.4	37.6	31.8	22.7	16.8	62.3	65.5	37.7	34.5
14. Electrical machinery, apparatus, appliances, etc.	45	44.5	43.3	32.5	33.9	23.0	22.8	58.6	59.8	41.4	40.2
15. Machinery (other than transport & electrical)	54	39.9	43.4	27.9	30.6	32.2	26.0	46.4	54.0	53.6	46.0
16. Foundries & engineering workshops	25	59.5	58.3	37.8	29.3	2.7	12.4	93.4	70.2	6.6	29.8
17. Ferrous / non-ferrous metal products	23	40.9	45.4	38.3	47.9	20.8	6.7	64.8	87.8	35.2	12.2
18. Basic industrial chemicals	35	34.3	37.1	31.5	34.0	34.2	28.9	48.0	54.1	52.0	45.9
19. Medicines & pharmaceutical preparations	31	44.5	46.2	31.2	29.2	24.3	24.6	56.2	54.3	43.8	45.7
20. Other chemical products	20	48.2	49.6	34.4	45.2	17.4	5.2	66.4	89.7	33.6	10.3
21. Matches	3	48.3	52.4	38.7	37.6	13.0	10.0	74.9	79.0	25.1	21.0
22. Mineral oils	3	47.0	47.4	34.5	35.0	18.5	17.6	65.1	66.6	34.9	33.4
23. Cement	15	31.0	37.3	61.4	55.3	7.6	7.4	89.0	88.2	11.0	11.8
24. Paper & paper products	21	32.1	38.1	39.6	42.8	28.3	19.1	58.3	69.2	41.7	30.8
25. Trading	70	52.4	54.0	49.4	41.1	—1.8	4.9	103.9	89.4	—3.9	10.6
TOTAL (including others)	1333	38.4	43.4	37.3	36.0	24.2	20.6	60.7	63.6	39.3	36.4

Note: '...' indicates that the denominator is zero or negative.

TABLE IV.
PROFITABILITY RATIOS, INDUSTRY-WISE

(Based on 1333 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	
		1960-61	1961-62	1960-61	1961-62	1960-61	1961-62	1960-61	1961-62	1960-61	1961-62
1. Tea plantations	149	20.4	15.6	12.0	9.3	8.8	6.1	7.1	5.9	14.2	11.8
2. Coffee plantations	15	21.7	16.0	10.4	6.4	10.3	4.4	7.9	5.5	12.4	6.7
3. Rubber plantations	21	34.9	29.8	16.9	14.0	10.5	7.3	7.8	6.9	11.1	10.3
4. Edible, vegetable & hydrogenated oils	17	3.2	2.6	8.3	7.2	10.1	6.1	5.3	5.2	7.6	6.9
5. Sugar	80	9.8	8.1	8.8	7.4	11.1	7.3	7.5	6.4	13.9	11.6
6. Tobacco	7	8.2	6.9	13.5	11.9	8.9	7.1	6.5	6.2	10.8	10.5
7. Cotton textiles	257	9.4	10.0	12.0	12.9	13.5	13.1	6.3	6.1	11.9	12.2
8. Jute textiles	58	5.2	2.1	7.6	3.4	7.1	—0.2	5.0	3.5	8.6	5.9
9. Silk & rayon textiles	10	22.6	20.9	15.8	13.2	19.1	17.1	6.6	5.6	10.0	9.2
10. Woollen textiles	7	15.6	15.9	19.4	20.1	17.8	19.9	9.1	7.3	12.2	12.0
11. Iron & steel	2	13.1	13.8	6.9	8.0	10.4	10.2	6.4	6.1	12.6	12.6
12. Non-ferrous metals	7	12.0	11.0	12.8	10.9	17.4	9.0	6.3	5.0	7.4	5.8
13. Transport equipment	32	8.7	9.7	9.8	10.0	12.3	10.8	7.7	7.1	10.0	9.6
14. Electrical machinery, apparatus, appliances, etc.	45	13.1	12.0	12.9	11.6	14.2	13.4	8.3	8.0	13.0	12.8
15. Machinery (other than transport & electrical)	54	13.7	12.6	11.5	10.4	14.5	12.6	6.7	6.8	9.3	9.9
16. Foundries & engineering workshops	25	7.9	9.7	8.4	9.4	7.0	8.7	6.5	6.1	10.2	9.3
17. Ferrous / non-ferrous metal products	23	11.9	11.1	11.3	11.1	11.0	9.9	7.1	8.7	13.2	16.1
18. Basic industrial chemicals	35	22.0	20.2	13.7	12.3	14.2	13.1	6.8	7.1	8.9	9.8
19. Medicines & pharmaceutical preparations	31	14.2	13.9	15.4	14.2	17.8	16.4	10.0	8.9	16.1	15.4
20. Other chemical products	20	9.3	8.9	11.5	11.0	11.2	10.1	7.4	9.1	11.3	14.0
21. Matches	3	7.0	7.4	15.9	16.1	13.1	12.3	9.8	9.7	15.8	16.0
22. Mineral oils	3	19.8	21.4	12.8	14.1	11.0	12.0	7.2	8.0	14.4	16.5
23. Cement	15	10.9	11.0	8.3	8.7	7.8	7.8	6.9	6.9	9.7	9.8
24. Paper & paper products	21	12.7	11.2	9.4	8.4	9.9	8.0	5.8	5.5	10.2	9.8
25. Trading	70	5.0	5.5	8.2	9.1	9.5	10.2	9.9	9.1	15.1	14.4
TOTAL (including others)	1333	10.2	10.0	10.1	10.0	10.9	10.0	6.6	6.3	11.0	10.9

Note: Figures shown against each year in tables I, II, III & IV relate to the accounting years ended during the period of twelve months commencing from July 1, of that year.

Source: Reserve Bank of India.

Performance of Indian Railways: April-June 1963

THE FOLLOWING statement compares approximate gross earnings for June, 1963, with both approximates and actuals for June, 1962.

(Rs. crores)			
Earnings	Approximates June, 1962	Actuals June, 1962	Approximates June, 1963
Passenger	15.12	15.41	17.24
Other coaching	2.45	2.31	2.75
Goods	25.49	23.69	30.25
Others	0.83	1.14	0.91
Total	43.89	42.55	51.15

The position of cumulatives to end of June, 1963, compared with the corresponding period of the last year is as follows:

Earnings	April-June, 1962-63 (Actuals)	April-June, 1963-64 (Approximates)
Passenger	45.18	51.58
Other coaching	7.07	8.00
Goods	76.26	91.74
Others	2.41	2.61
Total	1,30.92	1,53.03

Wagon Loadings (excluding ballast and other railway materials loaded in departmental wagons):—During the month the number of wagons loaded with goods traffic increased by 12.2 per cent on the Broad Gauge and by 1.30 per cent on the Metre Gauge as compared with June, 1962. From 1 April to 30 June, 1963, the number of wagons loaded increased by 12.6 per cent on the Broad Gauge but decreased by 2.30 per cent on the Metre Gauge as compared with the corresponding period of the previous year.

The details of wagons loaded (originating and transshipment) during the month of June, 1963, as compared with June 1962 and the cumulatives to end of June 1963 as compared with the corresponding period of last year are given below:

(In terms of 4-wheelers)			
	June 1962	June 1963	% change of (2) over (1)
	(1)	(2)	(3)
Broad Gauge	529,675	594,244	+12.2
Metre Gauge	279,430	283,054	+ 1.3
	1962-63	1963-64	% change of (2) over (1)
Broad Gauge	1,632,295	1,837,591	+12.6
Metre Gauge	900,016	879,274	- 2.3

WAGON LOADINGS (COMMODITY-WISE): APRIL-JUNE, 1963 (Originating and Transshipment)

(In terms of 4-wheelers)							
April - June 1962-63			April - June 1963-64				
			% change of (2) over (1)	% change of (5) over (4)			
(1)			(2)	(3)	(4)	(5)	(6)
A. REVENUE EARNING TRAFFIC:—			Broad Gauge		Metre Gauge		
1. Coal and coke for public (including Non-Govt. Rlys.)	..	365,505	434,435	+18.9	63,536	74,823	+17.8
2. Grains and pulses	..	106,995	130,163	+21.7	93,517	105,865	+13.2
3. Oil seeds	..	14,338	17,082	+19.1	16,166	18,416	+13.9
4. (a) Cotton Raw	..	7,312	7,121	-2.61	5,808	5,670	-2.38
(b) Cotton Manufactured	..	2,544	2,329	-8.45	606	809	+33.5
5. (a) Jute Raw	..	15,642	10,989	-29.7	15,306	10,171	-33.5
(b) Jute Manufactured	..	1,624	1,938	+19.3	1,676	1,330	-20.6
6. (a) Sugar	..	17,296	18,124	+4.79	19,387	20,658	+6.56
(b) Sugarcane	..	11,729	153	-98.7	70,225	1,241	-98.2
7. Cement	..	47,361	54,910	+15.9	44,507	43,409	-2.47
8. Iron and Steel—							
(a) Pig iron	..	9,823	12,529	+27.5	2,076	1,335	-35.7
(b) Others	..	30,101	95,829	+19.6	16,945	16,610	-1.98
9. Tea	..	1,590	1,297	-18.4	2,155	1,720	-20.2
10. Metallic ores—							
(a) Manganese ore	..	14,657	12,297	-16.1	3,889	2,468	-36.5
(b) Iron ore	..	136,268	163,148	+19.7	14,581	15,333	+5.16
(c) Others	..	6,226	8,133	+30.8	6,935	5,433	-21.7
11. Lime Stone and Dolomite	..	65,047	64,273	-1.18	19,149	15,134	-21.0
12. Miscellaneous full wagons	..	406,603	456,762	+12.3	319,404	343,920	+7.68
13. Miscellaneous smalls	..	83,446	81,707	-2.08	70,62	68,284	-2.68
B. NON-REVENUE TRAFFIC*—							
14. Railway coal and materials—							
(a) Coal for home line	..	68,880	73,354	+6.50	68,515	69,366	+1.24
(b) Coal for other Govt. Rlys. and mfg. units	..	123,265	131,187	+6.43	5,666	9,389	+65.7
(c) Other stores	..	46,050	59,831	+29.9	39,850	47,890	+20.3
15. Total	..	1,632,295	1,837,591	+12.6	900,016	879,274	-2.30

* Regarding Non-Revenue loadings it should be observed that the number of wagons loaded shown in this table excludes departmental wagons loaded by the owning departments and vehicles loaned or lent to the Engineering or other departments for carriage of departmental stores or used in ballast trains etc.

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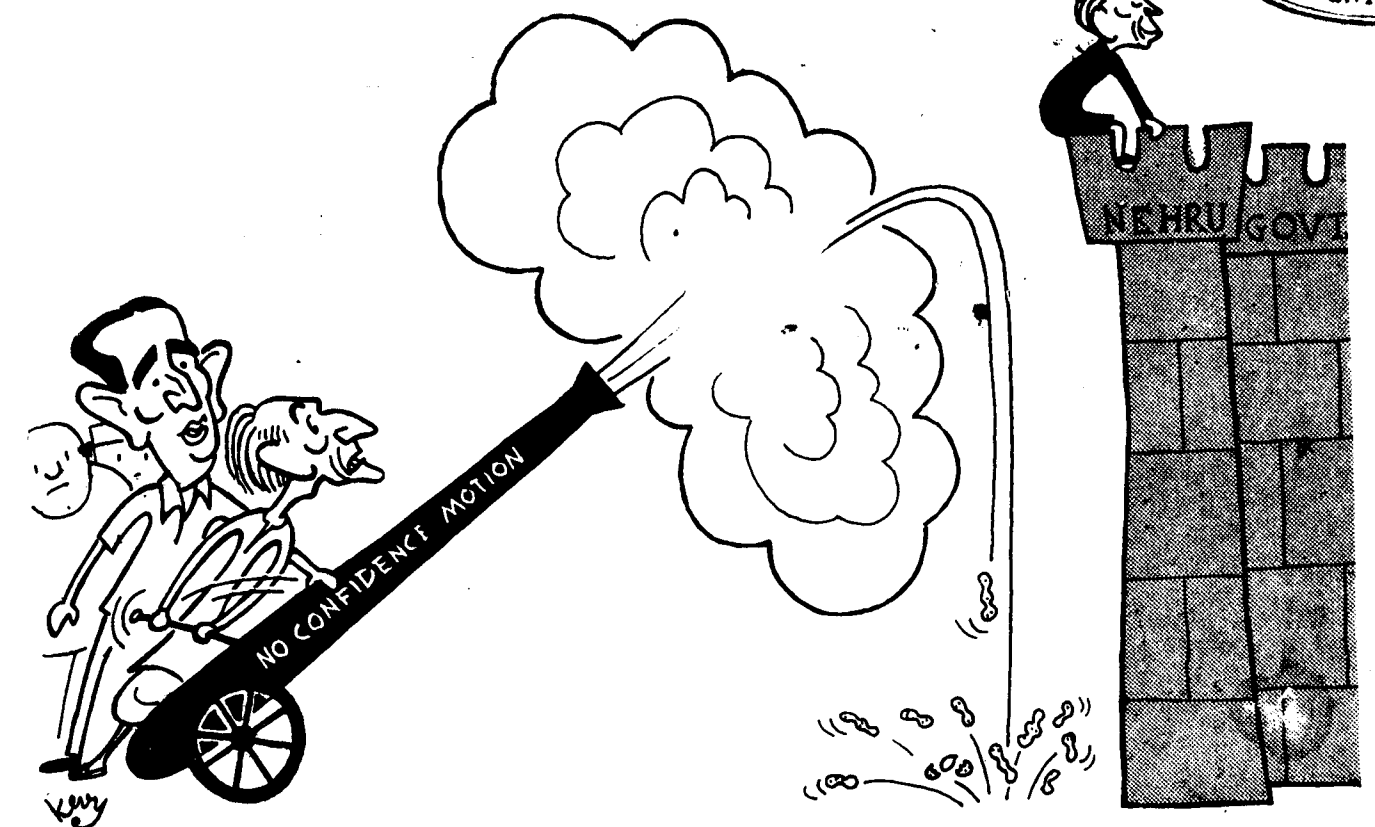
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How Poor Are the Poor?

ONE OF THE principal issues in debate when Acharya Kripalani's motion of "no confidence" in the Council of Ministers at the Centre was recently discussed in the Lok Sabha, was whether the three five-year Plans had succeeded in improving the living conditions of the mass of the people. Most of the leading speakers from the Opposition benches made it one of their main charges that the policies and programmes of economic and social development pursued by the Government in the last 15 years had not only not reduced mass poverty but had accentuated it. Acharya Kripalani, Mr. M. R. Masani, the three musketeers (one of them a woman) of the Communist group, and last but not least, Dr. Ram Manohar Lohia, all attempted to maintain, on differing grounds, the charge that the poor had become poorer.

That, of course, was nonsense and the grossest part of the nonsense, surely, was Dr. Lohia's noisy contention that 270 million people were earning per capita no more than three annas a day. This assertion is, on the point of it, so fantastic that we would ordinarily not have troubled to discuss it here. If, however, we proceed to do so it is for two reasons. In the first place the Prime Minister was so ill-served in his briefing that he could not clearly and promptly rebut Dr. Lohia's statistics. Secondly, thanks to the boom which Dr. Lohia's antics (we would not call them politics) currently enjoy in certain sections of the Press, two of our national newspapers seem to have been taken in by this bluff.

The Hindustan Times wrote on August 23 as follows: "Dr. Lohia was evidently sure of the facts of his case that 27 crores of the population were earning no more than three annas a day. More than 30 per cent of the national product is accounted for by 5 per cent of the population (sic) and the remaining 70 per cent is shared by 95 per cent of the population. The distribution of the balance is such that a large part of the 95 per cent of the population receives much more than the per capita income of Rs. 25 a month. It is, therefore, inevitable (sic) that a sizable section of the community should be earning even less than three annas a day mentioned by Dr. Lohia".

That Dr. Lohia seemed to be sure of the facts of his case ought surely to mean less than nothing. Persons who are ill-informed are generally very sure of their facts, and the more ill-informed a man is the more convinced he is that he has the facts. We do not know where Dr. Lohia gets his facts from. Like his opinions they must be peculiarly and uniquely his own. The wonder is that so many people should be so ready to make them their own too. *The Statesman*, writing a day after *The Hindustan Times*, obviously eager to make up for lost time, went one better than *The Hindustan Times* and said: "What the Prime Minister overlooked, despite Dr. Lohia's challenge to him, is the equally well-known fact (sic) that one per cent of India's population earns nearly 50 per cent of the total national income—from which it follows that a large mass must be earning much below the national average."

It should be interesting to know on what authority it is stated that 5 per cent of the population takes more than 30 per cent of the national product. It should be even more interesting to know on what evidence the other suggestion is made that 50 per cent of the total national product goes to one per cent of the population. The Prime Minister described Dr. Lohia's statistics as absurd; we could only characterise these assertions as grotesque. The point is that, when the daily Press begins to attempt economic analysis in its news columns, it should at least indicate the sources for its more adventurous statistics. We readily grant that even official statistics regarding the pattern of income distribution and consump-

tion are inadequate, provisional and far from up-to-date. Nevertheless, they ought to command more respect than some of the figures which had been scattered around in Parliament and elsewhere lately. The Perspective Planning Division of the Planning Commission has made certain estimates indicating the distribution of income and consumption among the population of this country:

DISTRIBUTION OF INCOME AND CONSUMPTION				
Decile of population	Percentage distribution of		Maximum value of consumption in the groups	
	Income	Consumption	(Rs. per capita per month)	
Lowest	2.4	2.98	9.6	
Second	3.4	4.45	12.6	
Third	4.3	5.56	15.2	
Fourth	4.8	6.61	17.9	
Fifth	6.3	7.74	20.8	
Sixth	7.8	9.00	24.3	
Seventh	9.2	10.54	28.6	
Eighth	10.6	12.57	34.6	
Ninth	14.5	15.69	45.1	
Highest	36.6	24.86	—	

Although, as the table shows, the highest 10 per cent of the population receives 36.6 per cent of the national income, the top 40 per cent, it will be observed, is receiving only 71 per cent of the national income. We do not suggest here that there is no gross inequality in incomes when 60 per cent of the people receive only 29 per cent, but we do emphasize that the figure of 36.6 per cent for the top 10 per cent of the population should be taken together with the figure of 71 per cent for the top 40 per cent if a more balanced appreciation of what these statistics indicate is to be secured.

From the estimates of the Perspective Planning Division it would appear that, even in the case of the lowest 10 per cent of the population, per capita consumption per month reaches up to Rs. 9.6 or about twice the figure urged by Dr. Lohia for 60 per cent of the population. It would also be seen that the average of the maximum values of consumption for the first six deciles is Rs. 16.7, whereas Dr. Lohia contends that these 270 million people earn only three annas a day, or Rs. 5.62 per month per capita.

There is also the further evidence of estimates of consumption expenditures made by the National Sample Surveys. The data given in the table alongside relates to a period in 1956-57 and is the latest available to the public.*

* Since this was written, more recent figures were made available to the public in a statement which the Minister for Planning made in the Lok Sabha on August 28. This statement fully corroborates the arguments of this article, and is published in some detail in a following section "From the Press Gallery" dealing with the proceedings in Parliament.

From this table it will be seen that per capita expenditure of less than Rs. 8 per month was noted only in respect of 14.89 per cent of the rural population and 7.54 per cent of the urban population which together constitute about 60.4 million people. The "three-anna class" of Dr. Lohia should be even less than this number, in which case his estimate of 270 million is an outrageous exaggeration.

We are certainly not arguing here that India is not a poor country. There are indeed large areas of mass poverty in this land where there is economic and social distress of a kind not as often met with in other economically backward or underdeveloped parts of the world, but at the same time, we must point out that Dr. Lohia has greatly exaggerated the extent and degree of our poverty which obviously does not need to be exaggerated. We must also point out that it is just not true that our people are poorer today than they were 15 years ago or that they are even as poor today as they were in 1947 or 1950. Acharya Kripalani, Mr. Masani and from the Communist group, Mr. Hiren Mukherjee, Mr. Gopalan and Mrs. Renu Chakravathy were not adhering to facts when they tried to make out that there had been no progress at all in the economic conditions of our people since Independence. Inadequate as our planning effort has been at most levels, it is still not true that the nation's economy has stood still or that

NATIONAL SAMPLE SURVEYS: CONSUMERS' EXPENDITURE				
Monthly per capita expenditure classes (Rs.)	Proportion of Population			
	Rural	Urban		
0—8	14.89	7.54		
8—11	18.20	13.43		
11—13	12.43	8.79		
13—15	10.59	8.78		
15—18	13.27	12.65		
18—21	8.81	8.63		
21—24	5.62	6.96		
24—28	5.42	8.47		
28—34	5.08	7.54		
34—43	2.95	6.37		
43—55	1.68	3.57		
55 and above	1.06	7.27		
TOTAL	100.00	100.00		

the living conditions of the people have not changed for the better.

It is not an insignificant achievement that the death rate has been halved since 1947, when it was 19.7 per thousand population, subsequently coming down to 10.3 per thousand population in 1960. Over the same period mortality from malaria and other fevers has fallen from 10.8 per thousand population to 4.2, mortality from cholera from 0.4 to 0.05 and mortality from respiratory diseases from 1.5 to 1.0 per thousand population. It is not also irrelevant to the state of well being of the people that the infant mortality rate has been brought down from 146 per thousand live births in 1947 to 91 per thousand live births in 1960. There is, again, clearly, no suggestion of deteriorating living conditions for the mass of the people in the fact that the expectation of life which was 32.09 for males and 31.37 for females in 1941, and was only slightly higher ten years later at 32.45 and 31.66 respectively, had in the subsequent ten years improved so appreciably that the figures in 1961 were 47 for males and 46.33 for females.

It is, moreover, no mean thing that the literacy rate has gone up from 166 per thousand persons in 1951 to 240 per thousand persons in 1961. Enrolment of students in Primary classes has gone up from 17.7 million in 1949-50 to 38.4 million in 1961-62, while enrolment in the Middle school course had correspondingly increased from 3 million to 7.5 million. In 1961-62 66.7 per cent of children in the age-group of 6-11 and 26.6 per cent of the children in the age-group 11-14 were at school, whereas in 1946-47 the respective percentages were only 35 and 9. Whereas expenditure on education met by fees had only gone up from about Rs. 21 crores in 1949-50 to Rs. 58 crores in 1960-61, expenditure on education by Government and local bodies had increased in the same period from under Rs. 70 crores to very nearly Rs. 249 crores. Now, since the assumption must be that the well-to-do groups in the community have benefited less, both absolutely and relatively, than the less well-to-do from government expenditure on public health and education, especially Elementary education, it follows that a part of the distribution of the benefits of public expenditure has also to be taken account of in judging whether the living conditions of the people have improved or are being improved.

Again, if it is granted that the well-to-do-people have always been consuming sufficient quantities of basic consumption goods, it would follow that any substantial increase in the production or availability of essential consumer goods should be taken as reflecting an improvement in the standard of living of the mass of the people. We give below the per capita increase in the availability of a number of essential commodities over the last 11 years. The increase in the population since the beginning of the first Plan has been around 27 per cent. It will be found that the total availability as well as the domestic production of quite a number of essential articles has improved at a rate

not unsatisfactory in relation to the growth of the population.

PER CAPITA CONSUMPTION (Annual)			
Item/Unit	1950	1961-62	
Textiles* (Metres)	11.38	15.7	
Salt (Kgs.)	7.8	7.9	
Kerosene (Litres)	3.3	6.7	
Matches (Boxes 60s.)	10.9	11.9	
Tea (Gms.)	215	280	
Coffee (Gms.)	52	105	
Sugar (Kgs.)	3.2	5.8	
Vanaspati (Gms.)	472	802	
Soap** (washing & toilet) (Kgs.)	0.22	0.33	
Footwear** (In pairs)	0.06	0.12	
Tobacco (Raw) (Kgs.)	0.7	0.8	
Sewing machines (Per million of population)	150	730	
Bicycles (Per million of population)	750	2,030	
Cinemas (Annual attendance)	2.0†	3.6††	

*Includes Silk, Art Silk (including synthetics), Woollen and Cotton Fabrics, produced in mill and decentralised sectors. †Relates to 1951. **Produced in organised sector only. †Relates to 1953. ††Relates to 1960.

It is, therefore, singularly pointless to challenge the hard facts of the very real progress which this country has made in a general sense in its economy and in a more specific sense in the living conditions of the mass

Eastern Economist 20 Years Ago

AUGUST 27, 1943

It is extremely unfortunate that India's economic and financial policies are shaped by day to day considerations and should be the plaything of every passing event or incident. How else to explain the extraordinary optimism and almost self-complacency of the Finance Member who in replying to the debate on the currency policy of the Government expressed himself in these terms? "Government had satisfied themselves that it was not necessary to submit to any automatic advance of prices because of increase in the volume of currency. He himself was not sure of it three months ago but he was sure today that the Government could stop that nonsense." He further went on to say that "in a vast country like India there was no need to be alarmed by the currency figures of Rs. 750 crores or even of a Rs. 1,000 crores. In relation to the population of the country and other factors it was not an intrinsically excessive figure but it was important to check the tendencies which that figure seemed to indicate." These words abound in ignorance, misunderstanding and wrong appreciation both of the actual economic and financial situation in the country during the last one year and more and of the criticism of the Government's financial policy.

August 30, 1963

of its people. What may, however, be legitimately debated is whether the rate at which economic progress has been achieved could not have been faster. Here apart from Mr. S. K. Patil's somewhat complacent attitude towards agricultural production, it cannot honestly be said that the Government itself is not conscious of the fact that the quality of planning and the implementation of our development plans could have been better. The Prime Minister and earlier the Finance Minister speaking in the debate had not claimed that more could not have been done. The only real issue, therefore, is how could better results have been achieved, or rather how, in the future, the policies and implementation of the five-year Plans could be done in a better way so that the growth of the economy becomes faster and also the benefits of economic growth are shared increasingly widely. The spokesmen of the Communist group gave their own prescription.

They spoke vaguely of agrarian reform — and Mr. Patil had no difficulty in showing that agrarian reforms of the Communist conception whatever else they may or may not achieve have certainly not shown themselves to be effective in increasing agricultural production. The Communist group also uttered its favourite battle cry against monopolies and big business and demanded the nationalisation of banking — and Mr. Morarji Desai in turn had even less difficulty than Mr. Patil in proving that the Communist formula was wholly irrelevant to the task of more rapid economic expansion. Acharya

Pressure on Prices

IN A LEADING article entitled "Holding the Price Line" in our issue dated May 17, 1963, it was pointed out that the economy was entering an inflationary phase which, according to the major economic indicators, was not likely to be controlled in the short period. It was stated that "at the present pace of advance, the index of prices may be expected to cross, by the end of the current month, the all-time peak at 131.9 recorded in the week ended August 4, 1962". Since then the Economic Adviser's Index for Wholesale Prices (Base: 1952-53 = 100) after touching 132.6 in the last week of May, had attained a new high at 135.6 by the middle of July. This has, naturally, caused grave concern to vast sections of the population.

On August 10, 1963, *The Times of India* carried a frontpage story announcing a "40 per cent rise in cost of living in one year" on the basis of an India-wide survey. The banner headline was rather misleading because the survey which followed merely suggested that "where a householder would have needed a sum of Rs. 100 a month a year ago to feed, clothe and to maintain his family in good health, he would need now between Rs. 115 to Rs. 140," indicating that the 40 per cent increase in cost of living was the upper limit for certain areas in the country (or for certain sections of the popu-

Kripalani probably had his own ideas, but he did not state them very clearly. Judging, however, from his plaintive plea that he did not ask for more radio sets or things like that for the common people and all that he wanted was food and some clothing for them, it is difficult to be greatly impressed by his vision of a prosperous India. Surely, if our people are to be content with subsistence we are quite sure that most of them would secure it without much special effort through the five-year Plans in another five or ten years even if they have not done so already. But it is precisely because we, as a people, are not prepared to be satisfied with subsistence and are determined to share in the benefits of modern science and technology along with people in other countries and enjoy, as some of them are already doing, and all of them are wanting to do some time or other, the good things of life, that we are entitled to be dissatisfied with the rate of economic progress that it has been possible for us to achieve so far. It appears that, in the Perspective Planning Division of the Planning Commission, it has been estimated that our rate of economic growth has to be stepped up to at least 7 per cent from the rate of 5 per cent projected in the third Plan if, in another ten years, a minimum monthly income of Rs. 125 is to be ensured to the third decile of the population. If that is the case we must stoutly say that we will not be satisfied with a 7 per cent growth, but must have an even higher one. This is the real challenge which intelligent and responsible public opinion should pose to the Government.

lation), but not an average for the whole country.

The survey, it was claimed, attempted to measure the comparative increase in the cost of living of "middle- and lower income groups" but no information was provided as to how these groups were selected and if any standard consumer survey questionnaire was used to determine the composition of the consumer expenditure of these groups. On the face of it, the survey seems to be defective in more ways than one, and it cannot be taken to be much more than a write-up based on impressionistic accounts filed by the regional correspondents of the paper. The merit of the survey lay in focussing attention on the rising trend in prices and in highlighting the many ways in which the current pressure on prices and the cost of living has been unfolding itself. In Madhya Pradesh and Orissa the major cause was the poor rice crop which also had its repercussions on Maharashtra, Gujarat and West Bengal. In Bangalore, *tur dal* prices and rent and transport costs brought all along the line in such items as cereals, pulses, meat, fish, eggs, vegetables, fruits, etc. Education and transport costs increased in Kerala while food prices made an indent into the household expenditure in Himachal Pradesh because of their substantial rise. The impact

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of rising prices was, thus, uneven throughout the country, and certain goods and services put greater pressure on the household expenditure in some selected centres than in others.

Unfortunately, the imperfections in official indices do not readily permit a more scientific measurement of price trends. Table I shows in broad groups and sub-groups the price changes (as measured by the

TABLE I
INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53=100)

Group and Sub-group	Week ended.		Percentage Change of (1) over (2)
	20.7.63 (1)	21.7.62 (2)	
I. Food Articles :	137.7	128.7	+ 7.0
Cereals	115.3	107.5	+ 7.3
Pulses	110.1	104.6	+ 5.3
Fruits and vegetables ..	138.5	148.2	- 6.5
Milk and ghee	129.4	127.7	+ 1.3
Edible oils	151.3	156.0	- 3.0
Fish, Eggs and meat ..	147.5	145.0	+ 1.7
Sugar and gur	194.4	149.6	+ 29.9
Others	190.0	172.0	+ 10.5
II. Liquor and tobacco :	119.3	97.9	+ 21.9
Tobacco	116.3	94.2	+ 23.5
III. Fuel, Power, Light and lubricants	137.1	123.9	+ 10.7
IV. Industrial raw materials ..	138.2	139.3	- 0.8
Fibres	129.4	130.8	- 1.1
Oilseeds	155.9	156.8	- 0.6
Minerals	93.4	93.4	Nil
Others	124.8	125.3	- 0.4
V. Manufactures :	130.6	128.9	+ 1.3
(A) Intermediate Products ..	140.8	142.5	- 1.2
(B) Finished Products ..	128.9	126.7	+ 1.7
(a) Textiles	126.3	125.7	+ 0.5
Cotton	135.0	129.3	+ 4.4
Jute	97.6	113.1	- 13.7
Woollen	150.9	141.3	+ 6.8
Silk and rayon	136.7	130.5	+ 4.3
(b) Metal Products	163.0	160.5	+ 1.6
(c) Chemicals	117.2	115.2	+ 1.7
(d) Oilcakes	170.2	158.6	+ 7.3
(e) Machinery & transport equipment	123.8	117.6	+ 5.3
(f) Others	128.4	125.5	+ 2.3
VI. All commodities	135.3	129.6	+ 4.4

official index number of wholesale prices) in the third week of July of this year in relation to the corresponding week in the preceding year. It is seen that except for a few commodities, the prices have risen sharply in all the groups. Amongst the major groups, food articles recorded a rise of 7 per cent while the rise in the case of the manufactures was marginal at 1.3 per cent. Steep increase in prices was registered by "Liquor and Tobacco" and "Fuel, Power, Light and Lubricants" at 21.9 per cent and 10.7 per cent respectively. The highest

increase in prices at 29.9 per cent amongst the sub-groups took place in the case of "Sugar and Gur". The general index was up by 4.4 per cent at 135.3.

Important commodities, prices of which rose by more than 30 points of the index, were gur, tea, oranges, kerosene and diesel oil. Those with a rise of between 20 and 30 points were tobacco, hides (raw), silk (raw) and petrol. An increase of between 10 and 20 points was witnessed in rice, milk, oil cakes, cotton seed, raw wool, coffee and aviation spirit. A large number of commodities which had the combined weightage of nearly 35 out of 100 had a rise of less than 10 per cent. Fall in prices was reported in the case of some of the commodities, the combined weightage of which was about 33 out of 100.

It is a known fact that the Economic Adviser's Index tends to under-estimate the degree of rise in prices because of the inclusion of "controlled prices" or "fair-price-shop" prices. The households which were forced to buy sugar at Rs. 2 per kilo in recent months will certainly look down upon an index which takes the controlled price of Rs. 1.09 per kilo only into consideration. The effect of this practice in the computation of the official indices and their lack of sensitivity will be apparent from Table II which compares the consumer price indices of the working classes for the major industrial centres. If these indices were to be believed, there was no rise in the cost of living of the industrial workers in Kanpur and Madras, while the increase was of a marginal nature in Delhi (2 points). Bombay recorded a fall by one point. Calcutta alone had the highest rise of 9 points, presumably because of the sharp rise in the price of rice. The upshot of this discussion is that the official indices tend to suppress the rise in prices but even according to these indices — especially the Economic Adviser's Index of Wholesale Prices — the rise in prices has been of no mean order.

It was explained in our article of May 17, 1963, that

TABLE II.
WORKING CLASS CONSUMER PRICE INDEX
(Base: 1949 = 100)

	June 1963	June 1962
Bombay	145	146
Calcutta	128	119
Delhi	132	130
Kanpur	106	106
Madras	150	150
All - India	132*	129*

* Relates to May.

"the current inflationary spell was the outcome of a multiplicity of factors such as stagnation in the output of food and industrial goods, deficit financing, enhanced development expenditure, doubling of the defence expenditure and increase in indirect taxation". During the past three months it has become increasingly clear that the downturn in the supply of consumer goods (both agricultural and industrial) and the excessive burden of taxation are two of the outstanding causes of the rising prices.

Considering the second factor first, while text-books on economics proclaim the deflationary impact of taxation — which is true enough where total consumption or economic activity is concerned — the indiscriminate imposition of fiscal burdens, both direct and indirect, has been to raise costs all round. Table III shows the rise in national income and taxation (Centre plus States) since 1955-56. During the second Plan, the

TABLE III
NATIONAL INCOME AND TAXATION
(1955-56 — 1963-64)

	National Income (Rs. Crores) in Current Prices	Increment over the base (1955-56 or 1960-61) (Rs. Crores)	Taxation (Rs. crores) over the base (1955-56 or 1960-61) (Rs. Crores)	Increment over the base (1955-56 or 1960-61) (Rs. Crores)
1955-56	9,980		761.0	
1956-57	11,310	1,330	860.6	99.6
1957-58	11,390	1,410	1,047.3	286.3
1958-59	12,600	2,620	1,090.2	329.2
1959-60	12,950	2,970	1,219.8	458.8
1960-61	14,180	4,180	1,354.9	593.9
		12,510		1,767.8
1961-62	14,630	470	1,538.0	183.1
1962-63	15,300	1,140	1,717.6	382.1
1963-64	16,000	1,840	2,072.9	718.0
Total		3,450		1,263.2

cumulative increase in national income (at current prices) with reference to the level of Rs. 9,980 crores in 1955-56 was Rs. 12,510 crores. The cumulative increase in taxation in these five years with reference to the 1955-56 level of Rs. 761.0 crores was Rs. 1,767.8 crores. The increment in the tax burden, thus, was 14.1 per cent of the increase in national income. During the first three years of the third Plan, the increment in taxation (with reference to 1960-61 at Rs. 593.9

crores) was Rs. 1,263.2 crores as against the estimated rise of Rs. 3,450 crores in national income with reference to the 1960-61 level of Rs. 14,160 crores. The percentage of additional taxation to additional income was thus multiplied more than two and a half times at 36.6. This steep rise in taxation made even the Planning Minister, Mr. Nanda, admit on July 3, 1963, that the impact of the new taxes on prices "might be more" than what had been anticipated earlier.

Meanwhile the production of consumer goods, both in the agricultural and the industrial spheres, has lagged behind demand. In agriculture, it is vital to understand that mere increase in the so-called development expenditure is not likely to raise production. Our experience bears testimony to this. The quality of development spending and the economic implications of recent farm policies ought to receive more careful attention hereafter.

In the industrial sphere, a comparative study of the growth of consumer goods and producer goods industries since 1956 shows that the producer goods industries have nearly doubled their capacity while the increase in the consumer goods industries has been less than 20 per cent. In 1962 as compared to 1961, the rate of growth of consumer goods industries was only a seventh of the rate of expansion of capital goods industries. During the current year, the consumer goods industries have received a setback and the level of their output has declined instead of increasing. Table IV shows that cloth production during the first five months of the current year was 4.7 per cent lower than the output in the corresponding period in 1962. Because of the heavy weightage of the cotton textiles industry amongst the consumer goods industries and the poor performance of the sugar industry, growth in the consumer goods industries is likely to be even less than last year. Without a more sensible policy for consumer goods the price line certainly cannot be disciplined.

TABLE IV
CLOTH PRODUCTION

	(In million yards)	
	1963	1962
January	..	410
February	..	369
March	..	403
April	..	400
May	..	411
June	..	393
Total	..	2,386
		2,504

Highlights of the Week

WIND OF CHANGE

A WIND OF change is sweeping through the Congress Party. Mr. Jawaharlal Nehru, Prime Minister of India and 'de facto' leader of the Congress Party, has acted earlier than expected and far more decisively than was predicted by political pundits on what has come to be popularly known as the "Kamaraj Plan" for revitalising the Congress Party in the organisational as well as the parliamentary and administrative spheres by drafting leading Congressmen who are holding ministerial positions at the Centre and in the States for party work. Mr. Nehru, who was authorised by the All-India Congress Committee earlier this month to decide which of the Cabinet Ministers at the Centre and which of the Chief Ministers in the States who were willing to resign their offices and take up Party work should be permitted to do so, announced to the Congress Working Committee on August 23, the names of the persons on whom his choice had fallen.

The six Central Ministers who are to leave office and take up Party organisational work are: Mr. Morarji Desai, Minister of Finance; Mr. Jagjivan Ram, Minister of Transport and Communications; Mr. Lal Bahadur Shastri, Minister of Home Affairs; Mr. S. K. Patil, Minister of Food and Agriculture; Mr. B. Gopala Reddi, Minister of Information and Broadcasting; and Mr. K. L. Shrimali, Minister of Education.

The Chief Ministers in the States who are to be similarly drafted for Party work are: Mr. K. Kamaraj (Madras); Mr. B. Patnaik (Orissa); Mr. Binodanand Jha (Bihar); Mr. Chandra Bhanu Gupta (Uttar Pradesh); Mr. B. A. Mandloi (Madhya Pradesh); and Bakshi Ghulam Mohamad (Kashmir).

It has been reported that the six Cabinet Ministers have asked to be relieved of their responsibilities within a week. It is expected that their departure will be followed by very considerable reorganisation and transfers of portfolios. It is also likely that the Prime Minister might make a few new appointments to the Cabinet, but it is more or less certain that the new Central Cabinet will be much smaller in size than the present one.

The Congress Working Committee, in further implementation of the Kamaraj Plan, has reconstituted the Party's Parliamentary Board and included Mr. Morarji Desai in it in the place of Mr. U. N. Dhebar who has resigned in order to devote more time to his work as Chairman of the Khadi and Village Industries Commission. The strength of the Parliamentary Board will be increased from five to seven in order to accommodate Mr. Lal Bahadur Shastri and Mr. S. K. Patil who, until this increase is ratified by the A.I.C.C. will attend the meetings of the Board as special invitees. The Working Committee has also directed the Parliamentary Board to set up a sub-committee to inquire into charges of corruption and other serious complaints against Congressmen. The personnel of this Committee will be decided later. Meanwhile, another committee of eleven members, including the Congress President, has been set up to look into organisational affairs. Among the members of this Committee are Messrs Lal Bahadur Shastri, Jagjivan Ram, S. K. Patil, K. Kamaraj, B. Patnaik, C. B. Gupta and Bakshi Ghulam Mohamad, all of whom come from the 12 (Cabinet and Chief) Ministers who have been drafted for party work.

STREAMLINING ADMINISTRATION

ADDRESSING LAST week a meeting of the Informal Consultative Committee of Parliament attached to his Ministry, the Union Home Minister, Mr. Lal Bahadur Shastri, disclosed that it was proposed to set up a high-powered Commission to go into the question of administrative reforms. The need for setting up such a Commission can hardly be over-emphasised.

The manifold increases in the Governmental activity both at the Centre and the State levels during the past fifteen years has brought into operation the Parkinson's Law on employment, which has created not a few labyrinths in the administrative set up. Administrative procedures have become complicated and are affecting expeditious disposal of work. Co-ordination between the various departments of the Government too has become a difficult job.

It is heartening to note that the Commission will be headed by a non-official with not only administrative experience but also a status in public life. Since most of the increase in Governmental activity has been the result of fostering the pace of economic development, which has brought in its trail cumbersome controls, it is as well appropriate that some representatives of industry are to be associated with this august body. Its other members will include some officials and non-officials. The latter presumably will be from amongst the eminent public men representing various general interests and the country's bar.

The Commission will be on the lines of the one appointed in the USA with the ex-President, Mr. Herbert Hoover, as Chairman. The appointment of some foreign experts on it is not considered necessary as the country has enough experienced administrators to undertake the task.

BOKARO DROPPED

THE UNITED States House of Representatives has accepted an amendment to the Foreign Aid Bill debarring the US Government from providing assistance "for the construction of any enterprise with respect to which the aggregate value of such assistance to be furnished by the US will exceed \$100 million." This restriction is not absolute because it is qualified by the proviso that it will be effective until the enactment of next year's Foreign Aid Bill. The effect of this condition is that the US Government cannot provide assistance to the Bokaro steel plant which is the only project seeking US aid of an amount larger than \$100 million. By this amendment, the House of Representatives secured that no money would be committed to Bokaro this year and that the Foreign Affairs Committee would be consulted before any decision was taken with regard to assistance next year.

Congressional opposition in the US to aid for the Bokaro project seems to stem from three sources: (a) a growing mood that foreign aid should be progressively reduced and finally ended; (b) a widespread view in important circles of American opinion, both business and academic, that the growth of the public sector, whether at home or abroad, should be discouraged and should in any case, not be actively promoted; and (c) a not unnatural feeling on the part of many Congressmen that, when it is the case that various domestic projects which they may sponsor have to go through gruelling examination before public funds are committed to them, there is no reason why they should not be given a similar opportunity of detailed investigation of the worthiness of projects abroad for which they are required to vote large amounts of the American tax payer's money.

Meanwhile the Union Minister for Steel and Heavy Industries, Mr. C. Subramaniam, reiterated at a meeting last week of the Informal Consultative Committee attached to his Ministry that even if the US assistance for the Bokaro plant were not forthcoming for any reason, the Government would still go ahead with the project. The steps now under way had taken into account all the eventualities. Stressing the point that the Government was quite satisfied about the adequacy of raw materials, Mr. Subramaniam pointed out that if the raw materials position for Bokaro had been 'pre-

carious", the Government certainly would not be thinking in terms of building some more steel plants to attain the target of about 18 million tonnes of ingot steel during the fourth Plan period. The preliminary steps not dependant on large-scale foreign aid for the construction of the plant had already been taken on hand, he added. Among these, he listed the acquiring of land for the steelworks township and ancillaries, soil and contour, surveys development of Kiruburu iron ore mines, tests on coal blends for the selection of alternative blends for this project and arrangements for water and power. Limestone supplies would be drawn from Bhavanatpur and Sarna. New mines are being developed for the purpose. It has been decided to construct a railway line from Bhavanatpur to Ramna. The question of transport of raw materials and finished products had also been settled with the Railway Board.

Mr. Subramaniam also disclosed that the project report for Bokaro submitted by the Indian consultants, Messrs. Dastur & Co., was being scrutinised by the Technical Committee of Hindustan Steel Limited. According to this report, Bokaro could reach four million tonnes capacity by 1970-71 in two stages—about ten years earlier than the target suggested by the American Survey Team in its three-stage plan. The cost estimates of the Indian consultants, taking the indigenous machine-building capacity into account, were also more favourable than those of the American Team. The Government of India, it is stated, has not yet approached any other country for assistance for this project.

HIGHER EDUCATION

THE REPORT of the University Grants Commission for the year 1961-62, placed on the table of Rajya Sabha last week, draws pointed attention to the deteriorating standards of our college education. The decline, it is suggested, has been brought about by the very large and rapid number of students going in for higher education. This has resulted in the staff-student ratio going up (in 1961-62 it stood at 1:15.5, as against 1:15.3 in 1960-61) and creating a heavy strain on the resources of universities. "If increasing number of students continue to be admitted in our universities without corresponding expansion of facilities", the report warns, "there is grave risk of the academic standards being impaired further". A plea is, therefore, made that only such students should be admitted to universities as are most likely to benefit from university education.

The report spotlights, however, three heartening features of our higher education. The standards at the post-graduate and research level in many of the universities, it is pointed out, have improved substantially during the last few years. The second outstanding feature has been a rapid increase in the number of women students. In 1961-62, women students accounted for 16.1 per cent of the total (1.16 million) college

and university enrolments. Women students are also increasingly taking up professional studies. The most gratifying fact, however, is that enrolments are going up at a particularly strident pace for subjects such as engineering and technology, medicine, agriculture and education. As against an 11 per cent increase in the total enrolments in 1961-62 over the past year, enrolments for the above four subjects went up by 56.8 per cent, 48.2 per cent, 78.6 per cent and 46.7 per cent, respectively. The Commission suggests a priority central and primary subject of study and research. This field has been neglected in the past and there is a great leeway to be made up here.

For improving the teacher-pupil ratio, besides urging that only such students as can benefit most from university education should be allowed to be admitted for higher studies, the report suggests that State Governments should help private colleges in meeting the additional expenditure over and above the assistance offered by the UGC for implementing the revised pay-scales. This would enable these institutions to attract talent which is now shying away from the teaching professions to employment offering better emoluments and the age of retirement of teachers in all the universities and colleges should be raised to 60 years, with a provision for further extension by five years in deserving cases. Thirty-1961-62 have agreed to the 60-year age-limit for retirement. The others need to follow suit.

Among the other measures to improve academic standards, the Commission suggests increased use of tutorials and seminars and reform of the examination system in the light of the Examination Reforms Committee. The centres of advanced studies being set up in selected universities, it is hoped, will help in raising educational standards further as they should encourage communication and movement among senior teachers and scholars. In the interest of economy and quality, the Commission favours careful regulation of the expansion of a new university is also considered justifiable only if it can help to maintain and raise standards.

As regards the medium of instruction at the college and university level, the Commission reiterates its view stated in the previous reports that transition from English to an Indian language should be brought about in as short a period as possible consistent with the maintenance of proper standards. Students welfare, the Commission opines, forms an integral part of educational development. Several schemes such as construction of hostels and non-resident students centres, constitution of students aid funds and provision of facilities for the physically handicapped were being implemented for this

FROM THE PRESS GALLERY

A Matter of Confidence

From Our Parliamentary Correspondent

NEW DELHI, Tuesday:

AFTER A DEBATE of full four days the "no confidence" motion moved by Acharya Kripalani in the Lok Sabha seeking to express want of confidence in the Council of Ministers was defeated by 346 to 61, with 24 abstentions. It is rather interesting that, whereas 72 (or is it 74?) stood up to support admission of the motion, the non-Communist Opposition groups could only muster 61 when it came to a Division on the adoption of the motion. Evidently, quite a few Independents had second thoughts.

Although the debate was advertised in advance by the Opposition groups and in certain sections of the Press as a historic episode, the course and content of the discussion was hardly different from the usual debates on Planning or Foreign Policy or the Central Budget, which are being held in the Lok Sabha from time to time. The only new feature was the import of a very private animosity which Dr. Lohia entertains (and openly expresses) for Mr. Jawaharlal Nehru both as a person and as a personality. It is possible that Dr. Lohia's tirade did succeed in impressing a few persons in the House or outside, but it can hardly be claimed that it has given any worthwhile new dimensions to the discussion of public affairs. It is true that parts of his speech forcefully expressed criticisms, more or less valid, of some aspects of the Government's conduct of foreign and economic policies, but that was not enough to give cover to the essential vulgarity of his performance. Every man to his taste, but where the uncritical admirers of Dr. Lohia's Performance are concerned, it may perhaps be useful to point out that the only distinction that Dr. Lohia could lay claim to was that he was able to speak on the Floor of the Lok Sabha a language which the conventions of an Assembly of that kind were meant to discourage.

Food Control

It is interesting that the two outstanding speeches of the debate came from the Congress benches. Mr. S. K. Patil has been justly praised, by friend and foe alike, for the virtuosity and range of his debating skill. While his overt target, most of the time, was the Communist groups, nobody could have missed the point that he also wanted to give a bit of his mind to Mr. Gulzarilal Nanda, who had clashed with him on the issue of food control and to the Prime Minister, who had recently suggested that he should give up the Food and Agriculture portfolio. Mr. Patil has always been right in declining to be stampeded into controlling food and he explained very lucidly why elaborate physical controls were neither necessary nor likely to be useful. But when he attempted to argue that the Government had not done badly in the matter of agricultural production, he was clearly on weak grounds. He claimed that food production since 1951 had increased from 52 million tons to 80 million tons. The truth is that a part of this alleged increase of 28 million tons must be attributed to the improvement in the coverage and collection of agricultural statistics. Thanks to the improved statistics, the latter estimate is probably reasonably accurate. But the estimate for the earlier year is certainly a gross under-estimate as is being freely admitted, even if not publicly, in the relevant official quarters. It follows that food production has not risen at the rate at which Mr. Patil says it has, but has risen much more slowly. Still, handsome is as handsome does, and it must be admitted that Mr. Patil's assertive self-confidence certainly did much to boost the morale of the Government benches and bring discomfiture to the Opposition, particularly the Communist group, who had specifically called for his and

the Finance Minister's exit from the Cabinet.

Mr. V. K. Krishna Menon, whose speech was, in its own way, quite as remarkable as was Mr. Patil's, adopted, of course, quite a different style. He rebutted firmly, but in a scholarly way Mr. Masani's arguments for proportional representation, while his elucidation of non-alignment was certainly one of the most restrained and persuasive exposition of this controversial issue. It was a pity that he provoked interruptions from the other side of the House by entering into the explosive area of his handling of defence, especially after the commencement of Red China's aggressive activities. But having been charged with political interference in the conduct of a military campaign, it was perhaps not unreasonable on his part to seek to place on record his refutation of the charge, while it was certainly unfair on the part of Mr. Frank Anthony, who was among those who had made the allegation, to have attempted to gag Mr. Menon at this point by attempting to raise a wholly frivolous "Point of Order".

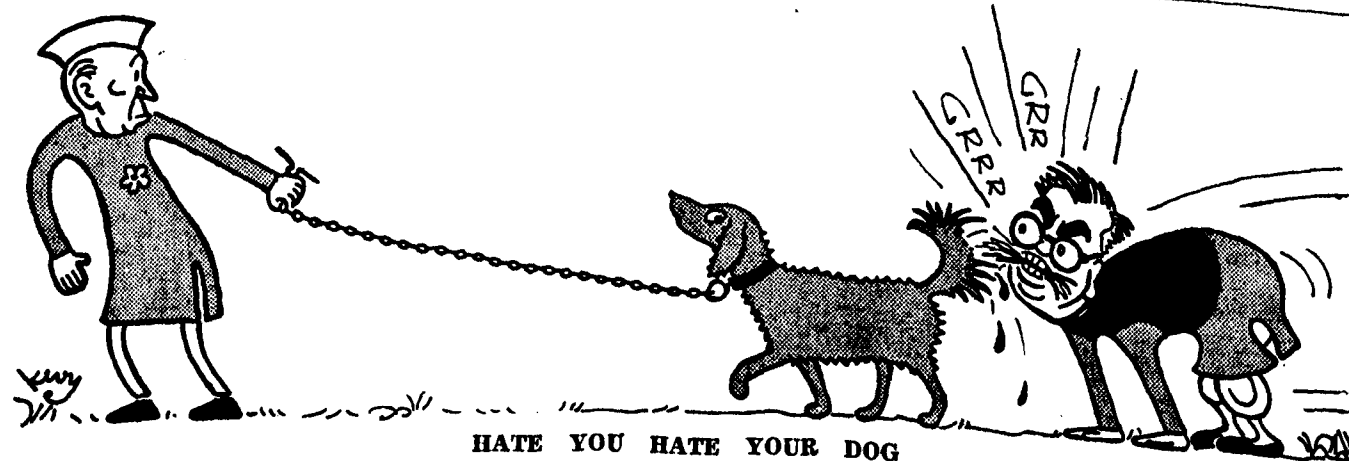
Educating the Opposition

The Prime Minister as well as the Defence Minister chose to be wholly non-aggressive; both spoke more in sorrow than in anger. And it cannot be said that they were wrong or ineffective. By the time they got up, the Opposition had used up most of its ammunition and much of that ammunition had been found to be powder not so dry. Mr. Desai and Mr. Nehru therefore had the function no so much of defending the Government as of trying to educate the Opposition and possibly parts of their own following. Mr. Desai, as is usual with him, readily admitted faults and shortcomings in Government performance, but gently pointed out that there was also another side to the balance-sheet, rebuked dissenters for the error of their ways and ended with predicting that they would return to their senses in the end. Mr. Nehru, — again, as is usual with him — spoke of the "larger vision" with his characteristic earnestness, but lectured rather amateurishly on heavy industry in an attempted rejoinder to Mr. Masani who had earlier pleaded for a more proper order of priorities in Planning.

The mover of the motion has been found fault with in Press comments for eschewing passion and satire in his opening speech. But Acharya Kripalani was surely right in initiating the debate in civilised terms and attempting to launch it on a high plane. It was not his fault if his effort was frustrated by others less wise than he. In any case, his opening speech was certainly more effective and useful than his reply which was among and, for the most part, irrelevant since he seemed to be more concerned with defending himself than in damaging the Government's defence of itself.

Among the good speeches that were heard during the debate must be mentioned Mrs. Renu Chakravarty's and Mr. H. V. Kamath's. The Communist Member seems to have been very efficiently briefed by the party Secretariat and to the extent that any Communist come-back could have made an impression at all, after Mr. S. K. Patil's devastating onslaught, Mrs. Renu Chakravarty certainly succeeded in holding up the party flag. Mr. Kamath spoke briefly, but enough to demonstrate that quality of sincerity which he alone among the PSP men seems to share with the original leader of the party, Acharya Kripalani.

Mr. Morarka and Mr. Masani always make solid contributions to debates, since both are well-informed and they do not skip their home work. But Mr. Masani's declaration that



HATE YOU HATE YOUR DOG
Dr. Lohia complained in the Lok Sabha that the Prime Minister was spending Rs. 3 per day on his dog.

his party stood by mixed economy was somewhat surprising in view of the fact that the founder-leader of the Swatantra Party seems to be unreservedly opposed to Planning and all its works, especially the public sector.

3-Anna Controversy

In the course of the debate on the "no confidence" motion, Dr. Lohia had stated that 60 per cent of the households in the country subsisted on Rs. 25 a month, i.e., 270 million people were living on only three annas a day per person. This was refuted by the Minister for Planning, Mr. Gulzarilal Nanda, in a statement which he made in the Lok Sabha on August 26.

Mr. Nanda said that, according to the information collected by the National Sample Survey, the 60 per cent of the population to which Dr. Lohia had referred had an estimated average per capita consumption of 7.5 annas per day. Within the 60 per cent group itself there was a wide range of variation between the consumption of the first 10 per cent and that of the sixth 10 per cent. The average per capita expenditure of the sixth 10 per cent in the rural areas was ten annas and in the urban areas 14 annas per head per day. The poorest 10 per cent of the population have a monthly per capita average expenditure of Rs. 8 in rural areas and Rs. 10 in urban areas, or a daily per capita average expenditure of 4.3 annas in rural areas and 5.3 annas in urban areas. The figure of three annas per head per day given by Dr. Lohia was not even true of five per cent of the population, or 22 million people as against the 270 million mentioned by him. For the population as a whole, urban and rural, including all-expenditure categories, the average consumer expenditure for 1961-62 has been estimated at 12 annas per head per day. The Minister's statement concluded with the following table:

Average per capita consumer expenditure per month by fractile groups, based on 17th Round of National Sample Survey, September 1961 — July 1962

All India — Rural and Urban				
Fractile groups per cent of population	Average consumer expenditure (per month) (in Rs.)	Average expenditure in nP. per day per capita for population included within the upper limit of the specified fractile group		
		Rural	Urban	
0 — 5	7.09	8.53	24	28
5 — 10	9.09	11.55	27	33
0 — 10	8.09	10.04	27	33
10 — 20	10.67	13.88	31	40
20 — 30	12.82	16.61	33	45
30 — 40	14.62	19.56	39	50
40 — 50	16.47	21.94	42	55
50 — 60	18.79	25.50	45	60
60 — 70	21.25	27.68	49	64
70 — 80	24.70	35.65	53	71
80 — 90	29.95	43.86	58	80
90 — 100	51.16	88.76	70	101
0 — 100	20.85	30.36	70	101

(Note: 1 anna = 6.25 nP.; or 19 nP. = 3 annas).

Consumer expenditure comprises all expenditure incurred by the household exclusively on domestic account, including consumption out of home-grown produce, barter, gift, loan, etc., Consumption out of home-grown produce is evaluated at ex-farm rates.

The population has been arranged in ascending order of

per capita consumer expenditure of the households. The fractile groups are formed from this ordered population in specified per cent of total population. The fractile group 0—10 represents the 10 per cent with lowest per capita expenditure and the fractile group 90—100 the top 10 per cent with the highest per capita expenditure.

The last two columns give the average consumer expenditure in naye paise (nP.) per capita per day for rural and urban India respectively for all the population included within the upper limit of the fractile group to which the figure pertains. For example, looking at the sixth 10 per cent i.e. row number 8 in the statement, the figure of 60 nP. under column (5) means that 60 per cent of the urban population, from the poorest upwards, have an 'average' consumer expenditure of 60 nP.; and 45 nP. under col. (4), the average for the poorest 60 per cent in rural areas. Figures under columns (4) and (5) against row 13 likewise show the average consumer expenditure per head per day for the whole population, inclusive of all expenditure classes, separately for rural and urban areas.

Bose Commission Report

Although a discussion of the Vivian Bose Commission's report on the affairs of certain companies of the Dalmia-Jain group occupied a good deal of the time of the Rajya Sabha, it took much the same course as the corresponding debate in the Lok Sabha, last session, had done. There was, however, one difference in that the Minister for Industries, in his reply, was able to disclose that the Government had come to the conclusion that there was a possibility of launching successful criminal prosecutions against the managements of ten companies which were covered by the Commission's investigating prosecution had to be collected through a laborious process of going through as many as 4,000 documents and 'obtaining secondary evidence wherever original documents were not available. Mr. Kanungo assured the House that the Government would bring forward a Bill to amend the Companies Act in the light of experience since the present Act came into force as well as the recommendations made by the two jurists, the Attorney General and Shri Vishwanath Sastri, on the basis of the findings on facts in the Bose Commission's report.

In the course of the debate several members urged that company donations to political parties should be banned, a suggestion which Mr. Kanungo declined to entertain. However, an interesting suggestion which secured support from two leading members on the Congress benches, such as Mr. Khandubhai Desai and Mr. P. N. Saprú, favoured the nationalisation of audit. Mr. Khandubhai Desai also advocated the imposition of a statutory obligation requiring that only one financial account should be maintained in respect of all the companies under the same management or group of managements. He argued that this step was necessary for preventing transfer of funds from one company to another for purposes of window-dressing. Mr. Kanungo conceded the importance of ensuring proper auditing of companies but said that this could be secured by impressing on Institute of Chartered Accountants the need for upholding high standards by means of a professional code of conduct.

Pig Iron Shortage

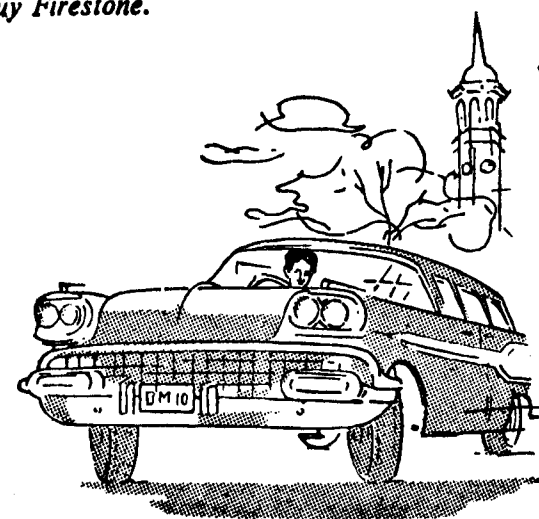
Mr. C. Subramaniam, Minister of Steel and Heavy Industries, made a statement in the Lok Sabha on the shortage of pig iron for different types of consumers and the extreme difficulty in improving the situation in the next two years at least. He stated that the availability of foundry grade iron as at present was of the order of 1.1 million tonnes and it was unlikely to increase in the next two years or thereabout. The main reason of the stagnation in domestic production was that most of the schemes licensed for the manufacture of pig iron in the private

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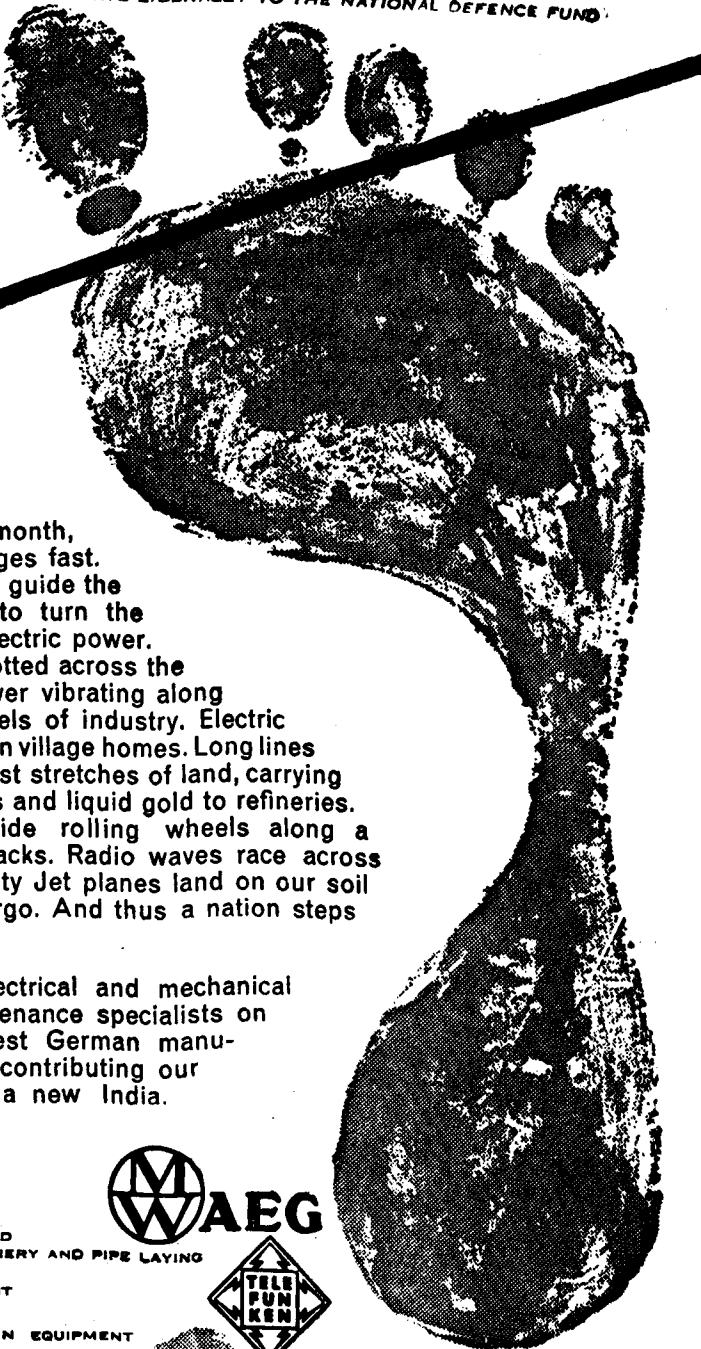
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sector did not materialise, with the exception of two out of which the Kalinga unit had come up to a high standard. Meanwhile foundry capacity in the small-scale sector had expanded rapidly, especially in the last two years. Out of the production of 1.5 million tonnes, envisaged in the third Plan, one million tonnes were to come from the integrated steel works and half a million tonnes were expected from the licensed private pig iron plants. The shortfall would be 400,000 tons, but perhaps it may be reduced fractionally.

Mr. Subramaniam stated that the foundries were also using, along with pig iron, substantial quantities of cast iron scrap over which there was no control. In view of this supplementary source of supply, the small-scale foundries should be able to work up to 20 to 30 per cent of their capacity. Foundries which were approved for awarding Government and railway sleeper orders were receiving appropriate allotments for executing these orders, which would keep their capacity engaged up to the level of 60 to 70 per cent

Question Hour

DR. K. L. RAO, Minister of State for Irrigation and Power, stated in the Lok Sabha that the Government would be in a position to finalise its policy for the establishment of integrated zonal power grids, transcending the State frontiers, after the views of all the State Governments had been obtained. Up to now the Governments of Uttar Pradesh, West Bengal, Andhra Pradesh, Punjab and Orissa had tendered their views and raised objections to the proposal. A Committee of Experts had suggested that a regional agency should be made responsible for the planning as well as operation of the integrated power systems. The fear has been expressed by some State Governments that this pattern of administration might take away the decisive voice from State Governments and facilitate the transfer of electric power from the surplus States to deficit States. Dr. Rao explained that as a matter of fact the scheme prepared by the experts neither envisaged nor intended such a deprivation of the resources of surplus States.

Defence Equipment

Mr. Y. B. Chavan, Minister for Defence, informed the Lok Sabha that active steps were being taken to increase the manufacture of arms and equipment and the production of other ordnance stores of key importance. The first phase in the programme of the accelerated development of domestic manufacturing capacity was the establishment of six new ordnance factories for which the necessary plants were being obtained from the USA. The existing ordnance factories were also being expanded in regard to their manufacturing capacity. The total value of defence equipment scheduled to be manufactured in the ordnance factories during 1963-64 was estimated to be of the value of Rs. 100 crores which was equivalent to more than double the value of the output in 1961-62.

Mr. Chavan gave details about the expansion of the transport aircraft fleet of the IAF. Although the existing transport aircraft could be considered as adequate for immediate requirements, provision on a larger scale had become a matter of top priority in view of the urgency and unforeseeable character of the frontier situation. The Minister reiterated the Government's decision about the rejection of the recommendations of the Tata Committee to close down the manufacture of AVRO-748s. Their manufacture would be continued. Asked by several members whether the Kanpur Aircraft Manufacturing Depot possessed all the equipment for the manufacture of the types of aircraft other than AVRO, the Minister replied that the Kanpur unit would be raised to the required level of capacity by enlarging its equipment and elevating from a depot to the status of a full-fledged manu-

facturing plant.

The Minister for Defence gave the details of the agreement entered into with the Government of Canada for the supply of 16 Caribou aircraft, specially intended for transport in high mountain terrain. He disclosed that the 16 Caribous were agreed to be delivered to India by Canada. For this purpose the Canadian Government had undertaken to provide credit with a ceiling of \$12.5 million intended to cover the cost of the aircraft and their necessary spare parts and associated equipment. The amount would be repayable in ten equal half-yearly instalments and would carry interest at the rate of 5½ per cent per annum. Since the Caribous would be purchased from a non-Government manufacturing company in Canada, a separate formal contract would be concluded between the Government of India and the company in question after which the Canadian Government's credit could be utilized.

Mr. R. Raghu Ramaiah, Minister for Defence Production, gave additional information stating that the question of undertaking the manufacture of Caribou transport aircraft or any similar aircraft would be examined in greater detail for which object detailed information would be obtained as the first preliminary. This was to suggest that the manufacture of aircraft in addition to the approved programme for the production of 29 AVRO-748s would necessarily take some time for a careful scrutiny of the question of obtaining other manufacturing potential.

The Government of Yugoslavia has agreed to supply to the Government of India ammunition on rupee payment which is to be spread over a period of three years. The Deputy Defence Minister who gave this information denied that the Yugoslav Government had made any offer for establishing an arms factory in India.

LIC Investments

In the Lok Sabha, Mr. B. R. Bhagat, Deputy Finance Minister, disclosed that a decision had been made to the effect that the Life Insurance Corporation of India may subscribe for 30 per cent of the debentures floated by any land mortgage bank in any State of India during the remaining three years of the third Plan. However, a ceiling of Rs. 6 crores per year would be placed on the amount of the LIC's investments in the debentures of the land mortgage banks.

Mr. Bhagat also stated that the question of the establishment of a Unit Investment Trust, about which the Finance Minister made an announcement in his Budget speech, was being actively pursued as to its appropriate requirements for this country. The details of the projected Investment Trust were at the same time being worked out. But he gave no information as to when this agency would be brought into being.

Sugar Buffer Stock

Mr. S. K. Patil, Minister for Food and Agriculture, informed the Lok Sabha that the Government proposed to create a buffer stock of 5 lakh tons of sugar which would be built up in the course of the coming three years. The estimated production of sugar in the next year has been placed at 33 lakh tons out of which 26 lakh tons would be needed for internal consumption, while 5 lakh tons were being earmarked for export. The residue, equivalent to 2 lakh tons, would be the first quantity to be carried to the buffer stock. This was only a first conception of the buffer stock on a modest scale. Experience has shown that fluctuations in the output of sugar between two years are some times very wide leading to acute shortages or overloads of surplus stocks. These disparities had to be evened out and it could be done by mopping up the surplus to the buffer stock so that producers as well

as consumers would find their difficulties minimised.

Mr. Patil explained the issue of incentives to the cane-grower. He pointed out that under the scheme recently approved and announced for providing incentives to the sugar industry, the cane-grower would receive an additional price of one anna per maund. Government was engaged in formulating another scheme to provide effective incentives to the grower. This scheme would give the farmer anything between three and four annas per maund of sugar as an increment to his earnings to stimulate interest in keeping up the level of production.

Railway Electrification

The Deputy Minister for Railways, Mr. S. V. Ramaswamy, stated in the Rajya Sabha that the programme of the electrification of the highly congested, coal-traffic bearing route from Mughalsarai to Kanpur was being expedited. It is to be executed in two phases. By September 1964, the electrification of the Mughalsarai-Allahabad section would be completed and by September 1965, the electrification of the rest of the section from Allahabad to Kanpur would be accomplished.

Mr. Ramaswamy explained a novel measure contemplated by the Railway Ministry to increase the supply of railway sleepers alongside the traditional timber and iron sleepers as an experimental measure. Cement sleepers were to be laid on a few lines and in the station yards. The question of their large-scale adoption would depend upon their suitability to sustain the train movements as also on the availability of supplies of cement.

Trade Trends

Cotton Yarn Export: The Minister for International Trade, Mr. Manubhai Shah, disclosed in the Lok Sabha that the Government was prepared to consider the plea for railway freight concession of 25 per cent in the case of cotton yarn intended for export in the same manner as the concession already extended to cotton textiles. The views of the Railway Ministry had to be obtained first. The plea for concession for cotton yarn was raised by the Cotton Textiles Export Promotion Council on the ground that the export market for this commodity was tending to become more and more highly competitive. The Minister also said that recently a committee was appointed to promote exports of cotton yarn manufactured by new mills with the latest and most modern machinery.

Second STC: Mr. Manubhai Shah, Minister of International Trade, stated in the Lok Sabha that the second State Trading Corporation would be registered soon under the name and style of the Minerals and Metals Trading Corporation of India Ltd. According to the present plan, it would start functioning from October 1963. This Corporation would handle the export of iron ore, manganese ore and other mineral ores. It will also be entrusted with the import of non-ferrous and other metals as may be decided upon by the Government from time to time. He suggested that the establishment of a separate State Trading Corporation to handle the trade in metals was justified by the anticipated magnitude of the increase in ore exports. According to the present reckoning, the export of iron ore alone would reach the level of 20 million tons by 1970-71.

Uranium Mill: The Prime Minister stated in the Lok Sabha in reply to a question, whether a uranium mill for treating uranium ore from the Jaduguda mines in Bihar is to be set up, that a mill with a capacity of 1,000 metric tons of throughput of ore per day was being set up close to the Jaduguda mine. Its estimated cost would be Rs. 4.34 crores out of which the foreign exchange component would be about Rs. 1.2 crores.

Ilmenite Export: Mr. Nehru stated in reply to a question

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in the Lok Sabha that in addition to commitments already entered into, approximately 13,000 metric tons of Quillon Grade Ilmenite was exported to the United States by Travancore Minerals Ltd. during March and the first half of April, 1963. Negotiations for exporting further quantities of ilmenite were in progress with different business interests.

Bills

The Warehousing (Amendment) Bill was passed by the Lok Sabha last week-end. The necessity of the amendment arose because the original Act stipulated that the headquarters of the Corporation must be located at New Delhi. But since a shift in the location of the headquarters was found to be essential, the amending Bill was introduced to confer such power on the Central Government. The headquarters would be shifted from New Delhi to Faridabad or Agra after a building was constructed for the office.

Mr. A. M. Thomas, Deputy Minister of Food, who piloted the Bill, informed the House that the Corporation had set up so far 78 warehouses in various parts of the country. Out of these, 11 warehouses were accommodated in buildings specially constructed by the Corporation for this purpose, while 67 warehouses were being run in rented buildings. The storage capacity of the 78 warehouses together was 1,84,756 tons. The Corporation was expected to achieve financial self-sufficiency by the end of the third Plan.

The Personal Injuries (Compensation Insurance) Bill was introduced in the Lok Sabha by Mr. C. R. Pattabhi Raman, Deputy Minister of Labour and Planning. The purpose of the Bill is to raise the obligation on the employers in factories, etc., in respect of payment of compensation for personal injuries sustained in the course of employment. The increase to the excess of the compensation payable under the Workmen's Compensation Act, 1923, above the compensation payable under the Personal Injuries (Emergency Provisions) Act of 1962. Thus, the amount of compensation to which the injured person would be entitled would be equal under both the Acts.

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A Seminar on the Sectors

From A Correspondent

SEMINARS ARE not like electronic computers; they do not come up with tidy solutions to problems capable of immediate implementation. They are, nevertheless, valuable in that they facilitate the evolution of ideas and formulation of policies. A well-conducted seminar brings the issues into sharper focus, marks out the areas where reasonable unanimity of views prevails from those that are characterised by conflicting opinions and indicates fruitful lines of approach in tackling problems that do not admit of facile solutions.

The seminar recently organised by the Federation of Indian Chambers of Commerce and Industry on the problems of industrial undertakings in the public and private sectors achieved all this and more. The most significant fact about the seminar was that it provided the opportunity to business executives of both the public and the private sectors to come together on a common forum to discuss the problems of industrial management most of which, they realised, were not dissimilar at the operational level. This awareness served to highlight the fact that the two sectors were not two hostile camps eyeing each other warily but were, in fact, complementary groups whose performance eventually determined the state of the national economy.

Dr. V. K. R. V. Rao, however, struck a different note. To him the two sectors were Kipling's East and West. He contended that profitability was not the objective of the public sector management and it was, therefore, a different kettle of fish from the private sector management. "If there were no differences between them, why establish a public sector at all?" asked Dr. Rao.

Profit Motive

No one can dispute the fact that while the objective of the private sector is to earn a satisfactory return on investment, public sector enterprises are often established to fulfil objectives other than purely commercial. Here one wonders whether Prof. Rao is aware of the distinction between the objective of the promoters of a public sector enterprise and the objectives spelled out to the management at the operational level. Even in instances where the State's avowed purpose in starting an enterprise is to supply the citizen a certain commodity or service at below cost, is it not the duty of the management to run that enterprise on the basis of the minimum cost? The promoter's objective comes into play only at the stage where the question of the use of profit or sharing the gains of productivity comes up for consideration. Unlike the private entrepreneur, the State might well decide to utilise the entire profit for reducing the consumer price or increasing the wages of the workers. This policy decision, however, does not make any difference to the public sector management whose objective is and must remain the same as that of the private sector management — maximising the output of a given unit of input of labour, materials, machinery and management.

Another important fact that emerged from the seminar discussions was that public sector management has so far been denied the chance to play its rightful role in the formulation of policies as regards industrial relations, financial controls, purchase and sales, recruitment, promotion and training, etc.

Dr. Vikram Sarabhai laid his finger unerringly on the confusion of objectives caused by ministerial pronouncements. While the Plan categorically laid emphasis on the need for public sector enterprises earning financial surpluses, the Planning Minister had been contending that social justice should be the primary objective of such undertakings. The predicament of the public sector management in the face of such

conflicting statements could easily be imagined.

A thought-provoking point of view put forward by Dr. Sarabhai pertained to the desirability of the divorce between ownership and control. The objective of the owner might sometimes be different from the objective the enterprise should set for itself. In private family businesses, there is a danger of this happening, but usually the corrective process sets in by the second or third generation of the founder of the business employing professional managers, if only to arrest financial ruin. Since the failure of a public sector enterprise did not affect individuals in the same way, the vesting of ownership and control of public sector enterprises in the same hands was far more dangerous because there was no compelling circumstance in this case which would bring the corrective process into play.

Holding Company

Dr. Sarabhai's suggestion was that government might establish a sort of a holding company (as they have in the private sector) which will be responsible to the government for the monies advanced to it and which would at the same time act as a buffer between the ministries on the one hand and the operating units on the other, thus enabling the latter to function without too much official interference.

For sheer, wilful refusal to face facts, the note circulated by Mr. B. N. Kaul, Chairman, Life Insurance Corporation, on problems of finance was hard to beat. He tended to attribute the present state of the capital market to the investing public's loss of confidence in the industrialists. Mr. Kaul's theme appeared to be: Every prospect pleases the eye, only the entrepreneur in the private sector is vile. Either Mr. Kaul was being incredibly naive or he chose to put on a pair of very effective blinkers. His note was full of insinuations, but was singularly devoid of factual analysis.

Quite a number of participants were for taking suitable steps to implement the conclusions presented by the Finance, Management Development, Purchase and Sales and Labour groups. The conclusions are excellent so far as they go, but it is not realistic to talk about implementing them because they are at the moment in the nature of broad statements; more thought and effort have to be put in before these could be translated into a proper programme with an appropriate modus operandi. This is what the Chairman wisely agreed to do through committees. There is no point in the latter waiting for co-operation from the officials; it is not likely to be forthcoming because such involvement would be regarded as committing the government in advance.

Finally, a word about the speakers and the organisation details. Valuable time was lost on the first day of the seminar by windy speakers who reduced their audience to tears by repeating well-known clichés ad nauseam and which were in complete contrast with the admirably brief and meaty speeches of the President and the Minister for Steel and Heavy Industries. It is a pity that speakers are often billed for what they are, not for what they have to say. The background paper presented by the FICCI secretariat could have been more pointed and confined itself to specific issues instead of trying to cover the entire field. The groups were far too unwieldy to permit effective discussion and quick decisions.

All this, however, is in passing. The seminar, on the whole, was admirably conceived and it was successful in turning the spotlight on several vital issues closely connected with the management of the industries both in the private and in the public sectors.

Indian Economy: A Critical Survey

IN A REPORT submitted to the World Bank earlier this year on the "Progress of Economic Development in India", the view was expressed by a team of experts, who visited this country some time ago on behalf of the Bank, that, though it is easy enough to find fault with what has been done and to demonstrate the limited effectiveness of government policy, the record as a whole is impressive. The report combines criticism of particular aspects of the Government's economic policies with basic appreciation for the very real progress that has been made in India since Independence in establishing a steadily rising trend of production and building up within the traditional society foundations of a modern economy.

The report has recommended continued external assistance to this country for maintaining the momentum of industrial expansion and has pointed out that the most effective form such assistance may take in the present circumstances would be an increase in general-purpose aid not tied to the procurement of particular commodities or in aid that can be used to finance imports of materials, components and spare parts for industry and agriculture. The report has also urged the case for most of the aid taking the form of grants and soft loans.

Following is a summary of the expert mission's findings:

India has just come to the end of the second year of her third five-year Plan. Over the twelve years from the beginning of the first Plan national output in real terms has risen by about 50 per cent or at a compound rate of 3½ per cent a year. The population has increased over the same period by 27 per cent, from about 360 million in 1951 to nearly 460 million in 1963, giving an annual rate of increase of 2 per cent a year. The rise in per capita income has thus been around 1½ per cent a year.

Production in organized industry has doubled since the beginning of the first Plan in 1951, and the transformation in this sector of the economy has been spectacular. Output of steel has been more than trebled, output of cement nearly trebled and output of coal nearly doubled. Over the same period the increase in agricultural production has been about 40 per cent. Here the changes have been more gradual and less obvious. There has been no clear sign of any acceleration in the pace of agricultural expansion in recent years in spite of the large investments made in irrigation and community development during the first two Plans.

Development Expenditure Up

Government expenditures on development have steadily increased from an average of \$823 million a year during the first Plan to just over \$2,300 million in 1961-62. A principal feature of public investment policy has been the growing concentration on industrial development, particularly in iron and steel and heavy engineering. Private investment in industry has meanwhile risen rapidly in response to the stimulus provided by the Government's development programme.

Net investment as a proportion of national income is believed to have more than doubled since the beginning of the first Plan and is now estimated at around 11-12 per cent. The greater part of the increase in investment has been financed from external resources—in the early years of the second Plan mainly through the running down of India's foreign exchange reserves and latterly to an increasing extent by foreign aid and private foreign investment. Domestic savings may be around 8 per cent of national income. There is no conclusive evidence to show that the marginal savings ratio has increased significantly over the past five years.

Wholesale and retail prices, which declined during the first Plan, rose more or less continuously during the second Plan. At no time, however, was the price situation allowed to get out of hand. The index of wholesale prices has levelled off in the past two years, while consumer prices have continu-

ed to move slowly upwards.

India's external balance of payments has been under continuous strain since the beginning of the second Plan in 1956 when imports rose sharply. Between March 1956 and September 1958 (about the time of the first meeting of the India consortium) foreign exchange reserves fell from around \$1,900 million to \$700 million. The loss of reserves has since been slowed down by severe restrictions on imports and increased disbursements of foreign aid, and the reserves are now in the region of \$600 million. Against this, however, India's obligations to the International Monetary Fund amount to \$275 million.

India's exports during the second Plan fluctuated between \$1,200 million and \$1,400 million a year. There has been some increase in exports during the first two years of the third Plan, and in 1962-63 earnings were just over \$1,450 million, including exports from Goa.

The balance of invisible transactions has changed sharply for the worse during the past three years. The main reason for this change has been the increase in the service due on external debt. The rate of disbursement of foreign aid has risen from just over \$400 million in 1960-61 (excluding assistance from the United States under PL 480) to \$510 million in 1961-62 and \$740 million in 1962-63.

Problems and Policies

Much has been achieved in India since Independence in establishing a steadily rising trend of production and building up the foundations of a modern economy. The results have, however, been painfully inadequate to the need. The sheer size and poverty of the country are its greatest problems. For example, it has been calculated that, in order to provide the poorest 20 per cent of the population with an average per capita income of about \$50 a year by 1975, the economy as a whole must maintain an annual rate of growth of 7 per cent over the next twelve years.

Few governments in history have had such daunting problems to tackle or have tackled them with such a high sense of responsibility. Nevertheless, the Indian Government's political and social policies are frequently in conflict with its economic objectives. Examples of such conflict are to be found in the policies for reducing inequalities of income and wealth, for trying to secure balanced regional development and for the protection of inefficient, labour-intensive techniques in village industries.

Recent official projections of Indian population show a dramatic explosion between 1961 and 1976 when population is assumed to grow at an average rate of 2.4 per cent a year. A net increase of 187 million people is forecast by 1976 which would bring the total population to 625 million. The likely increase in the labour force over the fifteen years is equal to the size of the present total labour force in the United States and 2½ times the size of the labour force in Britain. Failure to keep down the rate of population growth would in the long run be disastrous, and a new approach to the problem of family planning is needed.

Agricultural output has not been rising fast enough, and the balanced growth of the economy will require a radical way of bringing this about. Better agricultural administration, larger supplies of fertilizers, an adequate system of price supports and a more effective rural works programme are among the obvious needs.

In industry, the picture as a whole is more encouraging. The progress made in the steel industry during the past few

years is in itself a considerable achievement. The expansion and diversification of the engineering and chemical industries are also impressive.

Many things are still wrong with the organization and management of industry in the public sector, but the faults are being gradually remedied. Industrial costs in India are generally high by comparison with more advanced industrial countries. Up to a point this is inevitable at the present stage of development, but the problem has been aggravated by steady upward pressures on labour costs and by the policy of encouraging the establishment of small and medium-sized units in the private sector in preference to large ones. Policies with respect to the location of industry need to be more carefully thought out in future.

If Indian industry is to operate efficiently, some way must be found of simplifying the present system of controls and de-centralising the process of economic decision. A start should be made by removing or relaxing some of the present controls over prices, so that the price mechanism can function more freely as a guide to the allocation of resources. The policy of controlling prices in key industries, while prices in less important industries have been left free, is particularly difficult to justify.

There is growing recognition in India that the prices fixed for basic commodities and services are too low. A strong case can be made for raising substantially the prices of the better qualities of coal, if not for removing controls over coal prices altogether. Railway freight rates for coal and other bulk commodities need to be increased, electric power rates should be raised substantially, and much higher retention prices should be paid to the iron and steel plants in both public and private sectors. Pricing policies of public enterprises should be guided by the need to generate surpluses out of which to finance future investment.

Reasonable Return

Interest rates in India have been moving gradually upwards, but they are still low by comparison with most other countries which are equally short of capital. It is important for purposes of screening investment projects (and also for deciding the pricing policies of public enterprises) that a realistic price should be attached to capital. In India, there is a good case for arguing that new investments, whether public or private, should only be undertaken if they can earn a return of at least 10 per cent on all capital invested, after covering operating costs and providing conservatively for depreciation.

The inadequate and erratic supply of imported materials, components and spares is the most obvious and immediate restraint on industrial output. The problem of managing import controls has become extremely complex and is one of the principal causes of the overload of administrative work on both government and industry. The most effective form of external assistance to India in present circumstances would be an increase in general purpose aid not tied to procurement of particular commodities or in aid that can be used to finance imports of materials, components and spare parts for industry and agriculture. Apart from its direct impact on production, assistance in this form will help in relaxing the controls over industry. The private sector would be the principal beneficiary.

The Indian Government and Indian industry have become increasingly export-conscious during the past few years, but the measures so far taken to promote exports have barely scratched the surface of the problem. The difficulties are formidable. One of the most serious criticisms of government export policy is that it has failed to take full advantage of

opportunities for developing exports of agricultural and mineral products, particularly from ore.

Internal prices of many of the goods which India exports are out of line at present exchange rates with world prices. A wide variety of special preferences, rebates and subsidies have been introduced as part of the export promotion campaign. The most important export incentive is the scheme under which manufacturers receive additional import allocations for machinery, materials and components on the basis of their export performance with certain exceptions. Articles imported under this scheme may either be used by the exporter or sold to other manufacturers engaged in exporting the same kind of goods. Exporters are, however, restricted to the import of specified items used in their industry, and there is no general scheme for the retention of export earnings or the free sale of import licences.

The tourist trade is a neglected area of export promotion. Schemes for the development of the hotel industry, for the improvement of internal transport facilities and for the relaxation of restrictions on drinking have not been pressed forward vigorously enough. These are probably the three most important conditions for a major expansion of foreign tourist travel in India.

Uncertain Prospect

The immediate outlook for the Indian economy is obscured by the many uncertainties about how defence production, investment and the balance of payments will be affected by the increases in defence expenditure decided upon after the Chinese attack last October. The national emergency does not appear as yet to have had any seriously adverse impact on the development programme, but some conflict between defence and development is unavoidable, not least because consideration of the new problems created by the emergency is slowing down the process of decision-making at the top levels of government.

A primary object of this year's Budget was to make way for additional defence expenditures by cutting back consumption rather than investment. The Finance Minister's proposals for additional taxation are an indication of India's readiness to make great sacrifices for defence. Taking taxation and compulsory savings together, the yield expected from the new measures in 1963-64 is \$663 million. Just over one third of this will come from direct taxation of individuals and companies, including compulsory savings, and nearly two thirds from indirect taxation, mainly increases in customs and excise duties.

All the States have now presented their budgets, and the estimated yield from the additional taxation already proposed would be about \$85 million. Another \$44 million of additional revenue is expected to accrue to the States in 1963-64 from increases in inter-State sales tax which is legislated by the Centre.

The provision in the Budget for a "super profits tax" has been strongly criticized by Indian industry, which contends that the tax will discourage new investment and penalise efficiency and growth. Industry has indicated that it is ready to bear its share of the defence burden, and the Finance Minister is understood to be considering the possibility of some change in his proposal which would meet the objections raised, while still raising the additional revenue expected (estimated in the Budget at just over \$50 million this year).

The Budget provides for defence expenditures to be more than doubled and for development expenditures to be raised by 10-15 per cent above last year's level. Non-development expenditures, apart from defence, are being held down, and

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the only major increase proposed in the current expenditures of the Central Government is on account of debt service.

The Budget ends up with an overall deficit of rather over \$300 million to be met by an expansion of Treasury Bills. This is somewhat higher than the provision made for deficit financing in previous years, and if the increases in expenditure on defence and development materialise to the full extent allowed for, there could be considerable pressure on prices. However, there are administrative and planning limitations on the speed at which defence expenditures can be increased, and the same is true in lesser degree of development. Since the additional revenues will start to come in from the beginning of the year, the immediate impact of the Budget on the economy could well be somewhat deflationary.

Shortsighted Policy

The further steep increases in indirect taxation and the need for the upward adjustment of prices of many basic goods and services should result in a fairly general increase in the cost of living. Whatever the risks of price increases in the immediate future, the mission believes that it would be a shortsighted policy to try to suppress inflation by maintaining artificially low prices in such industries as iron and steel, coal, transport and electric power.

Changes in agricultural production during the coming year will depend mainly on the weather. For industrial production the critical factor is likely to be the availability of maintenance imports, and this in turn will depend on how much additional external assistance can be provided in the form of balance of payments support and commodity aid. Shortages of transport, power and coal, though less severe than they were a year ago, could again emerge as obstacles to expansion. Transport will be one of the sectors of the economy most directly affected by defence.

The official balance of payments forecasts for 1963-64 en-

visage imports rising by 25 per cent, exports by 2½ per cent, as compared with the past year. If things turn out well, the mission feels that the forecast for total exports might be reached, but that it is unlikely to be exceeded. More than two-thirds of the increase in imports is attributable to the machinery and transport equipment and the remaining one-third to iron and steel, non-ferrous metals, petroleum products and fertilizers. So far as maintenance imports are concerned, the mission has no reason to believe that requirements have been over-stated.

Non-Project Report

The Government is seeking new aid commitments of \$1,250 million in 1963-64 — about \$550 million of non-project aid and \$700 million of project aid. This would be a higher proportion of non-project aid than was received in the first two years of the third Plan. The mission believes that the ratio of non-project aid to total aid must be increased if full advantage is to be taken of the investments already made, and if the start of new investments in manufacturing industry is not to be pushed beyond what the Indian economy can find the foreign exchange to support.

The total amount of India's external public debt on April 1, 1963, was about \$3,900 million. Service payments on this debt would reach their peak in the years 1965-66—1966-67 when projected amortisation and interest combined would average over \$350 million a year. This would be equivalent to around 18-19 per cent of India's gross external receipts on current account at the present time. The indications are that India will require at least as much external assistance in the fourth Plan as in the third if the growth of the economy is to be maintained along the lines at present proposed. Unless most of the assistance extended from now on is in the form of grants or loans with easy terms of repayment, the burden of debt service will rapidly become insupportable.

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WINDOW ON THE WORLD

The Chicken War

From Our Special Correspondent

PARIS:

IT HAS often been shown that the problem of agricultural surpluses in the West can find no solution within the Western world but calls for an effort to find a global solution. In a world where hundreds of millions of men and women are under-nourished, one group of nations (West Europe, North America and Australasia) is chronically excess in most of the temperate-zone foods, and no attempt to dispose of these surpluses within that group has any chance of success. Hence the failure of Britain's bid to enter the Common Market bringing with her the surpluses dumped in the United Kingdom by the "white" Dominions; hence, too, the impossibility of continuing to dispose of \$1,000 million of U.S. farm surpluses in the Common Market if that region is to give preference to its own excess agricultural output. All the nations concerned in this competitive dumping are fostering bigger and bigger surpluses by way of subsidies (the cost of which is borne by their manufacturing industries), and yet their farm produce is still too expensive to be sought by anyone but themselves. People outside this favoured circle of rich countries cannot pay even the low dumping prices of their foodstuffs, so the advanced nations go on trying to force their excess food on each other while exchanging accusations of "protectionism".

Ludicrous Punishment

The case may be illustrated in the current "chicken war" between the USA and the Six. The whole affair seems humorous and is indeed the cartoonists' delight but the protagonists are impervious to ridicule — as when Senator Fulbright (who comes from Arkansas, like millions of American chickens) says that the USA will withdraw troops from West Germany and leave the country exposed to Russian pressure unless Germans consent to eat more American poultry. The disproportion between the crime and the punishment seems ludicrous, yet the chicken war is a perfectly serious example of the dilemma facing the industrialised nations whose silos and cold-storage warehouses are bulging with surpluses. It is so because the appearance of a glut of poultry is no accident: it is the direct consequence of surpluses in other branches of agriculture. It is not just that feeding chickens is one way of disposing of excess grain, so that the poultry war is a side-issue in the much larger affair of the cereals excess. It is also that poultry-breeding is the most profitable occupation for farmers whose other products are in excess and whose revenues are falling further behind those of city-dwellers.

The main facts of the case are known: American farmers, followed after a few years by European farmers, turned to poultry-breeding on an industrial scale in order to boost their (relatively) declining incomes. They soon scored spectacular increases in productivity: they found that by using selected strains of birds, automated fowlhouses and improved feeds, they could produce a three-and-a-half pound bird in eight weeks with eight pounds of feed, compared with a three-pound bird in 13 weeks with nine pounds of feed under the old system. This development occurred with a slight advance of two or three years in the USA, but it is now in full swing in West Europe too; it is important to note this point, because the American case rests on the unstated claim that because the USA got in first, it should be allowed to perpetuate its advantage by dominating the European poultry market. (This, inci-

dentally, is another clear instance of what free-trade doctrine has always meant: temporary and historically accidental advantage in the "international division of labour" should be frozen for all time, for the benefit of the present leader.) At all events, the results were as expected, and as already seen in other branches of farming: a glut of poultry developed in the USA, prices fell by 25 per cent, the rate of profit slumped to half a cent per pound of bird, and there was a frantic search for export markets in other rich countries (not of course in poor countries where men were hungry).

The export market was found first in West Germany, where surplus U.S. poultry was dumped in vast quantities: sales soared from \$2.7 million four years ago to \$52.6 million last year. German consumption of fowl rose from 4.4 pounds per head yearly in 1956 to 13.2 pounds last year, and the American share of the market jumped from 2 per cent to around 33 per cent. Needless to say, this could not last; such astounding results reflected nothing more than the slight lag in the European farmers' modernisation of poultry-breeding. Pressed by the same necessities as the American farmers, they soon took up the same methods and scored similar increases in productivity—with the difference that health authorities here properly forbade the use of hormones recklessly pumped into American birds before the question of their safety for human health was settled. European output of poultry is now rising at the rate of 13 per cent a year, whereas demand seems to be expanding at only 3 or 4 per cent annually.

Narrow Lead

As has happened in every previous instance of an economy making up its arrears in regard to a more advanced nation, local producers asked that their fellow-citizens give preference to local goods of which output was expanding rapidly. To do so imports of U.S. poultry would have to be cut back to a more moderate figure, and this is the purpose of the Common Market's duty: by a complex system of minimum prices for imports, the import levy on U.S. birds is raised from five cents to 15 cents a pound. This would reduce American sales in West Germany to what they were around 1960, when they were already many times the sales of 1956 or 1958. But the American poultry farmers' lead over their European rivals was so narrow that Washington has to give a highly peculiar meaning to "traditional" sales outlets: they are taken to mean last year's once-for-all record sales. In other words, the temporary and exceptional advantage taken for a brief period has to be frozen permanently for the benefit of American farmers, and any reduction from that level is an act of "protectionism".

That protection has nothing to do with the case may readily be shown. All the Six run immense trade deficits with the USA: France buys twice as much from the Americans as she sells them and in the first half of this year had a deficit of \$1,117 million, while West Germany this year will lose \$1,000 million in commerce with the USA. There is no special reason why, in this highly unbalanced commerce, farm produce should be singled out, but even if it were it would be seen that the Common Market has been far from protectionist. It has increased its purchases of U.S. agricultural goods by \$282 million in four years. Since the war, U.S. sales of cereals have been multiplied by 13, of poultry by seven, of soja beans by 62, of soja oil by 187, and so on. There is even less reason why trade in frozen poultry should be singled out,

Bureau - DE 111

EACH NIGHT

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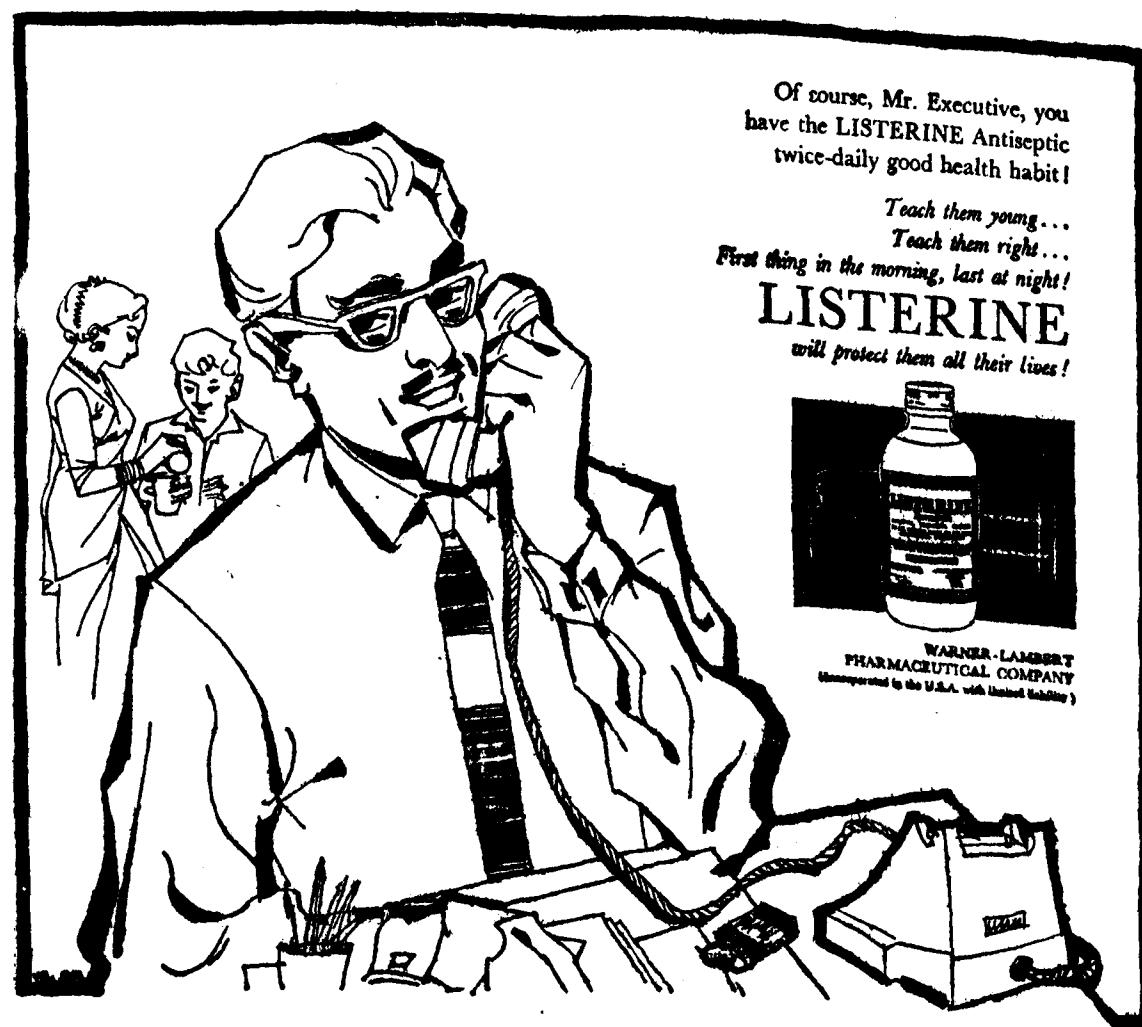
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but if it were it would appear that under the proposed new regulations the USA would retain an immense market in Europe, many times the late-1950's figure and only \$20 million below last year's—\$20 million out of the \$4,450 million worth of U.S. exports sold in the Common Market. Obviously, the battle-cry of "protection" can only be raised in bad faith.

Yet it inevitably will be raised as long as the Western nations are trying to force on each other first this and then the other surplus agricultural commodity. There is, of course, no essential difference between the methods by which the various Western nations encourage the production of these surpluses: the systems of price supports and export subsidies used in each country differ in detail but all have the same effects. There is nothing more protectionist about the Common Market system than the American, on which indeed it is modelled. By similar methods, all the nations concerned are producing more food than they can eat and it is absurd for them to complain that it is all the other man's fault. Nor is there any prospect of this soaring productivity on the farms being curbed; on the contrary, output will increase rapidly in the next few years and will be more and more out of relation to what the Western nations can consume. One American farmer can now nourish 26 people; one French peasant can feed only nine, but he is beginning to apply the same techniques as in the USA and will shortly be able to do as well—while meanwhile American agricultural productivity will have increased further, because the revolution on the farms is by no means complete yet in that country.

The absurdity of using tariff reprisals against each other,

in an attempt to dump more food within the club of rich nations, is evident, and current American threats in that sense must be taken as jockeying for position before the forthcoming world trade conferences. It is perfectly clear that with the best will in the world the West Europeans, North Americans and Australasians cannot eat all the food they are producing and trying to sell each other, and much less will they be able to do so in five years' time. Output limitations will not work, for two reasons. Firstly, the technological revolution on the farms is irreversible and even when acreages and farm populations are reduced drastically, harvests continue to mount. Secondly, farm populations cannot be cut much more (least of all in the USA where millions are unemployed in the cities!) and as long as men stay on the farms they will demand revenues comparable with citydwellers', which they can get only by producing more—and if one crop is limited artificially, they will produce more of another. Nor is there any solution to be found in the direction of a better "division of labour" inside the Western agricultural world, because the criteria for any such allocation of tasks are lacking. Certainly, temporary advantage such as the Americans have enjoyed till now in poultry-breeding is no such criterion because it can be reversed in the space of a few years. And in general there exists no economic or rational reason for preferring European intensive farming to New World extensive farming (the latter made possible, incidentally, only by an artificial limitation on immigration.) The only way out is global agreements that will pour off the West's food surplus to the hungry nations that are too poor to buy it. The ludicrous chicken war may bring realisation of that fact somewhat nearer.



LISTENING POSTS

Kamaraj Plan: What Next?

By Our Special Correspondent

NEW DELHI:

SINCE MR. MORARJI Desai and Mr. Lal Bahadur Shastri have asked to be relieved for party work within the next few days, the Prime Minister has to make up his mind more or less immediately on their successors in the portfolios of Finance and Home respectively. Rather curious is the fact that Mr. Swaran Singh is being tipped for almost every conceivable vacancy simultaneously. When the Prime Minister was looking for a new Food and Agriculture Minister, Mr. Swaran Singh came into the news. As soon as it became clear that Mr. Lal Bahadur Shastri wanted to resign in pursuance of the Kamaraj Plan, it was Mr. Swaran Singh again who was mentioned for the consequential vacancy. Now one hears him mentioned in almost one and the same breath as the next Home Minister as well as the next Finance Minister. It is possible to interpret all this as testifying to Mr. Swaran Singh's popularity and versatility. It is also possible to interpret this as signifying that he is regarded as a Minister with no particular personality.

While there is certainly much speculation about who the Prime Minister may have in mind for the Finance portfolio, it is generally being assumed that the choice will fall on Mr. T. T. Krishnamachari. Possibilities of any of the existing junior Ministers getting promoted to Cabinet rank are considered to be few. But it is more likely that there may be two or three newcomers to the Cabinet. The Congress President, Mr. Sanjiviah, is regarded as a certainty in the place of Mr. Jagjivan Ram. A name which has cropped up in discussions here is of Dr. Wankhade, currently Industries Minister in the Government of Maharashtra. Some observers are inclined to attach significance to Mr. Nehru's observation in the course of his speech on the "no confidence" motion that the Community Development Ministry had fallen into a rut. It is considered likely that Mr. S. K. Dey's tenure may come to an abrupt end before Mr. Nehru has done his final thinking on the Kamaraj plan.

The Development Council for Automobiles, Automobile ancillary industries and transport vehicle industries recently considered the report of its Sub-Committee which examined the Twentieth Report of the Law Commission of India containing the Draft Hire Purchase Bill, 1961. The Council felt that if the Draft Hire Purchase Bill, 1961 as proposed were enacted, it would have far reaching consequences in the Automobile as well as the Road Transport Industries. The Sub-Committee recommended that:

"... either the applicability of the Hire Purchase Bill be of limited scope similar to the English Hire Purchase Act, namely, the bill be applicable only to transactions where the Hire-Purchase price is Rs. 4,000 and less; or the definition of 'Statutory Proportion' contained in Clause 18 of the Draft Bill be amended so that the owner cannot exercise his right to seize the goods otherwise than through Court when the Hire-Purchase price exceeds Rs. 10,000 when 90 per cent thereof had been paid and when it is Rs. 10,000 or less when 66-2/3 per cent thereof had been paid."

With regard to the provision for the Owner to seek redress in a Court of Law upon default by the Hirer, as provided in Clause 18, it recommended:

"the draft Bill is silent with regard to the procedure that may be adopted by the Courts in dealing with the subject matter. The provisions of the English Hire Purchase Act, 1938, as well as the Country Court Rules pro-

vide for a quick disposal of such actions. Similarly, it is suggested that suitable provisions may be inserted in the Draft Bill for a summary procedure to be adopted by the Courts for speedy disposal of the cases, or in the alternative, Tribunals may be constituted under the Act to go into these actions."

After having considered the report, the Council recommended that there need be no monetary ceiling for the hire purchase deeds and the 'Statutory Proportion' contained in Clause 18 of the Draft Bill be amended in such a way that the owner cannot exercise his right to seize the goods otherwise than through Court when 90 per cent of the value of the goods had been paid.

In regard to development, the Council felt that for achieving the strong industrial base for the full development of the automobile industry, planning of the industry should be on a long term basis, say for 10 years each. The Industry should bring in know-how even for items which would not be economical to take up for manufacture in the country and the Government should also encourage the industry to build capacity for such items to avoid dependence on others.

In this connection the Council pointed out that its earlier estimate of foreign exchange requirement of Rs. 43 crores by way of capital goods to meet its target was based on the assumption that the industry could import machinery from any source but as the foreign exchange available was mostly tied up to different sources, the estimates would go up.

Import Content

The Council felt that a study of the actual current and future import content of automobiles should be made in order to assess the total foreign exchange requirements to achieve the planned targets for the third five-year Plan.

The Council recalled its earlier recommendation to the Government to raise the Octane rating of gasoline to 83, which had been accepted by the Indian Standards Institution also but observed that the Oil Companies were not in a position to do so as the Government would not allow them to increase the price of the fuel, which was only marginal. It recommended acceptance of the marginal increase in price asked for by the oil companies as ultimately this would improve the performance of the vehicles. It was brought to its notice that the Oil Companies had advised the industry that due to insufficient foreign exchange allocation made to them they would not be able to import certain ingredients of the fuel and therefore the future supplies of lubricating oils would also be inferior in quality. As this would prove harmful, the Council recommended that this should be looked into immediately and the Oil Companies should be given facilities to import essential chemicals in order to supply better fuel and oil.

On the prices of automobiles spares, the Council observed that the retail traders who were either within the control of the vehicle manufacturer or the ancillary manufacturer adhered to the price formula recommended by the Council, and approved by the Government. It was the retail traders numbering over 60,000, who were not under the control of either the vehicle manufacturers or the ancillary manufacturers (and who either get the spares imported on their own, or through other agencies) charged high prices for which the manufacturers could not be held responsible. To avoid this malpractice, the Council desired that the Directorate General of Technical Development should take up the matter with the Chief Controller of Imports on the possibility of embossing the con-

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dition on import licences for motor vehicle spares, in regard to marketing as per the approved price formula. On the suggestion that either the manufacturers or the two Associations, namely, Automobile and Ancillary Manufacturers' Associations, should be given the licences to import the spares which were not being manufactured in the country, and make them available to the consumers at prices conforming to the policy approved by the Government, the Council desired that this should be left to the Association to take up the matter with the Chief Controller of Imports.

The Council recommended that the decisions taken at the meeting held on 16th January, 1961 with the representatives of vehicle manufacturers, should be implemented, so as to remove the restrictions on the axle weight, wheel-base length etc. etc. as this would enable the manufacturers to introduce heavier vehicles than the ones presently produced in the country as this would result in operational economies. The 25 per cent overloading now being permitted, it was observed, was disastrous as generally the maximum load rating specified by the manufacturers tended to be the safe operating maxima.

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It was recently reported that the Hindustan Motors and Premier Automobiles have been allowed to manufacture engines for commercial vehicles manufactured by them. So far they had to fit in Perkins PGV Vehicular engines into commercial vehicles produced by them. Under the decision, Hindustan Motors and Premier Automobiles will be allowed to manufacture diesel engines for fitment to its vehicles, up to 15,000 per annum each. This capacity will include petrol engines as well. Side by side Simpson Company is allowed to manufacture commercial vehicle chassis in the 3-6 payload range for a capacity of 12,000 per annum. The specification of the chassis will be subject to approval by the Government.

The Government has fixed September 30, 1966 as the changeover date till when both Hindustan Motors and Premier Automobiles will continue to depend on Simpson for their diesel engine requirements.

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Experts from the USA and Britain visited India to assess the plans for increase of production to meet defence requirements, both in the Defence establishments and in the private sector. An Australian team of specialists also visited India in July 1963.

In relation to production for defence requirements in the private sector, the experts had stated that the factories they had visited represented a good source for production of defence material, and that some of the work can be done with the existing machine tools and the other work with additional machinery. They had also recommended that an effective machinery should be set up for utilising fully the capacity in the private sector for production of defence material.

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With a view to reducing the drain on foreign exchange resources caused by imports of lead, copper and zinc, considerable thought is being bestowed in official circles on curtailing the consumption of these three non-ferrous metals and on augmenting their supplies from indigenous sources. Two sub-committees, one set up by the Development Council of Non-Ferrous Metals and the other by the Metals Committee of the Council of Scientific and Industrial Research, are now seized of the problem. Their reports are expected in about two months' time.

There is said to be considerable scope for substituting the use of lead with aluminium in cable coverings and that of red lead, litharge and hydrated basic lead carbonate by aluminium composite primer in the manufacture of paints and pigments. Long-term trials conducted at various places

in this regard, it is stated, have yielded very satisfactory results. The use of lead bearing alloys, it is further thought, can be progressively reduced for lining chemical equipment and tea chests, for absorbing X-ray and radio-active radiation, for vibration damping pads of heavy machinery and for coatingterne plates. No reduction is considered possible in the use of this metal in the lead acid storage batteries; consumption on this account may even go up in view of the present emphasis on defence production. The recovery of secondary lead from scrapped batteries and its re-use for the production of new ones, however, is thought feasible. Considerable saving in foreign exchange, it is felt, can also be effected if instead of importing lead in the metal form, lead concentrates are imported to be smelted in refineries to be set up in the country.

As regards copper, decision has already been taken to gradually replace its use by aluminium in the manufacture of all sizes of insulated cables and wires. The VIR and PVC cables of sizes 7/0.04" or its equivalent and above and power cables of all sizes came to be produced out of aluminium after April 1, 1962. Orders have been issued this week to swith over, with immediate effect, to aluminium in the manufacture of cables of seven strands also. This substitution in the case of smaller sizes of wires and cables will follow in another six months. Mining cables, switch boards, wires and flexibles would, however, continue to be manufactured out of copper for the time being. The total foreign exchange saving after this programme is fully implemented is expected to be of the order of Rs. 2.8 crores.

Further, fairly good economies, it is hoped, can follow if aluminium is increasingly made use of in the manufacture of various components of transformers, electric fans, air-conditioning and refrigeration equipment, telephones, automobiles etc. There are, of course, definite possibilities of copper being replaced by cheaper metals or plastic in industries such as zip fasteners, oil pressure lamps and stoves, hardware fittings, lamp caps and fixtures and in coinage metal.

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For augmenting the indigenous supplies of copper, there is need to expedite the setting up of the 22,000-ton copper smelter based on the Khetri and Daribo copper deposits in Rajasthan and a smelter licensed to be put up by the Indian Copper Corporation for the manufacture of 8,400 tons of electrolytic copper from imported blister copper.

So far as zinc is concerned, a good deal of saving in its use, it is thought, can be effected by reducing its consumption for galvanising and manufacture of utensils. A decision has been taken recently to curtail the use of zinc for galvanising only the top portions of transmitter towers which are subject to electric corona effect. The remaining parts of the towers can be either hot-dip aluminised or painted. A good amount of reduction in the use of zinc for galvanising purposes (aproximately Rs. 2.5 crores) may follow when decisions are taken on two other proposals — (i) galvanising only the inside of steel pipes and (ii) taking recourse to aluminising instead of galvanising of sheets and plates.

The early finalisation of Messrs. Binani's scheme for setting up a 20,000 ton capacity zinc smelter based on imported zinc concentrates is being emphasised. This project, along with the establishment of a smelter based on zinc ore reserves of Zowar mines, by the Metal Corporation of India should go a long way in bringing down the cost on zinc imports.

For mitigating the hardship caused to the small sector by progressive reduction in copper and zinc allocations, it is considered necessary that small-scale workers should be provided with alternative metals or work.

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The Diesel Locomotive Works have a targetted production in the first instance of 150 main line broad gauge diesel elec-

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tric locomotives per year, with scope for future expansion to 250.

The anticipated forecast of production is as below:

1963-64	..	Part manufacture of 3 locomotives.
1963-64	)	.. Assembly of 12 diesel locomotives imported in
	)	.. knocked down condition and manufacture of
1964-65	)	.. 26 locomotives.
1965-66	..	54

Total during the III Plan .. 95

1966-67 .. 108

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The Japanese credit carries an interest of 6 per cent per annum and is repayable in 15 years. The sum of 5.4 billion Yen (Rs. 7.14 crores) has been made available for the first two years of the third Plan in addition to the Second Yen credit of 28.8 billion Yen (Rs. 38.09 crores). The total allocation of 34.2 billion Yen (Rs. 45.23 crores) has been used mainly for import of equipment and machinery from Japan required for projects connected with Power, Industry, Railways, Transport and Communications. Among the important projects covered by the credit are the Gorakhpur fertilizer project, Durgapur special and alloy steel plant, Kosi hydro-electric project and the Durgapur power station.

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The target of production for motor cycles, scooters, mopeds, etc. by the end of the third Plan period is 60,000 Nos. per annum. This capacity is fully covered by licences issued to eight firms. Five firms are already in production. Their combined production during 1962 and 1963 (January to June) was 25,040 Nos. and 11,947 Nos., respectively. Two more licensed units are expected to go into production during this year or early next year. Manufacturers have, therefore, been given necessary facilities for import of capital goods so as to step up indigenous content. When the indigenous content is increased to about 90 per cent, it would be possible to increase the output which would facilitate reduction in the cost of production and the selling price.

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A letter of intent has been granted to the Andhra Pradesh Mining Corporation Ltd., Hyderabad, approving its scheme for setting up a cement factory of annual capacity of 200,000 tons, near Bonakalu.

Limestone for the proposed factory will be drawn from the Jaggayyapeta area of Krishna district.

Two new licences have so far been issued for the establishment of cement factories in Madras State.

One of the licences has been issued to Messrs. India Cements Ltd., Madras, to set up a cement factory of capacity of 200,000 tons a year, near Sankaridrug in Salem district; and the other licence has been issued to Messrs. Chettinad

Cement Corporation Ltd., Madras, to set up a cement factory of capacity of 400,000 tons a year, near Karur in Tiruchirappalli district.

The existing installed capacity of the Kymore Cement factory is about 582,000 tons a year and that of the Satna cement factory about 251,000 tons a year. The expansion schemes at Kymore are for the production of about 25,000 tons of white cement a year and about 180,000 tons of portland cement a year. The expansion scheme at Satna will have a capacity of 330,000 a year.

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A licence under the Industries Act, 1951, has been granted to a private firm for the establishment of a new undertaking at Indore for the manufacture of the following items of textile machinery:

Drawing frames	..	..	..	100 Nos. per annum
Speed frames	..	..	..	150 Nos. per annum
Ring frames	..	..	..	600 Nos. per annum
High Speed Winding Machines	..	..	..	50 Nos. per annum
Single Spindle Pirn Winders	..	..	..	50 Nos. per annum

The third Plan target of production of textile machinery is Rs. 20 crores per annum. As against this the present production is of the order of Rs. 14.5 crores. Textile machinery worth about Rs. 20 crores is being imported.

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It is proposed to set up a new unit at Bhadravati for the production of pig iron with a capacity of 120,000 tons per annum.

Feasibility studies are being conducted for setting up a new steel plant in the Goa-Hospet region in the fourth Plan period.

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Jai Hind Agencies, Cochin have been informed that Government would be prepared to grant them an industrial licence to set up a factory in Kerala in collaboration with an American firm for the manufacture of reclaimed rubber, subject to their being able to arrange the import of plant and machinery on terms and conditions acceptable to Government.

The Factory could be expected to go into production in about two years' time after the issue of the industrial licence.

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The Government of India have floated an entirely State-owned limited company in the public sector called the Aeronautics India, Ltd., with an authorised capital of Rs. 25 crores, for the manufacture of MIG supersonic and other types of aircraft.

The company will control and manage the affairs of the complex of factories to be set up for the manufacture of the airframes, aero-engines, under-carriages and other components of aircraft.

Agriculturists Against 17th Amendment

From Our Correspondent

BOMBAY:

THE CONSTITUTION Seventeenth Amendment Bill has caused great concern among agriculturists who do not want to be deprived of their right to appeal against the provisions of the Maharashtra State Lands (Ceiling on Holdings) Act.

Out of 43,37,903 agricultural holdings, there are only 32,539 holdings, i.e. 0.75 per cent of the total holdings which are above 100 acres and which are expected to yield as surplus only 11 lakh acres of land which comes to about 2.02

per cent of the total agricultural land of the State. Secondly, absentee landlords have been almost completely divested of their lands by tenancy legislation. Cultivable waste in Maharashtra State is about 23 lakh acres. Apparently, there is no land hunger among the landless persons to whom the surplus lands are to be given. If it were not so, the cultivable waste with the Government would not have remained to such a large extent. According to declared objects of this Act, the surplus land is to be given to the landless labourers who according to the official statistics number 58,35,000 includ-

ing the dependents. The estimated surplus of 11 lakh acres as a result of implementation of this Act would be a very small fraction of the land required to rehabilitate the landless. Its distribution would create further additional uneconomic holdings. Besides, by implementation of this Act, higher production is not possible; on the contrary production would suffer as the existing large mechanised and scientifically operated farms would be split into several units and their productivity, therefore, would suffer.

While determining the general ceiling on agricultural holdings in the State, the Planning Commission had recommended that it will be necessary to consider the categories of farms to which the ceiling need not apply. Three main factors could be taken into account in deciding upon exemptions from the purview of the ceiling, viz. (a) integrated nature of occupations, especially where the industrial and agricultural workers are undertaken as a composite enterprise, (b) specialised character of operations and (c) from the aspect of agricultural production, the need to ensure that efficiently managed farms which fulfil certain conditions are not broken up. All these factors are applicable in toto to sugarcane and as such, it would have been reasonable on the part of the State of Maharashtra to exempt sugarcane plantations from the Ceiling Act. But unfortunately the Maharashtra Government has disregarded this recommendation of the Planning Commission. By fixing the ceiling at a low level of 18 acres the Government has knocked off 41 per cent of the area under sugarcane as surplus land. Ill-conceived, as this measure is, to allow such an Act to go in the Ninth Schedule of Constitution would be great injustice to 67 per cent of the rural population. It is heartening that the Congress Parliamentary Party itself is giving second thoughts to the Seventeenth Amendment Bill. A sub-committee has been appointed to examine all its implications.

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The one day token general strike organized by all the Opposition parties commenced, as scheduled, on August 19 midnight. According to estimates compiled by knowledgeable circles, the nation lost Rs. 40 million in industrial output from the day's token strike by the 7½ lakh workers and white-collared employees. The stoppage, one of the biggest in Bombay City's trade union history, was entirely peaceful and resulted in a loss of Rs. 45 lakhs in the shape of wages. The largest bloc of workers to participate in the strike was from the textile industry whose labour strength is 2,50,000. The strike, however, was far less crippling than its sponsors had hoped and the authorities feared. The essential services such as water, electricity and meat supply were well maintained by the assistance of homeguards and voluntary workers. As the morning of Wednesday wore on, thousands of striking workers, including municipal workers, presented themselves for duty. Normalcy was once again restored in the city on Wednesday by the afternoon. In the post-strike briefing to Sachivalaya reporters, the Chief Minister declared that the Socialist sponsored strike had ended in a 'fiasco'. He reported that the strikers had restarted work even before the union leaders had formally called off the strike. As a goodwill gesture, the Government proposed the release of all people arrested in connection with the nine-day Municipal strike with a few exceptions, that is, those charged with offences involving violence. The Chief Minister further announced that the workers' demands would be dealt with according to the labour laws by the Municipal Commissioner, the Corporation and the Labour Department.

The Maharashtra Government took quick steps to rectify the anomalies in the Bombay cost of living index. A three member expert committee was constituted under the Chairmanship of Professor D. T. Lakdawalla, Director of the Uni-

versity School of Economics. The Committee was directed to submit its report within two months. If it cannot report in time, it has to give an interim report within the prescribed period on the readjustment of the existing series.

An assurance was also given by the Housing Minister of Maharashtra, Mr. Homi J. H. Taleyarkhan, that he had already moved the Union Housing Ministry not to evict industrial workers who exceeded the Rs. 350 income-limit per month. According to the Minister, those workers, who by sheer hard work earned more than Rs. 350, should not be deprived of their shelter provided by the Bombay Housing Board. What steps the municipality and Government would take to remedy the grievances such as the rise in the dearness allowance remains to be seen.

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Trading on the Bombay Stock Exchange, on the whole, was featureless. Caution constituted the key note of sentiment with labour unrest in the city and the impending announcement of the Cabinet re-shuffle. The market reacted somewhat bearishly during the week-end to the news that Mr. Morarji Desai and five others, including Mr. S. K. Patil, were to be dropped in the drastic reorganization recommended by the Prime Minister to implement the 'Kamaraj Plan'. Tata Steel slipped down in unofficial trading from Rs. 141 to Rs. 140, Century from Rs. 534 to Rs. 528 and National Rayon from 322 to Rs. 318. The present Finance Minister has become somewhat unpopular recently following the imposition of the Gold Control Order, the Compulsory Deposit Scheme and the controversial SPT but market circles believed that his presence was an indication of the continued support of the Government of India to the private sector. His strong opposition to the demand for nationalisation of banks was welcomed by business circles. There is a general fear that the exit of top administrators might considerably weaken the Central Government as Mr. Nehru has indirectly admitted.

The inter-bank call rate dropped in Bombay from 2 per cent to 1.5 per cent. The rate opened at 2.5 per cent and remained at that level until mid-week. The market reflected lenders all over at that rate. Money market circles expect a further decline in the rate. This is because the prospects of rate there quoted around 0.75 per cent. If the demand for quarterly tax payments develops on expected lines and if banks invest the surplus funds in Treasury bills, there might not be a further fall. The practice of banks keeping funds with industrial houses of directors was not well received in knowledgeable circles. The Reserve Bank is believed to be viewing the matter with considerable concern.

Banks appear to be reluctant to collect compulsory deposits on behalf of the Government, as they cannot retain considered burdensome and costly. For instance, the banks appointed new staff on a temporary basis but even so they have to pay compensation to staff in the event of retrenchment. The Government's agreement to reimburse the expenditure connected with the Compulsory Deposit Scheme does not cover the retrenchment compensation. Banks appear to have sent a request that the Government should bear this liability. The expenditure on stationery and other items is likely to vary from bank to bank. Banks want therefore the reimbursement of actual expenditure and not the expenditure incurred at the average rate per account. Opinion among banking circles is that the compulsory deposit scheme is unwieldy and costly. Although the Government is paying 4 per cent on compulsory deposits, the actual cost is likely to work out around 8 to 9 per cent or nearly twice the Bank rate.

K. K. Birla Urges More Production

From Our Correspondent

CALCUTTA:

ADDRESSING THE first quarterly general meeting of the Indian Chamber of Commerce, Mr. K. K. Birla, President, pointed out that the problem of shortfalls in agricultural and industrial production could not be solved through controls; increased production was the only remedy. Controls, he said, produced a psychology unfavourable to the economy and the vicious circle of shortages, hoarding and corruption vitiates the economic structure. It is necessary that the basic issue of larger production must be given the greatest possible emphasis in the context of the present economic situation.

Experience has shown that the countries which have industrialised at a faster pace are those which have ensured a rapid rate of capital formation. For instance, in the United States the new capital raised by corporations between 1952 and 1961 was almost Rs. 59,000 crores or Rs. 5,900 crores per annum on an average. In Japan the new capital raised by companies between 1953 and 1961 was as much as Rs. 4,000 crores or Rs. 445 crores per annum. In fact, Japan was able to increase its capital formation by as much as 100% during the last few years. In the U.K. the new capital raised was Rs. 3,500 crores between 1954 and 1961 or Rs. 437 crores per annum. During the period 1952 to 1961, India raised only Rs. 591 crores of new capital which comes to Rs. 59 crores per annum only. At present the total new and additional capital raised by companies in India is round about Rs. 90 crores per year, out of which the share of new companies is only about 35%. This will indicate that the available capital for industrial expansion has remained quite insignificant. While our sources for capital formation are not expanding, the need for more capital continues to grow with the requirements of new and modern industries, which are becoming more and more capital intensive. If the Indian economy is to survive the competition with the fast developing and modern industries in advanced countries, it is imperative that we should think in terms of much larger sources of supply of capital to make it possible for Indian industry to expand rapidly and adopt modern methods of production.

Individual Saver's Role

The mainspring of savings in the economy is ultimately the individual. When savings increase at the individual level for investment in productive enterprises, they, in turn, generate more savings and a higher rate of investment. The impact of our rising tax structure has been such that savings at the individual level continue to be depleted and the increasing diversion of income to the exchequer takes away the main source of capital formation. At the same time, expenditure at the hands of the Government continues to be diverted in an increasing manner to unproductive channels so that the economy as a whole is unable to grow faster.

In between the second and third Plans the burden of taxation on the economy has enormously increased. In 1960-61, the final year of the second Plan, the total national income was Rs. 14,160 crores while in 1955-56, that is to say immediately before the second Plan, it was Rs. 9,980 crores. The increase in the national income was thus Rs. 4,180 crores. For the same years, the figures for tax revenue were Rs. 1,355 crores and Rs. 760 crores respectively. The increase in tax revenue was thus Rs. 595 crores. The percentage of additional tax on the additional national income therefore works out to about 14. This was the percentage for the period of the second Plan. Working out the percentage similarly for the third Plan period, it would appear that during the first year of the third Plan the impact of taxation had increased by as much as 38 per cent of the increase in the national income. The sudden jump in taxation right from the beginning

of the third Plan has been largely responsible for slowing down the rate of economic growth. During the last 15 years a country like Japan which had been utterly devastated during the war has made a spectacular recovery and has repaid most of its debt. During this period the Japanese Government had to estimate the growth of the economy carefully year by year and had to adjust the tax rates and hold them down in order to progressively augment savings for investment. This resulted in a greater investment in industrial undertakings and it has been estimated that a quarter of the national income of Japan has been invested in industry every year resulting in an annual average rate of growth of as much as 9 per cent of national income and about 20 per cent in industrial production.

Taxes Retard Progress

In India by taxing the middle and higher income brackets at the rate of 50 to 90 per cent, and with the tax on wealth, it is not possible for those who normally could save more for larger investment to do so. In fact, at certain levels the rate of tax goes up to over 100 per cent which leads to dis-investments in order to pay taxes. It is the individual who finds capital for the corporate sector and if the capacity of the individual is depleted it reacts on the corporate sector as well. In progressive countries it is now recognised that a high rate of tax positively retards economic growth and they are thinking in terms of reducing the tax burden both on individuals and companies. Today our rates of taxes on personal incomes are even higher than in the United States. At a range of annual income of Rs. 30,000 personal taxation as percentage of income in the United States is 12.4 as against 26.4 in India. On a higher income of Rs. 5 lakhs the incidence is 53.7 per cent in the United States and 79.6 per cent in India. The Kennedy administration in the United States feels that even the prevailing rates are high and there are proposals to reduce them further.

The other source of industrial expansion, Mr. Birla said, is ploughing back of corporate profits. Tax system has to be devised in a manner which leaves an increasing amount for utilisation as retained profits. There is a proposal to reduce the company tax in the United States from the present rate of 52 per cent to 48 per cent. In India, the company tax was originally 45 per cent and as the shareholders had the benefit of grossing up, the effective rate of company tax was only 30 per cent. Two years ago it was raised to 50 per cent and in the current year the super profits tax has been levied at a confiscatory rate of 50 to 60 per cent on profits in excess of 6 per cent of capital and reserves. It is difficult to visualise as to how profits above 6 per cent could be described as super profits, when it is impossible to raise debentures at less than 7 to 8 per cent, and preference capital has to be assured a return of at least 9 per cent. Commercial banks charge interest at 8 to 9 per cent or even more on their lendings. This had led to the growing belief that the super profits tax was imposed not so much on revenue considerations, but more on ideological grounds to limit profits at an unrealistic level. If it was merely a question of raising additional revenues it could have been done by an increase in the rate of company taxation during the emergency.

The levy of the super profits tax and the present fiscal structure generally has done considerable harm to the capital market. The depression that has developed in the market more particularly after the last budget has continued to undermine the confidence of the investing classes. Expansion programmes had to be postponed by several well-known companies. Retained profits have dwindled and there has been a pronounced tendency on the part of many firms to curtail

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dividends. A more serious development has been that several of the new issues which were floated in recent months have flopped miserably on account of diffidence among the investing public. Some of these issues fared badly despite the fact that they were issued by well-known business houses. Even some debentures failed to collect full subscriptions. It appears that capital issues have become unattractive on account of the "growth prospects" and "dividend prospects" of companies being adversely affected by the super profits tax. Mr. Birla urged the Government to give serious thought to the present trends in the capital market and devise effective ways and means to ensure a rapid rate of capital growth for industrial expansion.

Apart from the savings at the hands of individuals and corporations, the other important source of finance is the inflow of larger private investment capital from abroad. All over the world, developing countries have depended on foreign capital for their economic advancement. Even after the last war the economic recovery of Japan and Germany was made possible due to the large inflow of foreign capital into those countries. India cannot be an exception. The market for foreign capital is highly competitive and it is bound to flow into those countries which offer better growth prospect and where the economic climate is helpful. Company rates of taxation in several countries which are on the look out for foreign capital are between 30 and 35 per cent as against 50 per cent in India and moreover they do not have the super profits tax. It will be of interest to note that while private foreign investment of the United States increased from Rs. 1,435 crores in 1956 to Rs. 1,845 crores in 1960, the percentage thereof that represented inflow into India was only 0.5 per cent in 1956 which declined to 0.3 per cent in 1960. This only shows that India had been unable to develop a climate favourable to attract larger inflow of capital from abroad.

Controlled Economy

Another aspect of foreign capital concerns our own administrative set up and the restrictive and a highly controlled economy. Administrative problems resulting in delays and red tape and numerous controls very often deter foreign investors to come to this country. Due to these and various other reasons, there has been a fall in the number of foreign collaborations during recent months. An entrepreneur wanting to set up an industry with foreign collaboration has first to obtain an industrial licence, then to negotiate the collaboration agreement and get it approved by the Government, then to obtain the import licence and so on and so forth. Each stage takes a pretty long time so that it is not less 4 or 5 years before the proposed plant could go into production. Unless such difficulties are removed and a suitable climate created to make investment in India more attractive and unnecessary controls on the economy were removed and procedural delays eliminated, it will become increasingly difficult for Indian industries to grow and for more foreign capital to come in.

Mr. Birla also referred to the inability of the banks to finance on an increasing scale the growth of new enterprises due to lack of resources and the slow rate of increase in the deposits. While the Government have set up many financial institutions which are trying to be helpful to new undertakings there in an overall paucity of funds due to the limited resources in the country and it is becoming increasingly difficult for industry to find funds for expansion from the banking system.

Apart from the report of the Bose Commission on the working of certain Indian companies, there has been much discussion in the country regarding the further amendment of the Company Law. The Bose Commission dealt with matters concerning companies which took place many years ago before the Companies Act, 1956, was enacted. That Act and the comprehensive amendments made in it subsequently in 1960 have already brought about far-reaching changes in Company Administration. While any undesirable practices which undermine the

growth of the corporate sector have to be discouraged, Mr. Birla felt that the present Companies Act, as it stands, is already sufficiently comprehensive to regulate and control corporate activity adequately in every detail. In fact in certain respects it is even now so restrictive that it leads to undue delays and hardships in operation. In view of this, any further restrictions imposed on companies will make it extremely difficult to transact business smoothly and efficiently and this will have the effect of seriously undermining the joint stock enterprise.

Mr. Birla, in this context particularly mentioned the aspect of inter-company financing. The Companies Act and the capital issues control restrict diversification of company activities in other fields or making investments in other companies. This makes the utilization of company's funds extremely difficult and retards the rate of industrial growth particularly when the sources of funds for the corporate sector have already proved to be so inadequate. With the curtailment of savings from personal incomes and the inability of companies to plough back larger profits and the failure of the banking system to make available more funds for industrial expansion, if inter-company loans are also made more difficult it will have a stifling effect on the growth of the corporate sector.

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The latest indications about the size of the current year's jute crop do not seem to support the view that the outturn will be smaller than earlier expected. There is of course no official estimate yet but the trade estimates now available place the new crop between 75 lakh bales and 80 lakh bales. Information reaching Calcutta from the various growing areas goes to show that the crop has not been affected adversely to any appreciable extent by inadequate rainfall or floods. On the other hand, the weather has been generally conducive to the healthy growth of the plant in most regions and if the quality of the crop already harvested is any indication, the new crop as a whole should show a marked improvement in quality over the previous year.

Even on conservative reckoning, the total availability of jute will be over 110 lakh bales (75 lakh bales current production plus about 35 lakhs carried over from the previous season). As against this total, domestic consumption may be put at 75 lakh bales at the most. This will leave a balance of about 36 lakh bales. In this calculation three factors have not been taken into consideration: imports from Pakistan, unauthorised jute entering the country across the border from Pakistan and exports, if any. If however the new crop turns out to be larger than reckoned in the above estimate and in the event of continued receipt of smuggled jute from Pakistan, the new crop as a whole should show a marked improvement, the problem of disposal of the crop will still prove a difficult one though at the moment the official assessment seems to be that it will not be difficult to maintain the official operational price of Rs. 30 per maund basis Assam Bottoms. The fact that prices have reached the minimum levels during the past one or two weeks seems to confirm the official optimism but the real test will be when arrivals gather momentum.

In the meantime, the speculative fervour in the jute goods market has considerably diminished and sacking prices are at the moment lower by nearly four points than their level a week ago. Although the figures for despatch of jute for exports in the coming months, they nevertheless give an indication of the trend. The salient features of the July figures are a rise in total despatches, a fall in local consumption and higher despatches of goods intended for export abroad. Evidently, the higher despatches for export poses has encouraged the IJMA to continue capacity working of mills. It is believed that any further orders from overseas consumers for sacking goods will perforce have to come to India as Pakistan is reported to have fully sold its rated

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output to the end of the year. However, it is not a satisfactory position for Indian sacking that it can sell in overseas markets only when Pakistan has completed the sale of its output in this category of goods. As for hessian, burlap consumption in the United States in July has been lower than in the previous month by one million yards. Recently there

For the Backward Areas

From Our Correspondent

MADRAS:

THE SEMINARS sponsored by the Madras Government in various district centres have served to focus attention on the backward nature of certain regions in the State. It is expected that, as a result of a close examination of the possibilities for industrial and agricultural developments of selected areas, the best use can be made of available resources for balanced and sustained growth. It is, however, felt at the same time that the major deficiencies which have been responsible for the relatively slower pace of economic development until recently should be overcome and greater emphasis laid particularly on the development of engineering and small-scale industries.

At the seminar held at Madurai a few days back, Mr. R. Venkataraman pointed out that steps should be taken to convert sea water into drinking water so that the needs for the States for various purposes could be more easily met. While efforts are being made to bring Krishna waters to Madras City and irrigate larger areas in the Coimbatore and Ramanathapuram districts by diverting the waters of some rivers from Kerala, there is a feeling that the proposals for the desalinisation of sea water cannot be held back for long and that with intensified research, the cost of conversion of sea water into potable water should be appreciably reduced so that consumers who can afford to pay slightly higher charges can use larger quantities of desalinated sea water. It has been latterly found that many industrial projects which require larger quantities of assured water supply could not be taken up because of the difficulties in getting suitable sites which will serve various purposes.

As regards the availability of power, every effort is being made to install additional capacity by harnessing the remaining water-power sources and erecting new thermal units in the Cuddalore or Neyveli area. It is not known what is exactly meant by the reference to these new sites by the Industries Minister as it was proposed earlier that three thermal stations having a capacity of 100 mW each should be established in three different centres. The Planning Commission is probably not quite agreeable to the transport of coal over long distances. If major units can be located at or near Cuddalore, the boilers can be so designed that they could be fired by coal or lignite as the case may be. While it is too early to anticipate at this stage what exactly will be the final shape of the power plan for 1966-71, the State Government have in the meantime decided to make effective use of the irrigation discharges at the various projects besides tapping small falls in the different river basins. The idea is to route water from the dams through power houses for irrigation purposes thereby utilizing the potentialities for generating electricity. It is expected in this manner to install additional capacity at Pykara and Papanasam while new units will be established at Vaigai and Lower Bhavani, additional power for 38 mW being generated in the process. It is also proposed that new dams should be constructed in some river basins and Upper Tambaraparni particularly is expected to yield a capacity of 100 mW. By the time the civil works are constructed it is anticipated that generating equipment will be available from indigenous sources. The Kodaiyar Project, which will account for a capacity of 75 mW in Kanyakumari district, has already been approved by the Planning

were reports that traders in that country were finding it difficult to dispose of their holdings. The fact that stocks in that country are quite large, equivalent to about four months' consumption, does not augur well for large scale buying by that country. However it is believed in Calcutta gunny market circles that the US may soon be entering the market.

Commission. Barring the Hongenakal project which will have to be taken up in conjunction with the Mysore Government, there will thus be not much scope for constructing major hydro-electric projects in the next Plan period. The emphasis will, therefore, have to be on installing additional thermal capacity.

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The ban on exports of out-sized raw goat skins announced by the Central Government recently, on the recommendation of the Leather Export Promotion Council, has created a stir in trade circles in Madras City. There are two opposing groups and somehow there is a feeling that vested interests have manoeuvred to get the ban imposed by the Government as the dealers in pickled goat skins will be benefitted by the fall in prices that has taken place on account of the ban. There is already restriction on the exports of goat skins. But it was not expected that a total ban would be imposed without procedure. The policy of the Leather Export Promotion Council is directed towards the conversion of raw skins into finished leathers as far as possible so that the foreign exchange earnings through exports can be maximised. But it has been pointed out that this changeover can come about only over a period and any hasty step would even result in a loss of foreign exchange earnings due to an unexpected decline in prices for raw skins. The dealers in skins in Madras parts of the country into Madras and it would not be profitable to process skins purchased from Northern India as in the case of EI tanned skins. On the other hand, there seems to be a view that there will surely be a demand for pickled goat skins from the USSR and any decline in prices would be only temporary. As against the views of eighteen members of the trade opposing the ban, it has been stated that thirty-two members, including hide tanners, have forwarded a memorandum to the Central Government supporting the ban decision. The Southern India Skins and Hides Merchants Association, however, has stated in reply to the questions put to it by Joint Controller of Imports and Exports that any hasty step would defeat the very object that is sought to be achieved and there could be only a gradual reduction in exports of raw skins.

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The outgoing President of the Madras Stock Exchange has emphasised the need for adopting measures which would revive confidence in the stock markets. When the Silver Jubilee of the Madras Stock Exchange was celebrated in September last year, conditions were different. It is felt that if the buoyant tone of the capital market continued to be in evidence no serious difficulty would be encountered in securing the required capital for promoting new industries. These expectations, however, have been belied and since the declaration of Emergency in November last year, markets have slumped and investors have been unwilling to enter into fresh commitments. Mr. Arunachalam, the outgoing President, emphasised that the slump experienced in 1963 was not a reaction to a boom as no boom existed in 1962 and there was no excessive speculative activity. The lack of confidence in the future is amply borne out by the greater demand for preference shares and the better scope for raising debenture capital.

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The moving finger writes

MR. NEHRU has once again outwitted political pundits and punters alike. Not very long ago he brought discomfiture to those who were confidently predicting a major Cabinet reshuffle following the resignation of Hafiz Mohamad Ibrahim and Mr. K. D. Malaviya. Now, after everybody had convinced himself that nothing was going to come out of the Kamaraj plan, the Prime Minister has carried out a spectacular blood-letting at the Centre and in the States.

It is obvious that Mr. Nehru was executing not one plan but a number of plans. That Mr. Lal Bahadur Shastri, Mr. S. K. Patil, Mr. Kamaraj, Mr. B. Patnaik, and Mr. C. B. Gupta should have quit office for party work was quite logical in terms of the Kamaraj plan. All of them are good partymen with impressive records of organisational work among the rank and file. It is not equally logical that Mr. Morarji Desai, Mr. Jagjivan Ram, Pt. Binodanand Jha and Mr. B. A. Mandloi should have been required to go for the same or similar reason. B. K. Ghulam Mohamad is, of course, in a class by himself and I for one would not venture to analyse what might have prompted him to act the way he did. But it is quite clear that the resignations of Mr. B. Gopala Reddi and Dr. K. L. Shrimali were accepted for reasons which were only remotely connected with the Kamaraj plan. There was no doubt at all that Mr. Nehru blundered when he elevated Mr. Reddi and Mr. Shrimali to Cabinet rank when he reconstituted his Cabinet after the last election. Another Cabinet Minister who has done nothing to earn that rank either before or after his promotion is Mr. Humayun Kabir and it is certainly some surprise that he has been allowed to continue. In my view the fact that he has left the post of the Director of National Physical Laboratory unfilled since June, 1961 should be enough ground for relieving him of his portfolio.

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Talking of the National Physical Laboratory, the spirit of the solar cooker seems to be still going strong in our scientific establishments. The Defence Science Laboratory has reportedly developed a low-cost room cooler for the common man. The various scientific institutes are alleged to have been given high priority work since the emergency. I should therefore imagine that an inexpensive room cooler must have some strategic significance, although I cannot recollect having heard at any time that the non-availability of inexpensive room coolers had anything to do with our reverses in NEFA. And since it is reasonably clear that room coolers, inexpensive or otherwise, cannot be of much use, say, in Ladakh, one might suppose that this latest invention of the Defence Science Laboratory must have a relevance, not altogether obvious, to some such subtle purpose as boosting national morale by symbolically demonstrating that we can keep cool under any provocation.

★★

It is a sheer accident that the two leading articles in this issue have between themselves happened to comment critically on some recent economic reporting by three of the national dailies. In fact, the second of the two articles, "Pressure on Prices", should have appeared a week earlier, but was held

over for "reasons of space". I may perhaps point out that, while our comments on "The Times of India" survey of price trends had anticipated the criticism of that survey which the Finance Minister made in the course of his speech on the "no confidence" motion in the Lok Sabha, we certainly do not agree with Mr. Desai or with Mr. Patil that the cost of living has not been going up appreciably. On the contrary, as has been pointed out in our leading article on "Prices", the substantial increase in taxation, taken with inadequate production, not only of foodgrains but of consumer goods generally, has certainly boosted the cost of living all round. While it is unreasonable to expect the Government to exert itself to keep the price of everything under control—and it is certainly no part of the Government's duty to guarantee that prices of cosmetics and toothpaste will not rise—it is undoubtedly necessary in the interest of political and economic stability, especially in the context of the emergency, that the prices of articles of mass consumption should not be permitted to go up very much. I suggest that this kind of price restraint cannot be exercised except through a deliberate policy of increasing the output of various consumer goods industries which have been assigned a somewhat low priority in the present scheme of things.

★★

Incidentally, I must confess that I do not understand the mentality behind some of the newspaper reporting on the "three-anna" controversy rigged up by Dr. Lohia. It is amusing to find "The Statesman" writing that Mr. Nanda has failed "to substantiate official claim". It is true that Mr. Nanda did not give a break-up of per capita income figures in various fractions of the population and that he could only produce estimates of consumption expenditure while countering Dr. Lohia's allegation that 60 per cent of the population subsisted on three annas per day per person. But then the good Dr. Lohia too was not talking about per capita earnings, but about what 270 million people according to him had to live on. Why has it not occurred to "The Statesman's" Parliamentary Correspondent to ask the learned Doctor where he got his figures from? It occurs to me that if anybody were to be called upon to substantiate anything, it is Dr. Lohia who should first be asked to explain his data.

★★

I see that Mr. Masani is reported to have described Mr. Nehru as a "semi communist". But is Mr. Masani 100 per cent Swatantra? He recently declared in Parliament that he believed in a mixed economy. The Founder-Leader of the Swatantra Party does not seem to have any taste for that mixture. I therefore suggest that Mr. Masani is also only a "semi Swatantrite". I should also say that Mrs. Renuka Chakravarty is no complete Communist, for, while speaking on the "no confidence" motion, she denied that she was in favour of state farming or collectivisation of agriculture. It would therefore appear that to the list of "semi this" and "semi that" there could be no end. As for Dr. Lohia, so much in the news these days, I would suggest that he is simply "semi".

V.B.

Trade Winds

DEMAND FOR STEEL

IN A STUDY prepared by the National Council of Applied Economic Research on the steel requirements during the third and the fourth Plan periods, entitled "Reappraisal of Steel Demand", it has been estimated that, in the category of mild steel, this country would need 6.902 million tons of rolled steel and 9.735 million tons of ingots in 1965-66, and 13.594 million tons of rolled steel and 18.287 million tons of ingots in 1970-71. In the category of alloy and special steel, the estimate for rolled steel has been put at 0.5 million tons and for ingot at 0.834 million tons in 1965-66. The estimates for 1970-71 are placed at 0.966 million tons for rolled steel and 1.610 million tons for ingots. The Council's estimate for foundry grade pig iron is 2 million tons in 1965-66 and 3.462 million tons in 1970-71. The requirements of steel for defence purposes would be about 0.5 million tons by 1970-71. The approach of the Council for these estimates had been the "end-use method" in preference to the usual method of demand forecasting. It is felt that in a planned economy like ours, useful results cannot be obtained even by relating steel demand to any overall index of projected industrial growth.

The Council has warned the Government that delays in the first two years of the third Plan will lead to a heavy shortfall in the supply of rolled and alloy steel in the last years of the Plan. It has, therefore, suggested that provision should be made for foreign exchange to import certain categories of rolled mild steel, alloy steel and pig iron worth Rs. 100 crores in 1965-66. It is recommended that the action on the setting up of additional capacities in the fourth Plan be initiated almost immediately in order that the anticipated demand of 13.594 million tons of finished steel in 1970-71 is fully met. The additional capacity to be established after taking into account all the current expansion schemes is 6.7 million tons of finished steel or about 9 million tons of ingot steel. The Council is of the view that the further expansion of the Rourkela Plant during the fourth Plan as well as an early implementation of Bokaro Plant for flat products are necessary as the gap in this type of products, particularly plates, is expected to be quite substantial—1.38 million tons by 1970-71.

The gap in the non-flat products at the end of the fourth Plan amounting to about 3.2 million tons of finished steel, the study mentions, may be partly met by further expansion of the existing steel plants. However it is recommended that a portion of this gap, say 2 million tons, be planned for production in the South-West region of the country. A wider dispersal on the re-rolling industry should be considered to cater to the regional demands particularly as nearly 50 per cent of the requirements of bars and rods are connected with construction activities in each State. It is felt that a steel plant in Goa can meet advantageously a part of the demand for steel in the Western region of the country, particularly Maharashtra and Gujarat. In view of the substantial economy in steel consumption by adoption of welded structures, the steel plants should concentrate on the production of weldable quality of sections and plates for which there is a large shortage at present.

The Council has recommended 1.5 million tons of finished steel for export in 1970-71 consisting of 1.0 million tons of non-flat products and 0.5 million tons of flat products. So far as alloy and special steels are concerned, it is necessary that schemes as already sanctioned be implemented in the shortest possible time. And, in order to do that, it is necessary that foreign exchange for import of capital goods and equipment be allotted to parties concerned on a priority basis.

The setting up of a large unit of 0.5 million tons for the exclusive production of foundry grade pig iron has also been suggested. The need to organize the collection and publication of complete data on capacity, production and consumption has, of course, not been ignored.

SALT PRODUCTION AND EXPORTS

The Minister of Industry, Mr. Nityanand Kanungo told the Informal Consultative Committee of Parliament for his Ministry recently that the target of 6 million tons fixed for salt production would be achieved by 1965-66. During the third Plan period a sum of Rs. 3 crores would be spent on the development of the salt industry both in the public and private sectors. Production of salt has been increasing year by year and in 1962 it stood at 38,86,000 tons. In the first five months of this year production of salt was 24,02,100 tons. Licences for salt manufacture are being issued freely and every encouragement is being provided to co-operatives engaged in salt production.

So far as exports of salt are concerned, the Union Government proposes to export 4 lakh tons of salt to Japan during 1963-64. Export of salt during 1962 was 1,64,665 tons. During the period January to May, 1963, 1,26,600 tons of salt was exported. The present contract with Japan envisages the export of 2,50,000 tons. In addition to the two year contract for salt exports to Japan, the S.T.C. had also concluded a contract with Ceylon. The quantities exported to that country during 1962 and till the end of May, 1963 were 36,735 tons and 16,000 tons respectively. To ensure that the salt exported conforms strictly to prescribed quality standards, the scheme of quality control and the pre-shipment inspection had been introduced from first of July this year. Special quality control laboratories had been set up for this purpose.

EXPORT QUALITY CONTROL

Mr. Manubhai Shah, Minister of International Trade, told the Informal Consultative Committee of Parliament for his Ministry last week that the Export (Quality Control and Inspection) Bill, 1963, which had been passed by both Houses of Parliament, would enable the Government to extend the field of quality control in export goods. The question of quality control and pre-shipment inspection was of great importance in the present competitive pattern of world trade and in the context of the necessity for India to earn more foreign exchange through exports. Improvement of the quality of our export goods, he said, was not only necessary to maintain the volume of trade on traditional items but also to push up the export of new commodities. Indian goods had to satisfy the buyers' requirements in respect of quality and should command respect in foreign markets.

Compulsory quality control and pre-shipment inspection had been introduced in the case of 14 agricultural commodities and it would be made applicable to 19 more such commodities before the end of this year.

In the case of jute industry, the Jute Commissioner had advised all the jute mills to set up quality control units. It was envisaged that quality control and pre-shipment inspection for the export of jute products would be introduced by the end of next month on a voluntary basis to begin with.

In the cotton textile industry a scheme of voluntary control was already in force under the ITFX and FACTUAL inspection schemes. The quantity being inspected was of the

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order of about 16 per cent of the total exports. Such voluntary schemes existed in the case of handloom products, art silk products and synthetic fabrics. It was proposed that for all textile exports compulsory quality control and pre-shipment inspection should be started before the end of this year.

It had been decided to include tea as one of the commodities to be brought under compulsory quality control and pre-shipment inspection in this year's programme. Already certain measures of quality control and voluntary pre-shipment inspection were in force. Measures which could be introduced to safeguard more effectively the quality of tea for export were being considered by the Tea Board and the Ministry of International Trade.

In the case of coir, a scheme for voluntary pre-shipment inspection of creel mats, rod mats, bit mats and fibre mats had been introduced from May this year using the Indian Standard specifications. This voluntary scheme, it was stated, was a step towards the introduction of a compulsory scheme.

Under various Acts and Regulations in existence now, compulsory quality control was being exercised in the case of fruits and vegetable products, vegetable oil products and some other food articles. It was proposed to introduce compulsory ISI Certification Marking Scheme for nine items of processed foods including breakfast foods, biscuits, malted milk foods, glucose and confectionery. It was stated that there was great scope for expanding exports in this field.

Arrangements for introducing quality control and pre-shipment inspection for engineering goods would be finalised and a scheme introduced from the 1st of January, 1965. A Study Group had already examined the engineering articles to be brought under the scheme and drawn up a list of 65 items.

FERTILIZER PLANT FOR U.P.

The contract for construction of a fertilizer plant at Gorakhpur in Uttar Pradesh was signed on August 21, 1963 between the Fertilizer Corporation of India and Toyo Engineering Corporation, Japan. Estimated to cost about Rs. 25 crores, the project will be the biggest in Asia. Equipment worth about Rs. 11.4 crores will be supplied from Japan under Yen credit.

QUESTIONNAIRE ON SALES TAX

The 10-member Committee on Sales Tax set up with Mr. R. G. Saraiya as Chairman, has issued a questionnaire seeking the views of Trade Associations, Export Promotion Councils and other organisations and individuals on problems of sales tax arising out of the need to promote exports.

The terms of reference of the Committee are:

- To study the incidence of State and Central sales taxes on commodities entering the export trade of India and to indicate the quantum of relief to be provided in respect of each commodity;
- to make recommendations in regard to the manner in which such relief is to be provided, whether by way of exemptions, rebates or set-offs, and the procedure to be followed in connection therewith by each of the State Governments and the Central Government and for different export commodities;
- to review the existing provisions in the sales tax laws in different States with particular reference to the provisions relating to the grant of relief in respect of export commodities and make recommendations

for such amplification or modification thereof as may be considered necessary; and

- to suggest such supplementary or ancillary measures as may be necessary in order to remove or mitigate the burden of State and Central sales taxes on exportable commodities in the interests of the development of India's export trade.

The other members of the Committee are Mr. M. N. Hoble, Commissioner of Sales Tax, Maharashtra; Mr. V. B. Gidwani, Chief Secretary, Gujarat; Mr. K. K. Ray, Finance Secretary, West Bengal; Mr. V. M. Bhide, Finance Secretary, U.P.; Mr. C. Thomas, Finance Secretary, Kerala; Mr. C. V. Ramakrishnan, Commissioner of Commercial Taxes, Board of Revenue, Madras; Mr. I. P. Gupta, Director of Incentives, Ministry of International Trade; Miss Anna R. George, Dy. Secretary, Ministry of Finance; and Dr. R. M. Honavar, Dy. Economic Adviser, Ministry of Industry (Member Secretary).

OIL CIRCUIT BREAKERS

The Central Government's Heavy Electrical Factory at Bhopal has completed the hundredth unit of 33 KV oil circuit breaker. Nearly a thousand circuit breakers in the ranges of 11 KV, 33 KV, 66 KV and 132 KV have been supplied by the Bhopal factory to State Electricity Boards, undertakings in the private and public sectors and railways in different parts of the country. Breakers of this type and class are being manufactured in India for the first time thereby effecting considerable savings in foreign exchange. This breaker is suitable for operation from a distant control room. It is extensively used by Electricity Boards for distribution of power to distant areas and the industries consuming power in large quantities.

EMPLOYEES' PROVIDENT FUND

During the last ten years impressive progress has been made by the Employees' Provident Funds Scheme. Starting with only six industries, the Scheme now covers about 81 industries. At the end of May, 1963, over 23,000 establishments and 36 lakhs of workers were covered by this scheme. Further, so far over Rs. 431 crores had been collected as contributions from both exempted and unexempted establishments. An amount of over Rs. 125 crores had been refunded on account of final settlements and advances. About 12,000 claims involving over Rs. 50 lakhs were being settled, on an average, per month. The accumulations in the Fund were invested in the Central Government securities and the total investments now amounted to over Rs. 309 crores.

GUARANTEE FOR GERMAN EXPORTER

In view of the limited funds of the credit giving suppliers, the Federal Republic of Germany has decided to relieve the export section of their economies of part of the unforeseeable risk through the medium of a State guarantee. This is effected by the Federal Government through a Consortium appointed for this purpose comprising the Hermes Kreditversicherungs Aktien gesellschaft and the Deutsche Revisions-und Treuhand-Ag. This covers a part of the economic and political risk on behalf of the Federation. A Federal cover of this nature is considered essential to the long-term financing of a supply contract. If the foreign purchaser is a State or a body incorporated under public law, the term used is "surety" whereas a "guarantee" is assumed when the foreign purchaser is a concern operated as a private enterprise. The Federation insures against the economic risk of the debtor being unable to pay, further, against political risks such as bans on payment, conversion and transfer delays, and sovereign measures which adversely affect the settling of a contract. The German exporter has to bear not less than 20 per cent of the economic risk and 15 per cent of the political risk himself under the Hermes-coverage.

Company Affairs

FOREIGN COLLABORATIONS

IN THE first half of the current year 145 foreign collaborations were sanctioned. The total since 1957 comes to 1560. The United Kingdom is at the head of the list with 465 collaborations and with 37 collaborations in the half-year under review. The collaborations for the USA totalled 252, with 37 for the half year under review. The Indo-German collaborations totalled 210 with 22 sanctioned in the first half of 1963. In the order of importance, Japan and Switzerland followed next with 120 and 62 collaborations respectively; their shares for the half year were 15 and 8 respectively. Not less than 52 collaborations related to financial-cum-technical collaborations; the remaining 93 consisted of purely technical collaborations.

BIRLA COTTON

The Birla Cotton Spinning and Weaving Mills Ltd. made, according to a preliminary report, a lower gross profit of Rs. 42.39 lakhs for the year ended March 31, 1963 as against Rs. 47.10 lakhs in the last year. Taking into account the balance brought forward from the previous year at Rs. 1.67 lakhs, the sum available for disposal came to Rs. 44.06 lakhs out of which the directors allocated Rs. 9.19 lakhs for depreciation, Rs. 11.75 lakhs for general reserve and Rs. 2.44 lakhs for development rebate reserve. A sum of Rs. 12.50 lakhs was provided for taxation reserve and Rs. 7.99 lakhs were set apart for creating a dividend reserve. After adjusting the excess depreciation value of assets written off in earlier years, a sum of Rs. 12.97 lakhs was transferred to general reserve. The dividend on ordinary shares has been maintained at Rs 2 a share (subject to tax).

MOPEDS INDIA LTD.

Ordinary shares worth Rs. 20 lakhs will be offered for public subscription by Mopeds India Ltd., on September 4, 1963. The authorised capital of the company is Rs. 50 lakhs while the issued capital is Rs. 35 lakhs. A sum of Rs. 13 lakhs has been subscribed by the promoters, directors and friends. Messrs. Motobecane, Pantin, France will supply machinery worth Rs. 2 lakhs. The present issue is for financing the company's project for the manufacture of Mopeds (auto cycles). The factory building near Renigunta is under construction. Orders for the machinery have been placed. It is proposed to borrow Rs. 4.30 lakhs from I.C.I.C.I and Rs. 7.50 lakhs from banks and other sources. The total foreign exchange requirements are of the order of Rs. 21.63 lakhs; a sum of Rs. 8.93 lakhs will come through licences on rupee payment countries, Rs. 2 lakhs from the foreign collaborators in the form of machinery and the balance of Rs. 10.70 lakhs by way of foreign exchange by I.C.I.C.I.

SOUTH MADRAS ELECTRIC

Because of the promulgation of the Defence of India Rules, the Chairman of the South Madras Electric Supply Corporation Ltd., Mr. K. A. P. Viswanatham could not discuss in his address the activities of the company as reflected by the balance sheet and other audited accounts of the company. He assured the shareholders that the Company's affairs had been conducted diligently and with care. The dividend for the year was higher than that of last year and there was a sizable increase in revenue. The Corporation had supplied electricity to ten more villages taking the total number of villages electrified to 646. The increasing pressure of operational costs had forced the Corporation during the year to make some increases in tariffs so as to meet the rise in expenditure. The performance of the Corporation during the last decade has been excellent as shown by all the major indicators. The sale value of energy more than doubled be-

tween 1953 to 1962 from Rs. 4.2 million to Rs. 9.6 million. Similar is the case with gross revenue which rose from Rs. 4.5 million in 1953 to Rs. 9.8 million in 1962. The dividend record of the company has been also encouraging. Between 1959 and 1961, it maintained the dividend at 9 per cent and in 1962 it was raised to 10 per cent (taxable). For the year 1962-63, the rate of dividend has been higher than that of the last year. The volume of activities of the Corporation may also be gauged from the fact that at the end of 31st March, 1962 it serviced 58,856 house service connections, 3186 agricultural pump sets for irrigating 12,500 acres of land, had provided electricity to 4061 power service connections and electrified 636 villages.

TATA-ROBINS-FRASER

The Tata Iron and Steel Company Limited has promoted a new industrial undertaking in Jamshedpur in collaboration with Messrs. Hewitt Robins Inc., USA and Fraser & Chalmers Engineering Works of General Electric Company (Engineering) Limited of UK for the manufacture of a wide range of material handling and processing equipment, such as conveyor and vibrating machinery, ore and coal preparation equipment, industrial chain, wire screen cloth for vibrating equipment, and for providing engineering services. An industrial licence granted by the Government of India in the name of the Tata Iron and Steel Company Limited. The new company, Tata-Robins-Fraser, which would manufacture the products and provide the services referred to, has been incorporated as a public limited company with its registered office in Jamshedpur.

The transfer of the industrial licence from the Tata Iron and Steel Company Limited to the new company, namely, Tata-Robins-Fraser, was reported in our issue of August 9 (p. 275) under the general heading "Changes in Names", but it was not made clear that the change only referred to the ownership of the industrial licence. As a result, our report might have given the impression that the Tata Iron and Steel Company was being re-named as Tata-Robins-Fraser, which, of course, is not the case. The correct position has been stated above.

ZENITH STEEL

Zenith Steel Pipes Limited does not propose to raise fresh capital to finance the expansion programme of the company. The company has applied to the Government for raising the present production capacity from 24,000 tons to 36,000 tons. Disclosing this information to the shareholders at the annual general meeting of the company in Bombay on Wednesday, Mr. S. G. Nevatia who was elected to the chair said that the attitude of the Government in the matter was not helpful, for Government seems to be thinking in terms of licensing additional capacity to fresh units. Apparently satisfied with two shift working. Mr. Nevatia assured the shareholders that the company would achieve further economy in production by stepping up efficiency. In fact as a result of certain additions to the plant in recent months the company's production has been progressively rising and is now working to full capacity.

The company is also trying to diversify its production in certain other types of work. It has already obtained a licence for setting up a zinc 'dross' plant with an annual capacity of 600 metric tons. It is a small plant costing Rs. 5 lakhs. A small portion of the plant is to be imported and the company has applied for an import licence. As for the supply of raw materials the company has covered its requirements to meet the increase in production. The supply of steel is satisfactory and the company has in stock four months' supply.

Referring to questions raised by shareholders in the matter of effecting forward sales of pipes at negotiated prices, he said that in the initial stages the company had to sell at lower



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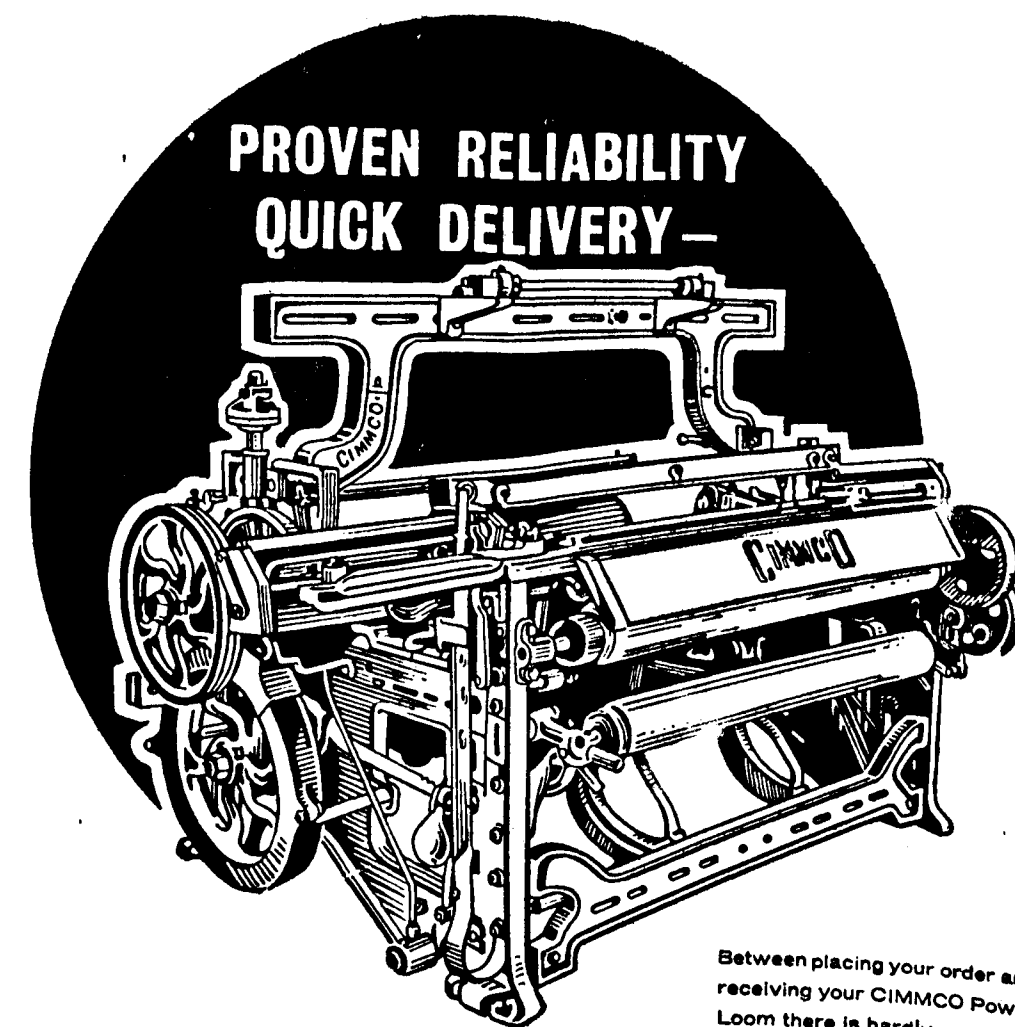
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prices with a view to meeting the competition from three other producers. Although the prices realised was slightly lower than last year it was not very much less and it is not possible to make a comparison since it depended on the different sizes of pipes which varied from producer to producer. The production during the year under report was 12,000 tons.

BENGAL CHEMICAL

The working results of Bengal Chemical & Pharmaceutical Works Limited for the year ended March 31, 1963, showed a rise of Rs. 15 lakhs in sales over the preceding year, though the margin of profit was below expectations due to rising costs of raw materials, transport charges and other levies such as excise duties, emergency risk insurance, etc. Dr. B. N. Ghose, Chairman, indicated in his speech at the Annual General Meeting of the company at Calcutta on August 14, 1963, that a sincere effort had been made by the unit "to hold the price line" and in many cases the margin of profit was reduced. The dividend on all classes of ordinary shares has been maintained at 10 per cent for which the company had to transfer a sum of Rs. 1,55,000 from General Reserve No. I in view of the shortfall in disposable profits. A notable feature of the working of the company was the steady increase in its exports which rose by more than 25 per cent during the year under report. The Chairman also said that the expansion schemes at Panihati were progressing satisfactorily. The alum plant was nearing completion. When the additional 50 ton-day sulphuric acid plant gets completed, better economy in

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production is expected. Expansion of Caffeine plant at Manik-tala has also been taken in hand.

ALUMINIUM CORPORATION

A statement has been issued by J.K. Industries, Managing Agents, Aluminium Corporation of India Limited, regarding the question of power supply from the Durgapur power projects to the company. On the floor of the West Bengal Legislature a controversy has arisen from time to time regarding the loss to the Durgapur projects for supplying power to Aluminium Corporation of India. The Managing Agents have explained that electricity being the main raw material for the aluminium industry, it could not prosper in the State unless power was made available at competitive rates. At the suggestion of the former Chief Minister of West Bengal, the late Dr. B. C. Roy, the management had agreed to expand the plant even though the cost of power was equivalent to Rs. 350 per kW year which was more than double the tariff available to existing or newly planned plants in other States. The impact of the relative higher electricity rate was an impost on the cost of production of Rs. 450 to Rs. 625 per ton resulting in an extra burden on the company of Rs. 22 to Rs. 31 lakhs per year on the current volume of new production. Since the electricity tariff rate is subject to coal surcharge, the cost increased with every upward revision of coal prices.

DIVIDENDS DECLARED

Bombay Dyeing: An interim dividend at the rate of one rupee per share of Rs. 25 for the year ended June 30, 1963.



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has been declared by the Bombay Dyeing and Manufacturing Company Limited.

Jardine Henderson: The ordinary dividend of Jardine Henderson Limited for the current year has been enhanced from 6 per cent to 7 per cent per annum.

Khandesh: The Khandesh Spinning and Weaving Mills Company Limited has declared an ordinary dividend of 12 per cent subject to tax for the year ended March 31, 1963.

Mysore Tobacco: The ordinary dividend of The Mysore Tobacco Company Limited for the year ended March 31, 1963 has been maintained at the last year's level of 10 per cent per annum.

Cannanore Spinning: The ordinary dividend of Cannanore Spinning and Weaving Mills Ltd., has been reduced from 20 per cent to 8 per cent per annum.

Amalgamated Coffee: Amalgamated Coffee Estates Limited has slashed its ordinary dividend for the current year from 10 per cent to 5 per cent per annum.

Midland Rubber: Midland Rubber and Produce Company Limited has reduced its ordinary dividend for the current year from 12 ½ per cent to 10 per cent per annum.

Cimco: A maiden dividend of 7.5 per cent (taxable) for the year ended March 31, 1963 has been recommended by the directors of the Central India Machinery Manufacturing Company Limited.

Hind Cycles: The directors of Hind Cycles Limited have passed over the dividend for the year.

Bradbury Mills: The dividend on equity shares has been maintained at the preceding year's level of 30 per cent, less tax, for the year ended March 31, 1963, by the Bradbury Mills Limited.

CAPITAL ISSUES

The Controller of Capital Issues has authorised twelve companies, including one Central Government enterprise, to raise fresh capital amounting to Rs. 5.28 crores. Five companies are issuing bonus capital, two cumulative plus preference shares, one preference shares, and the rest equities. Four companies are throwing open part of their issues for subscription by the public, one is offering part of the capital to its own employees and four companies are offering part of the capital to their foreign collaborators. The consent is valid for 12 months in all cases.

Hindustan Cement Corporation Limited, Delhi, is to issue capital of Rs. 1.50 crores divided into 1,25,000 equity and 25,000 9.3 per cent cumulative redeemable preference shares of Rs. 10 each for cash at par. Out of this, equity shares of the value of Rs. 1.05 crores and the entire preference shares of Rs. 25 lakhs will be issued to the public by prospectus. The proceeds of the issue is required for financing the manufacture of portland blast furnace slag cement.

The Aryan Brush Company Limited, Bombay, is raising further capital of Rs. 5 lakhs, divided into 5,000 equity shares of Rs. 100 each. On capitalisation of the company's reserves to a like extent, it will be issued as full paid-up bonus shares to the existing shareholders of the company.

D. Macropolo & Company Limited, Bombay, is issuing capital of Rs. 3,15,300 divided into 3,153 equity shares of Rs. 100 each as bonus shares by capitalisation of the company's reserves to a like extent.

Blundell Eomite Paints Limited, Bombay, is to issue capital of Rs. 48 lakhs consisting of Rs. 14 lakhs in equity shares of Rs. 10 each on capitalisation of the company's reserves to a like extent, Rs. 21 lakhs in equity shares of Rs. 10 each for cash at par to be issued to the existing shareholders including the British company, Blundell Permoglaze Limited, and Rs. 13 lakhs in equity shares of Rs. 10 each for cash at a premium of Rs. 11 per share to be issued to the Indian public including

the company's staff. The proceeds of the cash issue will be utilised for the manufacture of paints, varnishes etc.

Wheels India Limited, Madras, is raising Rs. 60 lakhs, divided into 60,000 equity shares of Rs. 100 each to be issued privately for cash at par. Of this, not more than 27,000 shares will be issued to Dunlop Rubber Company Limited, the foreign collaborators, against supply of plant and equipment. The money will be spent on the manufacture of wheels and top rollers for tanks.

Kesar Chemicals, Limited is raising capital of Rs. 80 lakhs in equity shares of Rs. 10 each to be issued for cash at par. Of this amount, shares of the value of Rs. 20 lakhs will be issued to Associated Chemical Company (Mfg.) Ltd., England. The money will be used for the establishment of a plant at Baheri for the manufacture of sodium phosphite and allied chemicals.

Vibgyor Limited, Bombay, is to issue further capital of Rs. 23,82,000 in equity shares of Rs. 100 each for cash at par. Out of this, shares of the value of Rs. 15 lakhs would be issued to the public. The capital is required for the construction of civil works, like dams, bridges, reservoirs, tunnels etc.

Nandlal Bhandari Mills Limited, Indore, is issuing further capital of Rs. 12.50 lakhs divided into 5,000 shares of Rs. 250 each as bonus shares on capitalisation of the company's general reserve to a like extent.

Citric India Limited, Bombay, is issuing Rs. 30 lakhs capital (inclusive of Rs. 10 lakhs equity shares already issued). The balance of Rs. 20 lakhs will be in 9.3 per cent preference shares of Rs. 100 each to be issued for cash at par. The capital will be used for completing the project for the manufacture of citric acid and citrates.

Ahmedabad Manufacturing & Calico Printing Company Limited, Ahmedabad, is to issue bonus capital of Rs. 6.25 lakhs in 5,000 equity shares of Rs. 125 each to be offered to the existing equity shareholders of the company in the ratio of one for 34 shares held on capitalisation of the company's general reserves.

Everest Refrigerants Limited, Bombay, is raising capital of Rs. 60 lakhs for cash at par divided into Rs. 48 lakhs in equity shares of Rs. 10 each and Rs. 12 lakhs in cumulative redeemable preference shares of Rs. 100 each carrying a dividend of 9.3 per cent. Out of this, equity shares worth Rs. 10 lakhs will be offered for subscription to the foreign collaborators, Technical Enterprises Inc., New York, and Rs. 19 lakhs and preference shares of Rs. 6 lakhs to the public by prospectus. The proceeds of the issue will be utilised for the manufacture of fluoro chloro methane gases and its intermediary chemicals.

Indian Oil Company Limited, a Government of India undertaking has been accorded consent to issue a further capital of Rs. 49,55,000, divided into 4,955 equity shares of Rs. 1,000 each to be issued privately for cash at par. The capital will be used for constructing oil installations depot etc.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951, during the week ending August 17, 1963. The list contains the names and the addresses of the licensees, articles of manufacture and annual installed capacity.

SEMI-MANUFACTURE & MANUFACTURE

Anam Electrical Mfg. Co., Kadiam, East Godavari Distt., (Andhra Pradesh) — Aluminium rods suitable for further manufacture of ACSR/AAC — 3,000 metric tons per annum.

COAL

Selected Satgram Collieries Ltd., F-2, Gillander House, 8, Netaji Subhas Road, Calcutta-1 (Distt. Chanda, Maharashtra) — Coal 98,000 tonnes per annum. Model Dhuri Colliery Co., Hazaribagh, (Village Atna, P.O. and P.S., Mandu, Hazari-

bagh, Bihar) — Coal 15,900 tonnes, per annum. M/s. National Coal Development Corporation Ltd., "Darbhanga House, Ranchi (Tehsil, Baikunthpur, Distt. Surguja, Madhya Pradesh) — Coal 0.5 million tonnes per annum.

MINING MACHINERY

Reliable Water Supply Service of India Ltd., 17, Gokhale Marg, Lucknow (Uttar Pradesh) — (1) Well master RC 627, Reverse circulation Drill Rig — 5 initially and 7 Nos. in the third year. (2) Well master RC 518, Reverse circulation Drill Rig — 5 initially and 7 nos. in the third year. (3) Well master RC 308, Reverse circulation, Drill Rig — 5 initially and 7 nos. in the third year. (4) Well master DR 1,500, Direct Rotary Drill Rig — 5 initially and 15 nos. in the third year. (5) Well master PR 412, Percussion Drill Rig — 5 initially and 7 nos. in the third year.

CONVEYING EQUIPMENT

Shri T. S. Chockalingam, 13, South Street, Santhome, Madras-28. Proposed name: Amaravathi Industries (Vaiyampathi, Kulitalai, Tiruchirapalli Distt. Madras — Heavy structurals E.O.T. Cranes of spans and lifting capacities. Wharf cranes, 1st stage 5,000 tons, and 2nd stage 10,000 tons.

MACHINE TOOLS

M/s. Cooper Engineering Ltd., Chinchward (Maharashtra) — Gear Hobbing machines, 20 nos. per annum.

TYRES AND TUBES

M/s. Premier Tyres Ltd., Maneckjee Wadia Bldg. 127,

COMPANY MEETING

BENGAL CHEMICAL & PHARMACEUTICAL WORKS LIMITED

The following is the summary of the speech of Dr. B. N. Ghose, Chairman of Bengal Chemical & Pharmaceutical Works Ltd., at the 63rd Annual General Meeting of the Company on Wednesday, August 14, 1963 at India Exchange Building, Calcutta.

Gentlemen,

The latter half of the year under review was somewhat disturbed by the unprovoked attack on the borders of the country by the Chinese aggressors.

The working results of the Company during the year under review present a better picture than those in the last year. The sales of the Company recorded an increase of over Rs. 15 lakhs as compared to last year, but the margin of profit was not as much as it was expected. This is due to various factors, chief amongst which are rising costs of raw materials, transportation charges, and various other levies by way of Central excise duties, emergency risks insurance etc.

The special resolutions passed at the extraordinary general meetings in March this year will enable the preference shareholders to receive approximately the same amount of dividend as before. Your directors also recommend that dividend on all classes of ordinary shares be maintained at 10 per cent as in the previous year for which they had to transfer a sum of Rs. 1,55,000 from general reserve No. I in view of the inadequacy of distributable profits for payment of dividend.

You will be interested to know that your Company has been exporting its products for a pretty long time. The export trade of the Company has risen by more than 25 per cent during the year under review. The amendment of the cent during the year under review. The amendment of the object clause of the Memorandum of Association of the Company at the earlier meeting by incorporating therein a suitable clause for recognition of the Company as an export house, will enable the Company to enjoy wider scope in utilizing import entitlement much to our advantage.

The expansion schemes at Panihati are progressing satis-

Mahatma Gandhi Road, Bombay-1, (Kalamassery, Kerala) — Automobile tyres, 60,000 nos. per annum, automobile tubes, 60,000 per annum.

PORTLAND CEMENT

Surrendra (Overseas) Private Ltd., Tanda Road, Jullundur (Samloti, Kangra Distt. Punjab) — Portland Cement 100,000 tonnes per annum.

MISCELLANEOUS

Shalimar Industries Private Ltd., 25, Ganesh Chandra Avenue, Calcutta-13 (Howrah, West Bengal) — Compressed Persimmon wood blocks — 1,20,000 pieces per annum.

CHANGE IN NAME

(During the week ending 17th August, 1963)

From M/s. Madan Engineering Tool Products, Delhi to M/s. Amoteep Machine Tools Private Ltd., Delhi.

LICENCES REVOKED

(During the week ending 17th August, 1963)

M/s. Hindustan Commercial Corporation Ltd., Banaras — Electric motors. M/s. The Basti Sugar Mills Co. Ltd., Basti, Distt. Basti — Sugar. M/s. Bharat Rubber and Allied Industries Ltd., Kapurthala — Other rubber goods. Shri B. P. Modi, Nayasark, Cuttack — Fire bricks. Shri Ramaniklal Bhogilal Shah, M/s. Master Cement Mfg. Co. Ltd., Bhavnagar — Portland Cement. M/s. Varat Plywood, Calcutta — Plywood. Shri I. S. Johar, Bombay — Salt glazed stoneware pipes and specials.

factorily. The Alum Plant is nearing completion and will soon be put to commission provided, of course, the foreign equipment indented for are duly received. On completion of the erection of the additional 50 ton-day Sulphuric Acid Plant better economy in production is expected.

NEW LINES OF EXPANSION

The development work in some new lines or expansion work in some of the existing lines are in progress, expansion of Caffeine Plant at Maniktala factory has been taken up in hand to meet the increased demand.

Your Company was pioneer in starting manufacture of ether in this country. The abnormal price of denatured spirit in West Bengal and scanty supply of the same by the West Bengal distilleries has practically put a halt to the manufacture of ether.

I reported to you last year that reduction of import licence of tallow had adversely affected our production of soap so much so that we could not meet our contractual obligations within the country, not to speak of any exports. Restrictions on the import of tallow and essential oils and levy of excise duties etc. have greatly affected our production of soap.

I am glad to report that the preliminaries with regard to formation of Durgapur Chemicals Ltd. are almost complete and new Company will soon be incorporated with your Company as one of the promoters. From a review of the Company's affairs during 1962-63 you will find that despite various handicaps we had to face in the course of the business your Company's trading results have been better.

N.B.: This does not purport to be the actual proceedings of the Annual General Meeting.

An empty desk— yet District Sales Representative Konery is on the job!

Take one part efficiency, two parts drive, a good dollop of common sense. Mix with a base of sincerity. Season with an infectious smile. Top off with travel. For good measure, add a desk (rarely occupied) and you have W.B. Konery, Burmah-Shell District Sales Representative at Hubli.

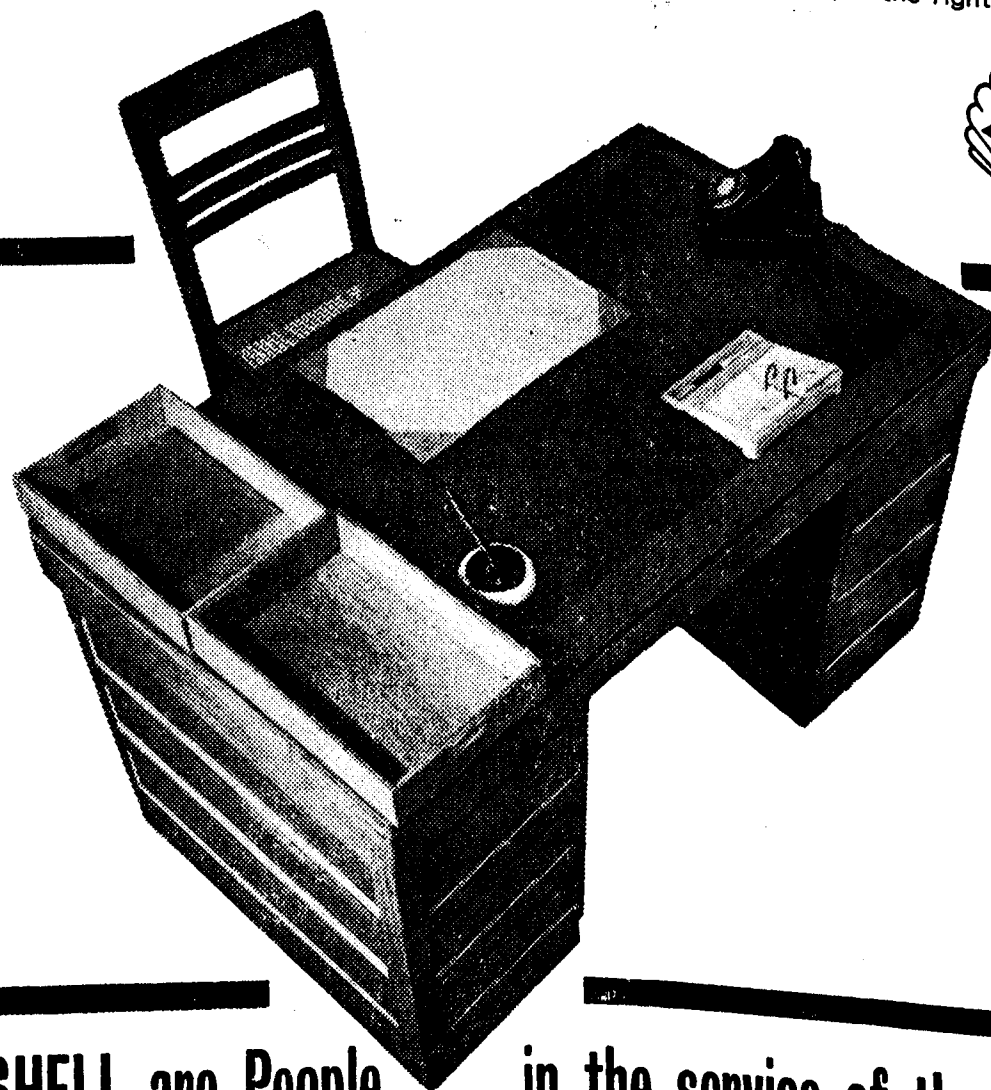
A COMBINATION OF TALENTS

Konery is 47 years old and has spent 19 of them with Burmah-Shell. He's invariably on the move. His sales area comprises hundreds of square miles and he knows all of it well. His duties may be summed up in a sentence: Konery must meet the diverse needs of his many customers. His job demands that he keep a cool head in a crisis and he always does. When dealing with Agents, Dealers and customers, Konery combines the talents of Counsellor, Adviser and Constructive

Listener. Above all, he is regarded as a man who keeps his word. Konery has made scores of friends in his job. To them, he is Burmah-Shell.

TODAY, AS EVER, PEOPLE LIKE KONERY ARE WORKING FOR YOU

Konery is a fine example of a man at peace with himself. Married, with three children—two boys and a girl—he admits wryly to a partiality for his 12 year old daughter. 'She commands,' he says, eyes twinkling, 'and I obey.' He plans a future for her in medicine. Konery and people like him—at all levels of responsibility—are Burmah-Shell. Today, as ever, they are hard at work...working to ensure that vital petroleum products, essential to India's growth and progress, are brought to you at the right place and time, in the right quantities.



BURMAH-SHELL are People in the service of the People

BOOKS BRIEFLY

When Governments Spend

Control of Public Expenditure in India: By A. Premchand; Published by Allied Publishers; Pp. 480; Price Rs. 25.

IT WAS in the year 1859 that the British Government, after taking over the administration from the East India Company, created the Finance Department — a replica of the financial bureaucracy of Britain. The Crown had inherited an utterly disjointed financial structure. The Company lords had devised an immensely centralised control over the Exchequer in order to suit their purely commercial ends. The Secretary of State deputed Sir James Wilson, a financial expert of front rank, to take charge of the Indian fiscal scene. This is where Mr. Premchand begins his description and discussion of the evolution of the modern fiscal control of public expenditure in this country.

The author has divided the study into three parts. The first part focuses attention on the formidably vast machinery of fiscal administration and is intended to familiarise the reader with its structure and functions. Some of the topics examined at length here are: growth of financial administration, techniques of controlling expenditures, delegation of financial authority, the process of rendering advisory assistance to various Ministries, planning and controlling of developmental programmes, fiscal autonomy of States, and financial assistance by the Centre to government and private institutions. The treatment is interesting and adequate. The transition in the post-Mutiny period, the delegation of expenditure control to concerned administrative Ministries (a major departure from the traditional system), the availability of qualified fiscal advice from the Finance Ministry to its sister Ministries, are some of the mysteries of governmental high finance which have been lucidly narrated. The author's approach to the subject in this section is historical, his method deductive. He invariably begins his chapters with a recapitulation of the early history of the various movements, then goes

on to narrate at length the contributions of the developmental phases and winds up with a fairly exhaustive record of the currently prevalent practices. The division of chapters into four broad historical phases to facilitate a rational approach is at times conspicuously and at times implicitly evident. These phases are: (i) post-Mutiny to 1919, (ii) 1919 to 1935, (iii) 1935 to 1947, and (iv) post-independence period.

The second and the third parts of the book are devoted to a descriptive examination of the checks exercised by Audit and Parliament respectively on governmental expenditure. The author traces the origin of the present-day institution of the Comptroller and Auditor General back to the year 1857 when Lord Canning brought the accounting offices of the Presidencies of Bombay, Madras and Bengal under the control of one Accountant-General. After this historical prologue he takes up the study of the different aspects of audit control, viz., the statutory implications, duties and powers of C & A.G., audit of Expenditure and Receipt, audit reports, relations between Audit and Administration, Audit's control over the Exchequer etc. etc.

In the last part, the author has undertaken the appraisal of parliamentary control over public expenditure. He has subdivided this part too into three sections — (a) history of parliamentary control: here he compares the Indian system with its counterpart in the U.K., and describes briefly the developments in the various transitional phases; (b) techniques of control and financial procedures adopted in Parliament: this sub-section speaks of Parliament's varied procedural activities in fiscal matters; (c) problems in parliamentary control: the various hurdles which come in the way of an efficacious control by Parliament have been examined here. Although the Cabinet is answerable to the House for its fiscal activities, the impact of Parliament on the Cabinet is virtually negligible.

R. C. K.

Readers' Roundtable

CAN CONTROLS GO?

Sir,—The Union Minister for Steel and Heavy Industries has urged "the altering of our framework of detailed controls". Controls in our economy are an outcome of planning. The purpose of planning is to mobilise the scarce resources of the country (and whatever is available by way of foreign aid) to bring about rapid economic development. However, the type of planning adopted in India has led to multiplicity and complexity of controls as a result of which instead of aiding economic growth today they are effectively frustrating that objective.

The laudable objective of the Union Minister will run into trouble from four sources: If bulk of controls are eliminated, (1) the Planning Commission will have to give up the Soviet model of comprehensive, centralised planning and the enormous power and patronage which go with it. This is unlikely. (2) The bureaucracy will lose its sense of power without accountability and source of easy money which administration of controls provides. For instance, it is reported

that the scheme for decontrol of steel has already run into heavy weather in the vast expanse of the Iron & Steel Controller's office. (3) For the corrupt in business and industry, controls make possible accumulation of unrecorded and easy money without being put to the necessity of exerting to produce efficiently and economically goods and services desired by the people in a free, competitive market. (4) And, finally, professional politicians, to whom politics is an uncontrolled industry, have a strong vested interest in controls. It gives them scope for making money by influencing the Executive and the administration on behalf of their "clients". The Union Minister for Health, for instance, had pointed out in Parliament that some MPs were interfering with the administration to get licences for unqualified drug manufacturers.

If opposition from these four categories of vested interests can be overcome, and majority of controls can be swept aside, our economy has a better chance of picking up and making rapid strides. An effort is worth it.

Bombay.

"ARISTIDES"

RECORDS AND STATISTICS

Trade Credits

A STUDY of the significance of trade credits in the finances of Indian companies has been published in the July 1963 issue of the Reserve Bank of India Bulletin. "Trade Credit" has been defined as the grant of "permission to purchasers for delay in payment for the goods they have bought". The granting of trade credits is a normal feature of business transactions and such credits are largely received and given by manufacturing and distributing companies. The volume of trade credits depends on a variety of factors such as the size and growth of business, volume of sales, stocks and stores, financial resources, etc. and in times of credit stringency they tend to take the place of bank credit.

The analysis presented in the study is based on the finances of 1001 medium and large public limited companies, 333 private limited companies and 1,017 small public limited companies and they represent 78 per cent, 30 per cent and 40 per cent of all the companies in the corresponding sectors in terms of paid-up capital. Trade credits given and received (industry-wise) for the years 1959 and 1960 are summarised in Table I. It will be seen that all the companies are uniformly net receivers of trade credits, the largest net receivers being iron and steel, sugar, cotton textiles, transport equipment and machinery other than electrical and transport equipment. A notable exception to this trend is provided by electrical machinery for which credits exceeded trade dues in 1960.

The significance of trade credits in relation to paid-up capital is shown in Table II. It will be seen that on an average, companies with paid-up capital exceeding Rs. 1 crore are the largest net receivers of trade credit followed by those between Rs. 50 lakhs and Rs. 1 crore. In the case of

these companies the trade dues also exceeded bank borrowings.

The inter-relationship between bank credits and trade dues is analysed in Table III. It may be observed here that with the increases in value of stocks and stores there is corresponding rise in bank credit and trade dues. In the case of medium and large public limited companies bank borrowings account for 14 per cent of total liabilities in 1960, while trade dues claim about 18 per cent. In the case of small public and private companies trade dues are almost double the level of borrowings from banks.

An industry-wise analysis reveals that trade dues exceeded bank borrowings in the case of tea plantations, coal mining, iron and steel, transport equipment, machinery and tobacco industries and trading companies. The difference between the two sources is largest in the case of iron and steel (Rs. 26.8 crores) followed by "other machinery" (Rs. 15.0 crores) and trading (Rs. 14.3 crores). The two sources are of equal importance in the case of grains and pulses. In the case of sugar, cotton textiles, jute textiles, and edible oils trade dues are lower than bank borrowings. But in the aggregate trade dues exceeded bank borrowings in the case of medium and large public limited companies. Same is the case with small public and private limited companies. The sources and uses of funds of these companies are presented in Table IV. The aggregate of trade dues for the years 1956-60, though lower than bank borrowings, still account for nearly 15 per cent of the total liabilities in the case of medium and large public companies. But in the case of private companies the aggregate trade dues for five years, 1956-60 exceeded bank borrowings, forming nearly a fourth of the total liabilities.

TABLE I

TRADE CREDITS GIVEN AND RECEIVED

Industry	1959			1960		
	Credits Given	Trade Dues (Credits Received)	Excess of Dues Over Credits	Credits Given	Trade Dues (Credits Received)	Excess of Dues Over Credits
Grains and pulses	0.7	1.1	+ 0.4	0.9	1.1	+ 0.2
Edible vegetable oils	2.5	4.0	+ 1.5	2.6	4.2	+ 1.6
Sugar	8.3	23.1	+14.8	10.4	31.8	+21.2
Cotton textiles	45.3	59.8	+14.5	52.8	68.6	+15.8
Jute textiles	7.9	13.7	+ 5.8	12.5	13.4	+ 0.9
Tea plantations	3.2	9.2	+ 6.0	3.8	9.4	+ 5.6
Tobacco	1.4	3.6	+ 2.2	1.5	4.1	+ 2.6
Coal mining	9.6	10.6	+ 1.0	9.8	11.1	+ 1.3
Iron and steel	17.1	43.0	+25.9	14.9	39.7	+24.8
Transport equipment	8.1	23.9	+15.8	14.1	28.0	+13.9
Electrical machinery	6.6	6.8	+ 0.2	8.3	7.5	- 0.8
Other machinery	16.3	32.5	+15.7	23.4	34.7	+11.3
Trading companies	17.1	25.5	+ 8.4	21.1	28.7	+ 7.6
Total for 1001 medium and large Public Limited Companies	226.0	386.7	+160.7	274.1	420.2	+146.1
Total for 1017 small Public Limited Companies	13.2	15.6	+ 2.4	14.2	17.8	+ 3.6
Total for 333 Private Limited Companies	45.8	78.3	+32.5	60.3	86.2	+25.9

TABLE II

SIZE-WISE CLASSIFICATION

(Rs. lakhs)

Size of Paid-up Capital (Average per Company)	1959			1960		
	Credits Given	Trade Dues (Credits Received)	Excess of Dues Over Credits	Credits Given	Trade Dues (Credits Received)	Excess of Dues Over Credits
Less than Rs. 5 lakhs	1.3	1.5	+ 0.2	1.4	1.7	+ 0.3
Rs. 5 — 10 lakhs	3.3	5.7	+ 1.9	4.4	6.6	+ 2.2
Rs. 10 — 25 lakhs	8.8	15.0	+ 6.2	10.4	13.4	+ 6.0
Rs. 25 — 50 lakhs	18.2	26.2	+ 8.0	22.8	28.0	+ 5.2
Rs. 50 lakhs to Rs. 1 crore	30.2	56.1	+25.9	36.3	60.2	+23.9
Above Rs. 1 crore	108.9	191.9	+83.0	131.9	209.1	+77.2

TABLE III

INTER-RELATIONSHIP BETWEEN BANK CREDIT AND TRADE DUES

(Rs. crores)

Industry	Year	Sales (Main Income)	Credits Given	Percentage of (2) to (1)	Trade Dues	Borrowings from bank	Total Liabilities	Percentage of (4) to (6)	Percentage of (5) to (6)
					(4)	(5)	(6)	(7)	(8)
1. Grains and Pulses	1956	20.5	0.8	3.9	0.8	0.9	6.3	12.7	14.3
	1960	28.7	0.9	3.1	1.1	0.7	7.7	14.3	9.1
2. Edible oils	1956	28.2	1.5	5.3	2.5	3.4	13.1	19.1	26.0
	1960	45.5	2.6	5.7	4.2	5.3	18.6	22.6	28.5
3. Sugar	1956	102.0	7.4	7.3	20.6	26.7	110.0	18.7	24.3
	1960	140.2	10.4	7.4	31.6	45.9	153.7	20.6	29.9
4. Cotton textiles	1956	404.0	36.7	9.1	48.1	54.3	326.2	14.7	16.6
	1960	515.1	52.8	10.3	68.6	83.9	400.4	17.1	21.0
5. Jute textiles	1956	110.7	7.9	7.1	9.1	20.0	84.3	10.6	23.7
	1960	150.3	12.5	8.3	13.4	24.9	103.4	13.0	24.1
6. Tea Plantations	1956	32.8	2.4	7.3	9.8	1.8	53.8	18.2	3.3
	1960	35.7	3.8	10.6	9.4	3.6	59.5	15.8	6.1
7. Tobacco	1956	44.8	2.2	4.9	3.2	0.9	36.8	8.7	2.4
	1960	63.5	1.5	2.4	4.1	0.7	40.7	10.1	1.7
8. Coal Mining	1956	27.8	7.4	26.6	7.5	1.7	32.5	23.1	5.2
	1960	38.3	9.8	25.6	11.1	3.5	41.7	26.6	8.4
9. Iron and Steel	1956	78.1	23.2	29.7	29.9	2.1	152.3	19.6	13.8
	1960	141.5	14.9	10.5	39.7	12.9	259.6	15.3	5.0
10. Transport Equipment	1956	84.7	8.7	10.3	20.7	25.3	80.0	25.9	31.6
	1960	137.8	14.1	10.2	28.0	24.1	111.8	25.0	21.6
11. Electric Machinery	1956	28.9	5.1	17.6	4.9	3.7	26.8	18.3	13.8
	1960	42.9	8.3	19.3	7.5	7.0	43.0	17.4	16.3
12. Other machinery	1956	77.8	11.9	15.2	21.8	7.4	77.0	28.2	9.6
	1960	121.4	23.4	19.3	34.7	19.7	140.1	24.8	14.1
13. Trading	1956	154.4	16.9	10.9	23.2	16.3	69.9	33.2	23.3
	1960	148.4	21.1	14.2	28.7	14.4	83.4	34.4	17.3
14. Total for 1001 medium & large Public Limited Companies	1956	1623.8	200.5	12.3	298.5	211.5	1683.3	17.7	12.6
	1960	2273.2	274.1	12.1	420.2	324.6	2297.1	18.3	14.1
15. Total for 333 Private Limited Companies	1956	316.8	41.3	13.0	65.4	30.8	243.4	26.9	12.7
	1960	449.3	60.3	13.4	86.2	47.5	316.6	27.2	15.0
16. Total for 1017 small Public Limited Companies	1959	85.5	13.2	15.4	15.6	8.4	71.5	21.8	11.7
	1960	101.6	14.2	14.0	17.8	9.2	76.9	23.1	12.0

TABLE IV.
SOURCES AND USES OF FUNDS

Year	(Rs. crores)						
	Liabilities			Assets			
	Borrowings from bank	Trade dues and other current liabilities	Total liabilities	Inventory	Receivables (loans & advances)	Book debts	Cash and bank balances
1001 medium and large Public Limited Companies							
1956	68.0	45.1	268.3	93.9	15.6	27.4	-9.1
1957	47.3	42.1	244.7	52.2	9.3	11.8	-8.7
1958	11.3	20.7	168.0	5.2	7.3	3.6	2.5
1959	3.9	25.4	157.2	15.1	1.7	10.1	15.2
1960	58.4	33.5	278.2	101.0	-17.7	48.1	8.3
TOTAL	181.2	166.8	1116.4	267.4	16.2	101.0	8.2
333 Private Limited Companies							
1956	3.3	11.0	27.2	10.9	10.8	-4.5	1.4
1957	2.8	6.3	19.4	6.9	-0.4	3.8	-0.8
1958	1.0	3.1	13.5	0.6	0.4	-2.5	3.2
1959	5.5	3.6	21.8	7.6	0.9	3.2	0.3
1960	9.4	7.9	37.0	10.0	-3.1	14.5	2.0
TOTAL	20.0	31.9	118.8	36.0	8.7	14.5	6.1

Source: Reserve Bank of India.

Company Tax Rates in Selected Countries

WE REPRODUCE below the table on "the latest known rates of the standard or maximum rate of tax charged on the income of companies" in a large number of countries which appeared in May 1963 issue of "Accountancy", London. An

indication is given in the "notes" column when more than one tax is levied, and where 'slab' scales apply a note of the starting rate is given. Local taxes have been ignored except where they form a 'considerable part' of the tax burden.

Country / Rate per cent	Notes
Aden (32.5)	
Afghanistan (10)	5% industrial profits. Plus 12% undistributed profits tax.
Algeria (34).	
Antigua (40).	
Argentina (38.36)	Emergency surcharge 20% on profit over \$50,000.
Australia (40)	On excess over £A 5,000*.
Austria (51.92)	44% on profits over 500,000S (reduced rates of 24%, 30% and 40%) plus Equalisation of Burdens tax of 18% of tax.
Bahamas (..)	Not levied.

Country / Rate per cent	Notes
Barbados (40)	
Basutoland (37.5)	Also Trade Tax 18.5% (local income tax).
Bechuanaland (30)	30% on first £4,000.
Belgium (30)	25% on undistributed profits under 1 million francs; 35% on that part of undistributed profits over 5 million francs.
Bermuda (..)	Not levied.
Bolivia (25)	
Brazil (28)	Also E. P. T. dependent on ratio of profits to capital plus compulsory loan of 15% of tax

COMPANY TAX RATES IN SELECTED COUNTRIES—Contd.

Country / Rate per cent	Notes
Br. Guiana (45)	Plus 10% National Development Savings Levy.
Br. Honduras (40)	
Br. Solomon Islands (7.5)	
Brunei (30)	
Burma (58)	32% plus 18% super tax plus 16-2/3% Business Profits Tax (deductible for company tax purposes) on excess over 1,00,000 kyats.
Cambodia (15)	
Cameroons, East (27.5)	Includes 10% surcharge.
Cameroon, West (40)	
Canada (50)	Includes Old Age Security Tax 21% on first \$35,000; 15% undistributed profits tax. Plus provincial taxes for which 9% tax credit given against Federal Tax.
Cayman Islands (..)	Not levied.
Central African Republic (31.65)	Commercial companies. Others 31.05%; Includes 15% local surcharge.
Ceylon (54)	Resident companies (includes 20% surcharge); plus 33-1/3% on distributed profits
(61.2)	Non-resident companies (includes 20% surcharge); plus 33-1/3% on remittances maximum one-third taxable income.
Chad (33)	Commercial companies. Others 27.5%. Includes 10% local surcharge.
Chile (29)	Plus 25% additional tax on non-resident companies**
Colombia (36)	On profits over 1 million pesos reduced rates of 12% and 24%. Also E.P.T. dependent on ratio of profits to capital. Surcharges 6% — 9%.
Comoro Islands (20.7)	Includes 15% surcharge; 5% undistributed profits tax.
Congo (39)	Commercial companies. Others 28.6%.
(Brazzaville)	Including various surcharges of 30%.
Cook Islands (25)	Min. tax 3,00,000 frs. C.F.A.
Costa Rica (30)	Sliding scale — 5% plus 1/100d. per £ to maximum plus 5% surcharge.
Cuba (60)	On profits over 5,00,000 colones; slab scale starting at 1%.
Cyprus (42.5)	Under \$50,000 — 40%.
Dahomey (42)	
Denmark (44)	Includes 40% surcharge.
Dominica (37.5)	Transitional rates may apply dependent on ratio of profits to capital and level of profits.
Ecuador (18)	Some reduced rates. Includes 2% Defence Tax plus surcharges, (1) 5% of tax, (2) from 17.5% to 33% of tax dependent on profits.
Egypt (18.7)	Includes 1.7%. Additional Tax (for municipalities).
El Salvador (15)	On profits over 150,000 colones slab scale starting at 2.5%; non-resident companies 20%
(..)	10% surtax on profits over \$30,000. Further 10% of profits over \$150,000†.
Falkland Islands (28.75)	Plus profits tax at 10%. (Abatements for profits below £12,000).
Fiji (31.25)	
Finland (38)	Plus 12% for 1962. (Deductible from next year's profits)
Formosa (32.5)	On profits exceeding \$1,00,000. Includes surtax of 30% of tax. Plus surcharge of 20% for 1962 only.
France (50)	
French Guiana (33)	
Gaban (35.7)	Commercial companies. Others 33.6%. Includes 5% local surcharge. Min. tax 2,00,000 frs. C.F.A.
Gambia (45)	
Germany (51)	15% distributed profits. Non-resident companies 49%.
Ghana (40)	Also 10% compulsory savings.
Gibraltar (15)	
Gilbert and Ellice (7.5)	
Greece (40.25)	Undistributed profits only (35% + 15% surcharge).
Grenada (40)	
Guadeloupe (37.5)	
Guatemala (43)	On profits over Q. 3,00,000 slab scale starting at 5%.
Guernsey (20)	
Guinea (33)	Includes 10% surcharge.
Honduras (30)	On profit over L. 1,000,000. Slab scale starting at 3%.
Hong Kong (12.5)	
India (50)††	Resident companies. Non-resident companies — 63%.
Indonesia (52.5)	On profits over Rs. 2.5 million. Slab scale starting at 40%. Further reduced rates (from 25%) for certain new undertakings for five years.
Iran (50)	On profits over 6 million rials. Slab scale starting at 12%.
Iraq (45)	On profits exceeding 15,000 dinars.\$
Ireland (31.66)	(6s. 4d. in the £). Plus 10% Profits Tax on profits over £2,500.
Israel (46)	Company tax 25%. Profits tax (deductible for company tax) 28%. For 1962-63 Absorption Loan, 12% of total tax.
Isle of Man (22.25)	
Italy (36.22)§§	24% plus local etc. sur-taxes. Reduced rates on first 100 million lire.
Ivory Coast (25)	
Jamaica (40)	Includes 2.5%. Company Profits tax.
Japan (38)	33% on profits under 2 million yen. Distributed income 28% and 24% respectively.
Jersey (20)	
Jordan (27.5)	Includes 2.5% Social Welfare Tax.
Kenya (37.5)	Includes 10% Corporation Tax.
Korea (70)	On profits over 10 million hwan. Slab scale starting at 35%.
Kuwait (50)	Where profits exceed Rs. 5 million Sliding scale from 5%.
Laos (18)	
Lebanon (42)	Plus 10% of tax for municipalities. On profits over L. £750,000. Slab scale starting at 5%.

COMPANY TAX RATES IN SELECTED COUNTRIES—Contd.

Country/Rate per cent	Notes
Liberia (35)	On profits over \$1,00,000. Slab scale starting at 5%.
Libya (10)	3% Municipal Tax in Tripolitania.
Liechtenstein (12)	3% — 12% based on ratio between profits and capital.
Luxembourg (40)	On profits over 1 million fr. Reduced rates of 20% and 30%.
Madagascar (28)	
Malaya (40)	
Mali (35)	
Malta (25)	
Martinique (37.5)	
Mauritania (23)	Minimum tax of 150,000 frs. C.F.A.
Mauritius (40)	
Mexico (39)	On profits over 2 million pesos. Slab scale starting at 5%. Plus E.P.T. dependent on ratio of profits to capital.
Montserrat (33.33)	
Morocco (30)	
New Zealand (50)	Reduced rates (12.5% to 27.5%) on profits below £3,600.
Netherlands (45)	On profits over Fl. 50,000. Reduced rate of 42%.
Netherlands Antilles (34.5)	First Fl. 1,00,000 — 276%.
Nicaragua (30)	On profits over 2 million corodas. Slab scale starting at 4%.
Niger (30)	
Nigeria (40)	
North Borneo (40)	
North Rhodesia (40)	Includes territorial surcharge (20% of Federal Tax (a)).
Norway (30)	Plus communal taxes of 16% — 19%.
Nyasaland (40)	Includes territorial surcharges (1s. 4d. in the £ (a)).
Pakistan (50)	Resident companies.
(60)	Non-resident companies.
Panama (35)	On profits over \$750,000. Slab scale starting at 2%. Plus surcharge at 10%.
Papua and New Guinea (20)	Private companies 17.5% (12.5% on first £5,000).
Paraguay (22)	On profits over 35,000 guaranis. Slab scale starting at 5%.
Peru (35)	On profits over 5 million soles; 1 to 5 million — 34%. Slab scale starting at 5%.
Philippines (30)	First 1,00,000 pesos — 22%. Non-resident foreign companies 30%.
Polynesia (12)	
Portugal	Arbitrary basis using capital, assumed gross profit etc.
Puerto Rico (36.75)	Compound rate on profits over \$1,33,333 — includes surtax and additional tax. Slab scale — lowest compound rate 21%.
Reunion (37.5)	
Sahara (25)	
St. Helena (7.5)	
St. Kitts (40)	
St. Lucia (33.33)	
St. Vincent (40)	
Sarawak (40)	
Saudi Arabia (40)	On profits over 1 million riyals. Slab scale of 20% — 30% — 35%.
Senegal (25)	Minimum tax of 3,00,000 francs C.F.A.

Country / Rate per cent	Notes
Seychelles (35)	
Sierra Leone (45)	
Singapore (40)	
South Africa (30)	
South Rhodesia (40)	Includes territorial surcharge (1s. 4d. in the £ (a)).
S. W. Africa (30)	
Spain (30)	Plus municipal surcharge of upto approx. 10%.
Sudan (40)	On profits over £S.30,000 slab scale starting at 12%.
Surinam (30)	20% on first fl. 50,000; 25% on next fl. 50,000.
Swaziland (28)	
Switzerland	Federal tax of 8% plus varying rates (usually dependent on ratio of profits to capital) in each of the cantons. State tax. Local tax of 10%—17% (deductible for State tax purposes). On profits over S £750,000 slab scale starting 8.5%.
Sweden (40)	Includes 10% Corporation tax.
Syria (49)	On profits over 1 million baht. Reduced rates of 15% and 20%.
Tanganyika (37.5)	Minimum tax of 2,00,000 frs. C.F.A.
Thailand (25)	
Togo (30)	
Tonga (25)	
Trinidad & Tobago (40)	
Tunisia (30.4)	
Turkey (20)	Plus fixed licence fees (Patents). Plus income tax on behalf of shareholders of 20% of net profits after deduction of Corporation tax — 16%.
Uganda (37.5)	Includes 10% Corporation tax.
Upper Volta (32)	
Uruguay (15)	On undistributed income in excess of 15% of net income. Also E.P.T. dependent on ratio of profits to capital.
U. S.A. (52)	Includes 22% surtax on profits over \$25,000.
Venezuela (5)	Plus surtax of 10%—45% (Profits over 28 million bolinares).
Viet Nam (24)	
Virgin Islands (Br.) (39.375)	
W. Samoa (40)	
Zanzibar (27.5)	On profits over £8,400 Sliding scale starting at 1s. in the £.

* Resident public company. Different rates for different types of company.

** From 1-1-61 extra tax of 5% for five years.

† These limits are increased for companies with capital over Eth. \$ 5 million.

§ Private limited companies; other legal entities—40%.

§§ Plus company tax of 15% of profits exceeding 6% of net worth.

(a) Public companies: reduced rate on first £25,000 of profits of a private company (5s. 5d.—plus 20% surcharge).

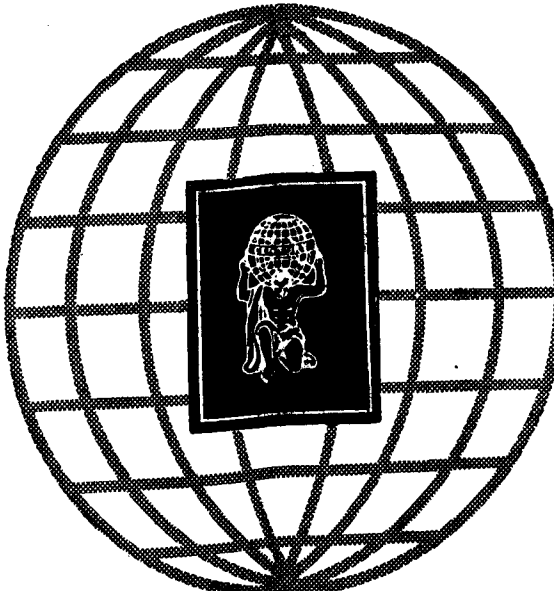
†† Including Super Profits tax. This tax will operate when the income of a company after deducting 10% of gross profits and the Income tax and Super tax payable at the existing rate exceeds 6 per cent of its capital and reserves. The rate of tax will be 50 per cent when "that income" is above 6 per cent but not above 10 per cent of the capital and reserves and 60 per cent on income above 10 per cent.

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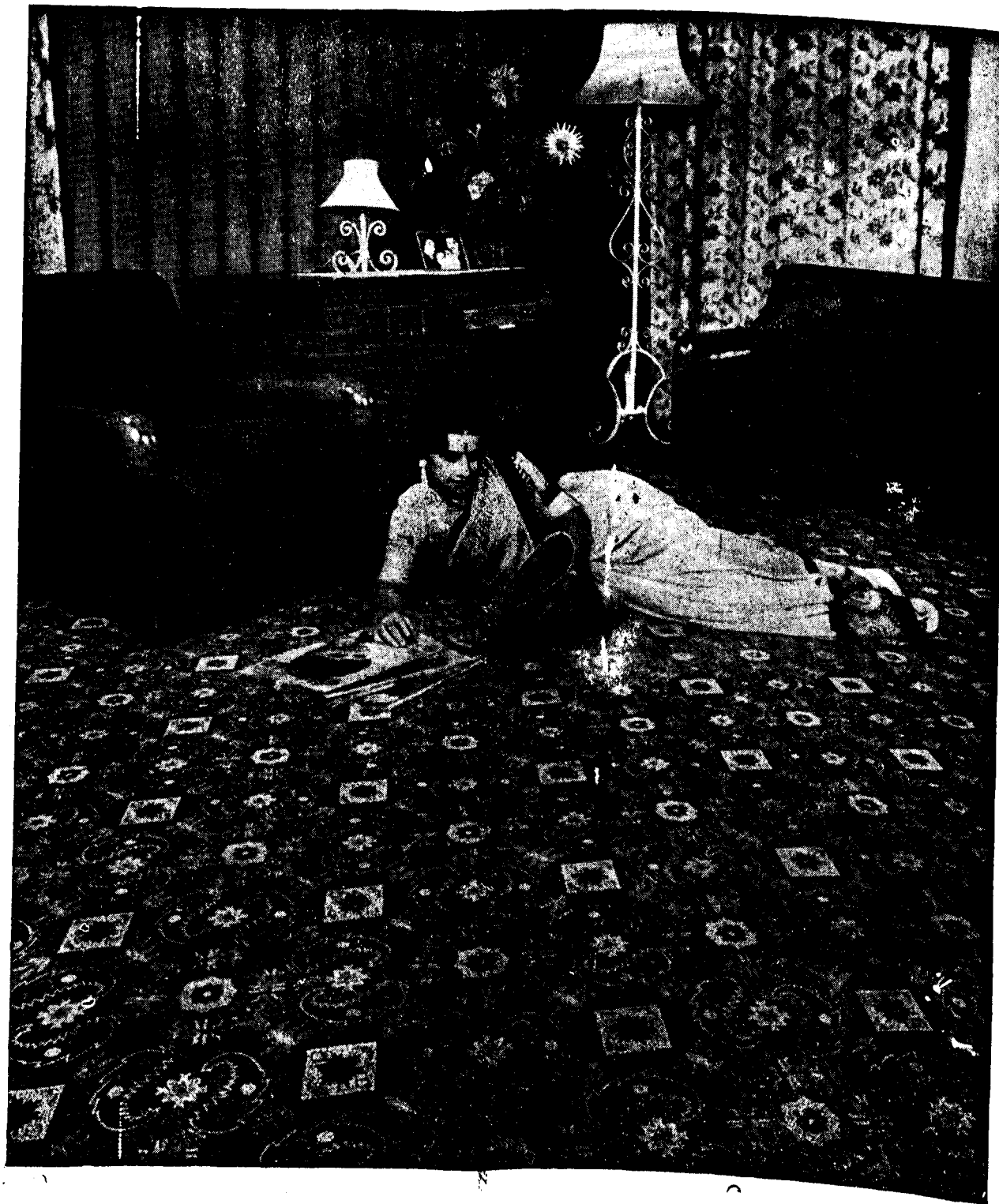
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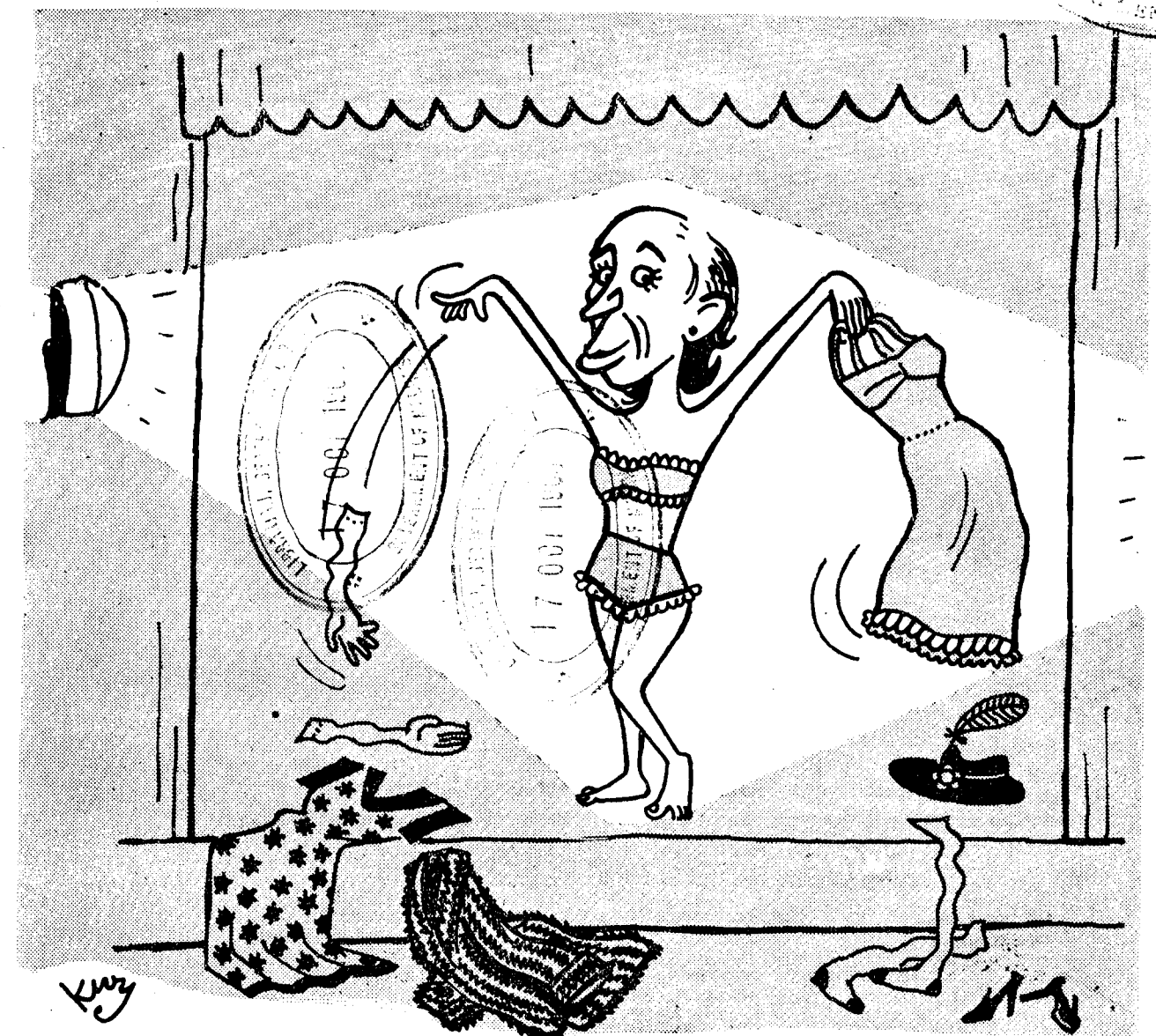
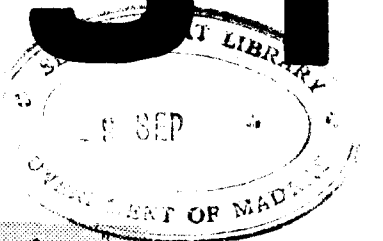
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10



The Prime Minister is expected to shed some more colleagues

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Old Wine in New Bottles

IN FINDING men for the vacancies caused by the resignations of Mr. Morarji Desai and Mr. Lal Bahadur Shastri, the Prime Minister has taken two decisions, one positive and the other negative, which must go a long way in raising the efficiency of the Government in the economic sphere. The positive decision is the choice of Mr. T. T. Krishnamachari for the portfolio of Finance.

There had been quite a good deal of entirely needless speculation about whom Mr. Nehru would choose to succeed Mr. Desai. Mr. Krishnamachari is obviously the man for the job. His agile and informed mind is needed to correct quickly the stagnation of the economy and reactivate it, particularly in the area of industrial expansion. It is true that Mr. Krishnamachari is apt to act in an unorthodox, and often unpredictable, manner and this is not altogether an asset in a Finance Minister whose primary purpose should be to inspire trust and confidence among the people in the stability and sanity of the Government's economic policies. From this point of view it is natural that there should be in some areas of the business community at least a feeling of anxious expectation regarding how he would conduct himself after his return to the Finance Ministry. But it is significant that this element of concern has not prevailed over the more general atmosphere of hopefulness which the news of his new appointment seems to have inspired in the industry and commerce of this country.

Mr. Krishnamachari himself may find it rather amusing to be regarded as a bull factor in the stock exchanges but it is possible that he has also been duly impressed by it. He has inherited, no doubt, a difficult legacy and the country will understand if it takes him time to get a measure of the problems he is up against. At the same time, nothing that needs to be done to relieve the pessimism in the capital market or stimulate investors' sentiments at home or abroad can be done too soon. This country's economic development is getting along not only on borrowed money but on borrowed time as well. A realistic and resilient policy of economic dynamism is therefore urgently needed. This is not to suggest that the new Finance Minister should take snap decisions, reversing existing policies or initiating radically new ones. But it will certainly be very helpful to the revival of economic activity if Mr. T. T. Krishnamachari would, as early as he conveniently could, take the country into his confidence on the broad lines of policy he proposes to follow for stepping up industrial production and capacity and the rate of economic growth generally.

In its own way the negative decision of Mr. Nehru in moving Mr. Nanda from the Planning Ministry to the Home Ministry could be as relevant to the better progress of the economy as the choice of Mr. Krishnamachari for the Finance Ministry. Mr. Nanda has been justly praised as a good man and true, but good intentions are proverbially known to lead to bad destinations. And there can be no doubt at all that, at least in recent years, as the problems of our economic development had been getting increasingly urgent and complex, Mr. Nanda's stewardship of the Planning Commission was becoming more and more a liability. For some time now he has been helplessly presiding over a vast bureaucratic administration which has certainly grown faster than any positive element in this country's economic growth and has thus been a standing violation of the dicta of efficiency and economy in administration that a poor country needs must observe in planning the use of its scarce resources.

Minister for Planning and as Deputy Chairman of the Planning Commission, Mr. Nanda has countenanced a philosophy of restrictionism, thanks to which it has become the habit with the so-called planning and development agencies of the Government to say "don't" rather than to say "do" where the economic expansion of the nation is concerned. It is possible that, in the goodness of his heart, Mr. Nanda loves the poor, but it is not good that a Minister for Planning should have love for poverty itself. At this critical stage of the nation's economic progress, when development programmes are being muddled and targets missed, a bold imagination and a creative outlook are clearly needed. And Mr. Nanda certainly is not the Minister to whom the country could have continued to look for them.

It is to be hoped that Mr. Nanda will do better in the Home Ministry than he has done in the Planning Commission. It is possible, of course, that the political importance of the Home Ministry may be somewhat less in the future. For one thing, to the extent the Kamaraj plan is effective in building up the status and morale of the party High Command and particularly such party institutions as the Parliamentary Board, the Prime Minister may turn more to Party leaders outside the Government than to his colleague in the Home Ministry for political consultations. Secondly, under such circumstances, it is also to be expected that Chief Ministers and other Ministers in the States may tend to look to their central party leadership rather than to the Union Home Minister for the services of mediation and co-ordination in inter-State matters. In this altered context the country could reasonably expect Mr. Nanda to function adequately as Home Minister.

Mr. Swaran Singh's new career will certainly be watched with sympathy. But there is no reason to take it for granted that he will master the problems of his new Ministry. The job which any Minister of Food and

Agriculture at the Centre will have to do is, above all, a tough, energetic and clear-headed exercise in administration. Mr. Swaran Singh has not shown so far that he is a particularly talented administrator. His most recent tenure, which was at the Railway Ministry, was too brief and uneventful for a judgment to be made. His earlier performance as Minister for Steel, Mines and Fuel could legitimately have been a matter for controversy. To what extent any failure on his part to summon vigour and organisational efficiency to the task of implementing the steel development programme of the second Plan had been responsible for the delay in the construction and commissioning of the new steel plants in the public sector is a matter which still remains to be objectively examined. It is to be hoped that the new Food and Agriculture Minister will take the very necessary step of getting himself a first class team of officials who could be depended upon to ensure that the vast finances provided for agricultural development are used in the States effectively and in strict relation to tangible results. The problem of the administration of agricultural development is really the problem of compelling the States, in the first instance, to take on complete and direct responsibility for the implementation of schemes and secondly, to supervise and co-ordinate from the Centre the working of those schemes in order to ensure that they are in fact being efficiently executed in terms of the public funds which are being committed to them. The Food and Agriculture portfolio is a job for a hard-working Minister who will also work his officers very hard indeed.

The three new appointments now announced in the Central Cabinet have inevitably left many loose ends. The future set-up of the Planning Commission, as of the Ministry of Economic and Defence Co-ordination, has been confronted with a large question mark. This apart, a very considerable merging or re-ordering of Ministries (or departments as among Ministries) will



KRISHNA AND HIS KINE

have to be done before the framing and execution of economic policies can assume a sufficiently integrated posture. The Prime Minister no doubt is giving his mind to this. He will probably take the relevant decisions in these respects simultaneously with effecting such additions to and such further elimination from the Ministerial strength at the various levels as he may

Back to the People

*Lizzy Borden took an axe,
And gave her Mother forty whacks;
When she saw what she had done
She gave her Father forty-one.*

THERE IS NO doubt that Mr. Nehru has committed a murderous assault on his family of Ministers, but it is rather amusing that a shock treatment, intended to shock Congressmen, seems to have shocked critics even more. Mr. C. Rajagopalachari, for instance, has evidently been reduced to a state of intellectual incoherence.

The Swatantra leader's outburst suggesting that the decision of the Prime Minister to relieve some of his colleagues of their portfolios so that they may devote themselves to party work has somehow entitled the President to dissolve Parliament and run the administration himself clearly shows that Mr. Rajagopalachari has at last begun to talk wholly in a language in which he could talk only with himself.

The Kamaraj plan is certainly not a perfect plan in the sense that no fault can be found in it. It has weaknesses and it runs risks. We certainly agree with Mr. Rajagopalachari's initial reaction that the plan is liable to invest Mr. Nehru with an absoluteness of personal authority which it is not easy to reconcile with the rights or requirements of a democratic society. We had expressed this feeling in a leading article in our issue of August 23, and now, after seeing the decisiveness with which Mr. Nehru has exercised the authority vested in him by the All-India Congress Committee of shifting Ministers to party work, we cannot but point out that not only has absolute authority been vested in Mr. Nehru but that he is evidently going to exercise that authority absolutely.

Mr. Rajagopalachari has tried to argue that it is "the President and not the Prime Minister that accepts resignations of Ministers". This, however, is not a contention of any substance. There is nothing in the Constitution — either in its written provisions or in its unwritten conventions — to show that there is with the President a privilege which can be held to detract in any manner from the Prime Minister's prerogative of choosing at all times who should be his colleagues in the government. It is not even necessary, strictly speaking, for the Prime Minister to consult the President in this matter. Whether on any particular occasion he does so or not is an act entirely within his discretion. But since, in the present case, Mr. Nehru has presumably acted in terms of the demands and requirements of his party, it would have been proper

consider necessary or desirable. Already steps have been taken to give Mr. Swaran Singh a certain authority over Community Development and Irrigation. The country can afford to wait for Mr. Nehru's further moves, now that he has shown that he is addressing himself seriously enough to the task of good and purposeful government.

for him to have consulted his senior colleagues in the party before he had made his decisions. Even here the AICC mandate itself does not require Mr. Nehru to consult his colleagues in the party, but it would have been more in keeping with the spirit of the mandate if, while reserving the right of ultimate decision to himself, the Prime Minister had discussed his intentions with other senior Congress leaders and taken them into his confidence to a greater extent than he has apparently done. The fact that he has not thought such consultations to be necessary must add an edge of disquiet to the general feeling of broad satisfaction with the determination and wholeheartedness Mr. Nehru has shown in putting the Kamaraj plan to work.

If the Kamaraj plan has a weakness it is that it is liable to underline the personal ascendancy and authority of Mr. Nehru as the One Leader of the Congress Party. Nevertheless, it is possible, paradoxically, for the plan to set in motion a sequence of forces and influences which may ultimately bring about the kind of collective leadership which is desirable for the future of the Congress Party and necessary for the security of this country's democracy. Whether the departure from the Central and State Governments of leading Congressmen would actually weaken the administration or the standards of Government remains to be seen. What, however, is at once evident is that their going back to important positions in the Congress organisation must undoubtedly strengthen the organisational wing of the Congress Party. So long as the Congress leaders concerned were holding office as Ministers they were not in a position openly to criticise Mr. Nehru or express their disagreements with him on matters of government policy or even on general public issues. Now they are freed from such restraint or constraint.

This is not to suggest that the Congress leaders retired from the Central or State Governments should, or are likely to, form a group of dissidents at the national level and work against Mr. Nehru as a person or as the Prime Minister. Such a development will certainly be most unhealthy because it will not only hurt the Congress Party but also the political stability of this country which is so directly dependent upon the Congress continuing to preserve its coherence in the difficult years ahead. What is considered both desirable and probable is that once the ex-Ministers are freed from the narrow discipline of office they may promote a collective leadership in the Congress Party which would serve to balance Mr. Nehru's personal ascendancy in

the present while preparing the ground for the smooth continuity of India's democratic political experience after Mr. Nehru. It has been a familiar criticism of the functioning of the Congress both as a political organisation and as a ruling party that, if the Congress has a mind at all, it is the mind of Mr. Nehru, which — so this complaint proceeds—is rather unfortunate since most of the time Mr. Nehru does not seem to know his mind at all. The biggest thing that is to be said in favour of the Kamaraj plan is that it is not impossible that it succeeds in giving the Congress a mind of its own.

Basically the Kamaraj plan is a plan to help Congress renew its friendship with the people of this country. We quite readily see why opponents of the Congress do not like this idea, but we just cannot understand what title they have to protest against this move, or, stranger still, presume to advise the Congress against it. The glory and greatness of the Congress traditionally has been that it is a party not of sections of the people, but of the people as a whole and in the mass. This tradition has unhappily become tarnished in recent years as a result of particular individuals or sections in the Congress organisation trying to establish special relations with particular parts of the great community of the Indian people. Thus there has been a right wing in the Congress and a left wing—with a centralist wing coming in between. There has also been talk or suspicion of various strata of Congress leadership having different affinities and different loyalties. We have been told that business interests, for instance, have good connections at certain points or levels of the Congress organisation. We have also been told that there are other areas in the Congress where opinion is reported to be specially sympathetic to what have been described as agricultural interests. It has been suggested, again, that the claims of organised labour have a special hold on sympathies at certain places in the party. It has also been claimed that there are similarly special areas in the Congress organisation to which other sectional interests, such as small traders, artisans or the urban middle class are supposed to have favoured access.

How much all or any of this is true or not is perhaps less important than the fact that the Congress organisation as a whole has certainly lost a great deal of

Failures in Fertilizers

THE MINISTER for Steel and Heavy Industries, answering questions in Parliament last week, indicated that the production of nitrogenous fertilizers was not likely to hit the third Plan target as there had been delays and difficulties in the implementation of schemes for new plants allowed to the private sector. Mr. C. Subramaniam said that of the eight firms to whom licences had been issued only three had shown some interest while five had surrendered their licences with no other private parties coming forward to take their place. This

the integrated personality which it once had as the common champion and principal spokesman of broad national interests and sentiments. This is essentially because the Congress, both as a political organisation and as a ruling party, has been steadily losing touch with the people at large. Its conscience and its character have been steadily drifting away from the circumstances in which the people of this country actually live and from their desires for the present and their aspirations for the future. It is because of this dismal divorce of the party from the people that the policies of governments at the Centre and in the States have lately taken such a turn as has alienated the support and sympathies of large and numerous sections of the people. As a measure of this estrangement we may point to the utterly mechanical manner in which fundamental changes in the people's habits and attitudes, as are contemplated in the Gold Control and Compulsory Savings policies, have been sought to be effected. Had the Congress kept its fingers on the pulse of the people it would certainly have exerted itself more than it had done to prepare public opinion in advance of such reforms as well as to carry public opinion with it in the actual implementation of those programmes. It is not an accident that the policies and measures of one single Central Budget should have brought so much unpopularity to the Congress in such wide areas of national life and opinion.

In the circumstances there is nothing criminal or sinful in the Congress trying to recapture public imagination and public support through the Kamaraj plan or otherwise. It does not lie in the mouth of those critics of the Congress who have always been complaining that the Congress has failed to give good government to argue now that the retention of the resigning Ministers has suddenly become essential to the proper administration of the country. It is, of course, true that the Kamaraj plan offers no guarantee that the Congress will succeed in getting restored to its pristine position as the great party of almost all our people. But it certainly does not make sense for opposition groups to pretend to be dismayed by the possibility of the Congress failing. It is a matter primarily for Congressmen to decide whether the chance of success is worth taking. Whether, in the event, the Congress fails or succeeds, it will always be to its credit that it has attempted in all earnestness to go back to the people.

was reported gleefully in *Patriot* with the accusatory headline "Private Sector Guilty". Actually this matter is rather more complicated than has been made to appear through over-simplification, deliberate or otherwise. In the first place, although it is true that the setting up of new fertilizer plants in the private sector has not proceeded according to schedule, it may not be right to say that all the expected shortfall in nitrogenous fertilizer production is to be attributed to this factor. Performance in the public sector also has fallen behind

targets and this too has to be taken into account in assessing the total situation in the planning and development of the nitrogenous fertilizer industry.

The Gorakhpur scheme, for instance, is now expected to be completed only in October, 1966, i.e., a few months after the end of the third Plan. The Namrup project again may not go into commercial production before the end of 1965. The Trombay project was expected to be commissioned in 1964, but actual production from this factory may be available only in the beginning of 1965. The Neyveli project, it is hoped, will go on stream in September-October, 1965. After the surrender of its licence by the private party to which a fertilizer plan to be located in Madhya Pradesh was originally allotted, this project has been shifted to the public sector. Korba has been tentatively selected for the location of this factory which will be coal-based and will have a capacity of 100,000 tons (N) in the form of urea as against a capacity of about half that amount envisaged by the original sponsors. The latest estimate places the cost of this project at Rs. 35.71 crores out of which the foreign exchange cost will be of the order of Rs. 13.56 crores. This scheme, now in the public sector, and delayed no doubt by the failure of the original licensee in the private sector to implement it, is not expected to fructify during the current Plan period.

This means, in effect, that most of the fertilizer expansion in the public sector during the third Plan is related to the fortunes of the plants at Sindri, Nangal, Alwaye (FACT), and Rourkela. Production at Sindri, Nangal and Alwaye is fortunately being maintained to schedule, although there is some misgiving regarding the current policy of over-stretching the capacity of the plants, especially at Sindri. Past experience should have taught the Government of India caution in this respect and it remains to be seen whether production at Sindri and Nangal could be taken up to and maintained at the annual rate of 110,000 tons (N) each in the last two years of the third Plan as is being planned. Some of the recommendations of the experts committee which had gone into the causes of deterioration in the Sindri plant in the years after 1958-59 have not yet been fully implemented. Supply of gypsum has improved but in respect of this basic raw material, Sindri still remains rather vulnerable. The problem of ensuring uninterrupted supply of coal of the required quality has not been solved by any means. As for Rourkela, it has not been possible to establish full production due to the non-availability of coke-oven gas in the required quality and quantity and shortage of electric power. In these circumstances, there is every likelihood of the installed capacity in the public sector falling well behind the additional target of 425,000 tons in terms of nitrogen (or 325,000 tons (N), excluding the capacity of the Madhya Pradesh project) set for it.

There is thus not much point in anybody trying to indulge in the pastime of throwing stones at the private sector as such. Even in the case of delays and failures in the private sector the Government's policies cannot

avoid their share of responsibility. To some extent, the lapsing of licences issued to the private sector is due to the wrong choice of parties. Had the Government exercised greater circumspection and judgment and assured itself that the would-be promoters had the required resources, organization and experience, the outcome might have been different. It must also be noted that in one case of delay, viz., the Durgapur fertilizer project, the sponsorship was not wholly by the private parties; the West Bengal Government has a 49 per cent stake. The Central Government is now being approached to shift this scheme to the public sector as negotiations for collaboration arrangements with a consortium of American firms which its present sponsors had undertaken have fallen through.

Indeed the difficulties and delays in securing foreign collaboration seem to have been the main stumbling block for the private sector. Two other private sector projects, one of which was to be sited at Mangalore and the other at Tuticorin, have also suffered for this reason. In the case of the Mangalore scheme, negotiations with Dutch firms having failed, collaboration is being sought from the United States. In the case of the Tuticorin scheme, negotiations with an American firm have been dragging on for some time now. Apart from the question of foreign collaboration, there have been other difficulties as well. The delay in respect of the Gujarat fertilizer project, for instance, is attributed to some modifications having been suggested in the pattern of production recently. Work on the Hanumangarh project is reported to have been held up because the arrangements for the supply of naphtha from the proposed Koyali refinery at reasonable prices have not been finalised yet. The question of transporting naphtha

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The Public Accounts Committee at its meetings this week examined the accounts of the Railway, Posts and Telegraphs and Labour Departments. The main feature of the Railway accounts was the gradual dwindling of private invested capital which from Rs. 77 crores in 1924-25 has now come down to Rs. 22 crores. The Government investments in Railways now amount to Rs. 732 crores. The B.B. and C.I. and the Bengal-Assam Railways were acquired by the Government during 1941-42. The strategic railways which have been a heavy liability of the exchequer so far made profits for the first time during 1942-43. The depreciation fund stood at Rs. 55 crores at the end of 1941-42. An interesting point about the Posts and Telegraphs account was the success of the newly started airgraph service. About a million airgraph were handled by the Department every week. The Karachi and Ahmedabad Telephone Exchanges have also been acquired by the Government this year. The technical training scheme of the Labour Department cost the Government Rs. 60 lakhs during the first year. It is now intended to increase the number of trainees to 60,000 a year. An interesting fact revealed was that the total capital outlay on New Delhi so far amounts to Rs. 16.33 crores. The Committee has not yet concluded its work and will be meeting again in October.

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from Koyali to Hanumangarh has also to be settled with the Railway Board.

The private sector's difficulties in the main, however, seem to be that of securing satisfactory financial and technical collaboration from abroad. If the Government really wants to promote a large private sector in the fertilizer industry, it is necessary that it should examine anew why these difficulties arise and how they can be dealt with. It is possible that the selection of the right parties, that is parties who have adequate standing, resources and organisation for negotiating collaboration with correspondingly resourceful and keen entrepreneurs abroad, should serve to ensure that the scheme is implemented efficiently and according to the time-table fixed for it. Secondly, it is equally important for the Ministry concerned to consider whether its own licensing and other procedures as well as the procedures of other connected Governmental agencies cannot be simplified and speeded up. At the recent seminar organised by the Federation of Indian Chambers of Commerce and Industry the Minister for Steel and Heavy Industries was frank enough to concede that too many restrictions and controls could frustrate many important and urgent industrial projects. It seems to us that nowhere is this risk greater than in the government procedures connected with the approval of foreign collaboration agreements. If the concerned official machinery could be made to function in a more business-like manner, it is possible that the climate in which collaboration negotiations have to be conducted will greatly improve.

The Minister in his replies to questions in the Rajya Sabha suggested that one reason why fertilizer schemes in the private sector were not coming up as proposed was that the promoters were discouraged by the fact that earnings and profits in this rigidly controlled industry were not attractive in relation to what could be obtained in other industries. Having appreciated this, it is necessary for the Government to deal with this problem constructively if there is to be a substantial development of fertilizer production in the private sector. In this context, the observations made in a recent report submitted to the World Bank by its team of experts who surveyed this country's economy are worth quoting: "The policy of controlling prices in key industries, while prices in less important industries have been left free, is particularly difficult to justify. It has had the effect in India of diverting capital away from the priority sectors where the need for expansion is the greatest. Thus the coal and cement industries have both experienced difficulties in attracting capital for development in recent years. Price controls probably have also had something to do with the reluctance of the private sector to exploit the opportunities of development in fertilizer production, notwithstanding the fact that the promoters have been assured by the Government that prices will be fixed on what is essentially a cost-plus basis....Prices once fixed are very difficult to alter, since vested interests become entrenched behind them. Nor can anyone simply have the knowledge and foresight needed to establish the right prices

or to change them promptly in response to new conditions. The cost-plus formula which is the normal basis for price fixation is singularly uncondusive to efficiency."

In the case of the fertilizer industry particularly, the Government's pricing policies are apt to be vitiated by the fact that it is generally assumed to be inevitable that fertilizers should be sold at heavily subsidized prices if the habit of using them is to spread among this country's generally indifferent, often ignorant, and for the most part indigent farmers. But, however difficult it may be, politically or otherwise, to adopt a rational pricing policy for the fertilizer industry, it is plain that this problem will have to be boldly faced. One possibility is to see whether the fertilizer industry should not be encouraged to enter the trade in fertilizers directly and extensively. According to present indications the total installed capacity for nitrogenous fertilizers is expected to be about 641,000 tons (N) while the expected production is of the order of 500,000 tons (N). These figures are substantially below the target for the third Plan which assumes a total capacity of 1.37 million tons (N) by 1965-66. Even a recent estimate which assumed that this target would not be reached, nevertheless expected that actual production would at least be 655,000 tons (N) in 1965-66. But the output, as has just been mentioned, is likely to be 150,000 tons (N) less than that figure. Demand in 1965-66, however, is likely to be between 750,000 and 800,000 tons (N).

The gap between demand and indigenous supplies has to be filled by means of imports which will necessarily have to be on a larger scale than has been provided for in the third Plan. It is suggested here that these imports should be channelled through the manufacturers of fertilizers in this country so that they could establish some kind of a common price which, while helping them to secure a reasonable level of earnings, will not at the same time, work to the serious disadvantage of the users of fertilizers. It might also be helpful to explore possibilities of manufacturers taking to the marketing of liquid fertilizers and mixed fertilizers operations. The fact that there is a large public sector in the fertilizer industry need not come in the way of an enlightened and progressive price policy. On the contrary, there will be a net national advantage if an economic price is fixed for fertilizers and their use there-by directed into the most productive channels. If any particular crop or any particular agricultural area or the proper thing would be for the financial burden to be borne on the budget for agricultural development programmes. It is to be hoped that merely because there have been delays and disappointments in the expansion of the fertilizer industry in the private sector due to reasons not all of which were or are under the control of the licensees, the Government will not adopt a defeatist attitude but will apply its mind constructively to the solution of problems which have cropped up in the course of the implementation of the expansion programme for this industry in the last few years.

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EASTERN ECONOMIST

Highlights of the Week

MINISTERS IN MOTION

THE JUGGERNAUT of the Kamaraj plan keeps on rolling. On Saturday, Mr. Morarji Desai handed over charge of the Finance Ministry to Mr. T. T. Krishnamachari. On Sunday, Mr. Gulzari Lal Nanda took over the Ministry of Home Affairs from Mr. Lal Bahadur Shastri and Sardar Swaran Singh, Food and Agriculture from Mr. S. K. Patil. On the same day, Mr. Jagjivan Ram, Mr. Gopala Reddi and Dr. K. L. Shrimali relinquished their respective offices as Ministers of Transport and Communications, Information and Broadcasting and Education respectively.

The Prime Minister has started what would appear to be a series of regrouping and reallocation of Ministries and Departments. The Ministry of Economic and Defence Co-ordination which Mr. Krishnamachari was in charge of hitherto has been abolished. This is not because the co-ordination of economic affairs and defence activities has become superfluous. This particular portfolio was created primarily to accommodate Mr. Krishnamachari in the circumstances then prevailing. It is evidently the Prime Minister's intention that the comprehensive reorganisation of Ministries which he is now contemplating could enable co-ordination to be effected without the agency of a specific ministry for that purpose.

The Ministry of Transport and Communications has also been abolished. In its place a new Ministry of Transport has been constituted with Mr. Raj Bahadur, Minister of State, in temporary charge. This portfolio embraces Shipping, Ports, Roads, Civil Aviation and connected matters. The Posts and Telegraphs Department which had formed a part of the erstwhile Ministry of Transport and Communications has been constituted into an independent Department and has been placed temporarily in charge of the Law Minister, Mr. A. K. Sen. Similarly, the Supply and Technical Development Wings of the now defunct Ministry of Economic and Defence Co-ordination have also been constituted into independent Departments and placed in charge of Mr. Jaisukhlal Hathi, who was Minister of State in that Ministry and who continues to hold the same rank in the Government.

An interesting move of more than ordinary interest is the decision vesting Sardar Swaran Singh, as Minister of Food and Agriculture, with powers of "overall supervision" over the Ministry of Community Development and Co-operation in regard to its agricultural work and co-operatives in rural areas and over the Ministry of Irrigation and Power in matters relating to agriculture and irrigation. No permanent arrangements have so far been made for the Ministry of Planning or the Ministry of Labour and Employment both of which will remain temporarily with Mr. Nanda. The Ministry of Railways is similarly to be an additional responsibility for the time being of Sardar Swaran Singh, Minister of Food and Agriculture. The Minister of Scientific Research and Cultural Affairs, Mr. Humayun Kabir, will be temporarily in charge of the Ministry of Education as an additional portfolio, while Mr. Satya Narayan Sinha, Minister of Parliamentary Affairs, will be temporarily in charge of the Ministry of Information and Broadcasting.

EXPANDING STC

REPLYING TO a two-and-a-half hour debate in the Lok Sabha last week on the annual report of the State Trading Corporation for the year 1961-62, the Minister for International Trade, Mr. Manubhai Shah, not only stoutly defended the

growing operations of the STC, but also envisaged a large chunk of the country's foreign trade steadily coming within the purview of the public sector. He hinted that some more corporations on the pattern of the STC might be set up in the coming years to handle new commodities.

The expansion of the public sector in the country's foreign trade, Mr. Shah asserted, was "inescapable, inevitable and desirable" in the interest of stepping up exports. Individuals, he explained, had neither the wherewithal nor the experience to enter into long-term contracts for the supply to foreign countries of various items of export, especially bulk commodities. He cited the case of iron ore, exports of which are proposed to be increased to about 30/35 million tons a year. The Minister further said that, even in the capitalist countries, it was a growing practice that some 30 to 40 individuals came together to form a consortium for undertaking big jobs such as supply of equipment for setting up, say, a steel mill in another country.

State's Role

Referring to the criticisms voiced by some members that the STC was supplanting private export-import trade in various commodities and was charging unduly high profits, Mr. Shah said that the Corporation had exported goods which the private sector found it difficult to export and imported scarce commodities and saw to it that these were sold at reasonable prices. Mr. Shah opined that the expansion of the STC operations fitted into the Government's policy of carving out a dominant role for the State in the economic apparatus of the nation. He, however, conceded that the whole of export-import trade should not be nationalised merely on the ground that some people over-invoiced imports and under-invoiced exports.

Mr. Shah did not think that any change was called for in the constitution of the STC. He emphasized that it was desirable to have some flexibility in State trading. As the STC, formed under the Indian Companies Act and accountable to Parliament, had been successfully discharging its functions, he felt it was better to follow this example in future rather than form new corporations under special statutes.

Two other significant indications were given by Mr. Shah in his speech. While justifying the jute buffer stock operations of the STC on the ground that it must help the lowliest among the low in the country—jute-growers of Bihar, Assam and Bengal, he said, worked in the worst possible conditions—he stated that next year the Corporation would purchase about one million bales of jute. Last year these purchases had been limited to 60,000 tons. All the stocks of jute said to be of very low quantity, Mr. Shah added, would be sold out. The other disclosure made was about sugar exports. This year the Corporation would export 500,000 tons of sugar and next year 750,000 tons. The aim was that if production of sugar increased, one million tons should be exported. Mr. Shah further said that sugar exports had been effected at the best possible price.

Mr. Shah also revealed that during the first seven months of the current year exports had increased by Rs. 57 crores. He could not say whether this rate of progress

would be maintained. He, however, expressed the opinion that if exports went up by Rs. 40 to Rs. 50 crores every year, that should be a good achievement, considering the keen competition in the world markets. From a modest turnover of Rs. 9 crores in 1956-57, the STC's direct trade transactions were stated to have gone up to Rs. 80 crores in 1962-63. In 1961-62, they amounted to Rs. 77.4 crores, as against Rs. 64.7 crores in 1960-61. The Corporation continued to handle during this year the trade in mineral ores, particularly iron and manganese ores, non-ferrous metals, newsprint, fertilizers, caustic soda, soda ash, salt, art silk and yarn etc. Trading in groundnuts, groundnut oil, seedlac etc., were added to its activities in this year. The Corporation also endeavoured to promote the export of handloom fabric in new foreign markets. Its gross surplus for the year amounted to Rs. 6 crores and the net profit to Rs. 2.02 crores. A dividend of 10 per cent was paid on the equity capital, the balance being transferred to various reserves for development and expansion of business. In 1960-61, the net profit came to Rs. 1.44 crores.

BACKWARD CLASSES

IN HIS latest annual report, the Commissioner for Scheduled Castes and Scheduled Tribes, Mr. Anil K. Chanda, suggests that for ameliorating the lot of the weakest section of the Indian society, and more especially for the eradication of untouchability, legal provisions should be effectively utilized along with educative measures. In many respects Mr Chanda's report is a revelation of how vigorous action has failed to follow the precept.

It is a sad reflection on the working of Panchayats that Mr. Chanda has been constrained to call upon the Government to withhold grants to Panchayats in whose areas disabilities of scheduled caste persons persisted. Panchayats, he says, can be a very potent force in combating the evil of untouchability and their responsibility in the field should be increased. He further recommends that licences should be issued to hair-cutting saloons, restaurants, etc., only on the condition that they will put up notices at prominent places in their establishments stating that no discrimination against scheduled castes was practised there. He also suggests engraving on all public wells, whether old or new, inscriptions warning against stopping anybody from using these wells. Mr. Chanda's plea that the field staff of the Community Development Programme should be made responsible for reporting offences under the Untouchability Act, however, can be hardly supported. It will entail on them an onerous responsibility which will only hinder their work in the agricultural field to which their increasing attention is being sought to be diverted at the present juncture.

Spread of education and provision of land to the landless labourers, 42 per cent of whom belong to the scheduled castes and scheduled tribes, can obviously play a great role in improving the condition of these backward classes. In respect of the former, Mr. Chanda suggests that each State should evolve a method of distribution of scholarships so as to expeditiously disburse the scholarship money to the students belonging to the scheduled castes and scheduled tribes. He also recommends that students in these categories should be admitted to the reserved seats in technical institutes and schools without any reference to the marks obtained by the last candidate admitted to the general seats, provided they reach the minimum qualifying standard which he defines as 5 per cent marks less than the minimum marks prescribed for admission to such courses. He further

suggests that the States should raise the percentage of reservations for scheduled castes and scheduled tribes students in the general hostels at least to correspond to the percentage of their population in the respective States. In no case, of course, this should be less than 15 per cent.

The report urges that special attention should be given to the scheduled castes and scheduled tribes in schemes for settlement of landless labourers. Mr. Chanda has commended the Punjab legislation for provision of interest-free loans without any security to persons belonging to scheduled castes and scheduled tribes. He suggests that this policy should be followed in the other States as well. Development of cottage industries such as bamboo and cane-work, commended. The States may even give price preference in their purchases of the products from the training centres to be set up for scheduled castes and scheduled tribes. In the general development schemes, it is pleaded that adjustments should be constantly made so as to divert funds to programmes where there is scope for full use within a short period.

The performance of the housing schemes for backward classes is stated to have been quite poor. Energetic steps, it is recommended, should be undertaken to overcome the difficulties responsible for this poor performance.

NEPAL KING'S VISIT

THE WARM welcome extended to King Mahendra and Queen Ratna of Nepal on their last week's visit to New Delhi and the joint communique issued at the end of former's confabulations with the Union Government leaders indicate that the clouds of misunderstanding which last year threatened to bedevil the centuries-old cordial relations between the two countries have disappeared to a large extent. A significant role in this respect was played by the recent visits to Kathmandu of a former Indian Ambassador to Nepal, Mr. Bhagwan Sahai, the former Union Home Minister, Mr. Lal Bahadur Shastri, and the Chief of the Indian Army Staff, General J. N. Chaudhuri. This country's ready grant of transit facilities for Nepalese trade with Pakistan and its assurances of help in the building of Nepal's economy and strict non-interference in Nepal's long way in reassuring Kathmandu of this country's goodwill towards Nepal.

Broadly speaking, both India and Nepal have a similar outlook on world affairs and are engaged in the identical tasks of economic development. The defence of the two nations is also inextricably mingled with each other. Close friendliness and co-operation between them is, therefore, a mutual necessity. When President Radhakrishnan, in turn, visits Kathmandu in response to King Mahendra's invitation, the foundations of friendliness now being laid stone by stone would have gained further strength.

GROW MORE
SAVE MORE
WORK MORE

FROM THE PRESS GALLERY

A Damning Document

From Our Parliamentary Correspondent

NEW DELHI: Tuesday:

ON MONDAY the Defence Minister, Mr. Y. B. Chavan, made his eagerly-awaited statement on the reverses suffered by our troops in the operations along our northern borders during the months of October-November, 1962. This statement was based on the report of the enquiry ordered by the Chief of Army Staff to find out what had gone wrong with (a) our training; (b) our equipment; (c) our system of command; (d) the physical fitness of our troops; and (e) the capacity of our commanders at all levels to influence the men under them. The Defence Minister declined to release the report itself on the ground that such a step would not be in the interests of national security.

Mr. Chavan emphasized more than once the point that the purpose of the enquiry was primarily to derive military lessons useful for the future. He stated that it was not the intention to undertake a witch-hunt into the culpabilities of those who were concerned with or took part in those operations. But it is doubtful that, in the light of the facts disclosed in the statement, either Parliament or the wider public will be inclined unreservedly to share with the Government this attitude of "charity for all and malice towards none". Even the broad assessment of the state of military unpreparedness disclosed by Mr. Chavan constitutes a damning indictment of the leadership, ministerial and other, in the Defence Ministry in the years preceding and on the eve of the Chinese aggression of last October. On the issue of the training of our troops, the finding of the enquiry was that the training did not have a slant for a war being launched by China. This meant that our troops had not the knowledge essential to counter Chinese tactics, their weapons and equipment or ways of warfare. The higher Commanders' concept of mountain warfare, in particular, was not equal to the demands made on them by the situation which developed in NEFA.

Logistic Deficiencies

Regarding equipment, the findings of the enquiry are even more adverse to those who, at the political and military levels, were responsible for this country's security in the face of the steadily developing Chinese threat over the years. It has been confirmed that there was an overall shortage of equipment both for training and during operation. A further difficulty was that even when equipment was available, the transport facilities were unequal to the task of moving the equipment to the forward formations. The enquiry has brought out gross logistic deficiencies, such as lack of properly built roads and shortage and bad maintenance of vehicles. Although the report states that our weapons compared favourably with those of the Chinese, automatic rifles would have helped in the cold climate.

On the system of command, the inquiry refers to departures from the accepted chain of command which it ascribes to haste and lack of adequate prior planning. It also blames in this respect the practice that has crept in in the higher armed formations of interfering in tactical details even to the extent of detailing troops for specified tasks. As regards the physical fitness of the troops committed to the front, the inquiry finds that the officers and men were not acclimatized to fight at the heights at which some of them were asked to stand. It also notes that there had been deterioration in standards of physical fitness among some middle-age-group officers.

Proceeding to the next question about the capacity of the

Commanders at the various levels, the report holds that there were shortcomings at the higher levels. It was found that some of the higher Commanders did not depend enough on the initiative of the lower Commanders, who alone could have the requisite knowledge of the terrain and local conditions of troops under them. Finally, the report makes out that the collection of intelligence in general was not satisfactory and that, as a result, the evaluation of intelligence might not have been accurate. A clear picture of the Chinese build-up was not made available and field formations were left with little guidance whether there were fresh enemy troops or old ones moving to new locations. Even such information about enemy troop movements which might have been collected and evaluated was not disseminated promptly as the means of communication with field formations were not fast enough. The report stresses that a major overhauling of the intelligence system is required. It also asks for improvement in the quality of General Staff work, particularly with reference to the depth of its prior planning in time. Much more attention will have to be given, than was done in the past, to staff work and procedures with regard to long-term operational planning, including logistics as well as to the problems of co-ordination between various Services Headquarters. To sum up, the conclusion is difficult to resist that the nation's defences and the capacity of its armed forces to guard our frontiers with China (which has been openly belligerent towards us for years before the aggression of October last) had been neglected in every major area of military preparedness. In the words of the Defence Minister's statement "the reverses that our armed forces admittedly suffered were due to a variety of causes and weaknesses." It is obvious that even such broad findings of the inquiry as have filtered through the Defence Minister's statement clearly indicate that there has been a serious and extensive failure of leadership, both at the ministerial level as well as at the level of the general staff, even during a period when China was not only already in occupation of a large slice of our territory in Ladakh, but was also advancing claims to other parts of our country along the frontiers in the north and north-east. In the circumstances the Defence Minister's plea that there could be no "witch-hunt" is hardly likely to commend itself either to Parliament or to the people of this country.

The Rajya Sabha had a discussion on the international situation on Monday; Mr. Nehru replied today. Mr. A. D. Mani (Independent) urged that there should be no further talks with Pakistan over Kashmir. He and Mr. A. B. Vajpayee, who spoke at a later stage of the debate, argued that this country should not continue to cling to the Colombo proposals indefinitely since China had refused to accept them in toto. Mr. Vajpayee opposed the suggestion that Sino-Indian border dispute might be referred to arbitration. Mr. Abdul Ghani (Independent) advocated the severance of diplomatic relations with Pakistan and China. The Prime Minister's reply to the debate was quite a lively performance. He had no difficulty in showing that Mr. A. D. Mani's suggestion that there should be a time-limit to India's acceptance of the Colombo proposals, was in fact pointless since so long as China had not accepted those proposals this country's freedom of action was in no way restricted. He reacted quite sharply to Mr. Ruthnaswamy's contention that we should be willing to accept assistance from friendly countries in the form of troops to repel the Chinese. Mr. Nehru said that, apart from the fact that this form of assistance was neither required nor would

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be effective, it would be a sad day for this country if it were to depend upon others to defend its territory or independence. He underlined the fact that the defence of India was primarily the responsibility of the people of India themselves.

The Prime Minister was similarly firm and forthright with regard to Kashmir. He said that, apart from the fact that Kashmir was legally and constitutionally a part of India, it was not in the interest of the people of Kashmir or the people of India that that situation should be changed. He made it clear that the United States and the United Kingdom had not at all attempted to link their military assistance to this country with a settlement of the Kashmir issue. Dealing with the repression of Buddhists in Vietnam, Mr. Nehru assured the House that if the Buddhist countries convened a conference to discuss the matter, the Government of India would participate in it. Explaining the Government's position with regard to the Voice of America deal, the Prime Minister held that any attempt to implement the agreement as it stood would lead to enormous difficulties. He said that, in case the agreement could not be radically revised, the Government of India would try to do without the transmitter.

Question Hour

DURING THE debate held in the Rajya Sabha on the sugar position and the prospect for its improvement, Mr. A. M. Thomas, Deputy Food Minister, assured the House that the revised scheme of incentives to the sugar mills and cane growers would be announced in a few days and that appropriate measures would be taken to stop or reduce the diversion of cane to gur and khandsari from the sugar mills.

The motion was tabled by Mr. A. B. Vajpayee and members practically from all the parties or groups seemed to support his major points of criticisms. The central point which he made was the failure of the Government to evolve a dynamic sugar policy and this he attributed essentially to the uneconomic prices offered to the cane growers. The price factor, he asserted, was at the root of the diversion of cane to gur and khandsari. He urged that the cane price should be increased by a minimum of Rs. 2 per maund and the system of linking price with recovery of sugar should be abandoned. The other points made in criticism were that the cess on sugar cane was not properly and reasonably utilized by the State Governments and in future a strict policy must be observed to allocate the revenue from the cess to development activities, including particularly construction of roads to facilitate transport from sugar farms to the mills. Some of the participants in the debate pleaded for nationalisation of the sugar industry, while some others suggested that the Government should take over the uneconomic mills. None of them, however, could explain how government ownership or control should by itself improve the economies of the industry or any of its individual units. The rigid controls on the sugar industry came in for pointed attack. Here the remedy suggested was partial de-control of prices and distribution.

Mr. A. V. Thomas intervened in the debate and explained that the two major remedies which seemed essential to raise sugar production were additional incentives to the sugar mills as well as the cane growers and adequate cane supplies to the sugar industry. He emphasised that the aim of the Government's policy was to restore a rational balance between the production of sugar on the one hand and gur and khandsari on the other. To this end an excise duty would be imposed on gur and khandsari to reduce the fiscal advantage now enjoyed by them. The next day he announced in the Lok Sabha that a proposal for this levy had already been formulated and that the final decision would be taken soon. He admitted that the part of the proceeds of the sugar cane cess/

purchase tax now being spent on the development of sugar cane was inadequate. This was primarily due to the fact that the levy was collected and administered by the State Governments as part of the general revenue. Nevertheless, they were spending funds for intensive cultivation of sugar cane as a part of the package programme.

Coal

Higher Grades: Mr. O. V. Alagesan, Minister for Mines and Fuel, explained in the Lok Sabha that the aggregate requirements of coking coal (including blendable coal) for the metallurgical industries in the fourth Plan were placed at 62 million tonnes. Their production at the end of the third Plan was expected to reach 32 million tonnes and the washing capacity in terms of raw coal input, planned to be established during the period of the current Plan, is 24 million tonnes. Planning for additional production of high grade coal and for additional washing capacity in the fourth Plan was in progress.

Washeries: The Minister of Mines and Fuel stated in reply to a question on coal washeries that it was proposed to step up washing capacity in the Fourth Plan to wash practically all the coals necessary to fulfil the requirements of the steel plants. As regards the agencies through which the coal washeries were to be operated, he explained that, in so far as coal produced by the National Coal Development Corporation was concerned, the Corporation itself would set up the requisite washing capacity. As for coal produced in the private sector collieries, the question of the processing agencies would be determined when the private programmes for the production of coking coal during the fourth Plan were finalised.

Singareni: Mr. O. V. Alagesan stated in the Lower House that an agreement was reached between the Government of India and the Government of Andhra Pradesh that the existing pattern of the ownership of the equity capital of the existing Collieries Company in the ratio of 40:60 should be maintained unaltered. The authorised capital of the company was to be raised from the present Rs. 4 crores to Rs. 9 crores at the end of the third Plan in the light of the company's expansion programme. During the last two years of the third Plan, the Centre would advance a loan of Rs. 3 crores to Andhra Pradesh Government to enable it to subscribe its share of the additional equity capital.

New Deposits: The Minister of Mines and Fuel revealed in the Lok Sabha that the Geological Survey of India had established the existence of coal deposits in Singrauli coalfield in Madhya Pradesh after exhaustive investigations a few years ago. But, since then, discoveries of new coal deposits were made as suggested in the question on this point. The total coal reserves in Singrauli belt are estimated to be 4,000 million tonnes out of which the existence of 1,558 million tonnes has already been proved. A project report for the Singrauli coal mines with an annual production capacity of 3 million tonnes has been approved and the preliminaries are being expedited. Another project report for the production of 1.5 million tonnes a year from a second mine at Jhingurdah was under preparation.

Petro-Chemicals

Mr. O. V. Alagesan informed the Lower House that the French Petroleum Institutes had recommended the establishment of five regional petro-chemical complexes by stages to be completed by the end of the fourth Plan period. In regard to this proposal, the Institute has recommended that these units should be located in Bombay, Gujarat, South India, Barauni, and East India. The estimated cost of the five

complexes (excluding working capital, housing and petro-chemical utilisation equipment) is placed at Rs. 263 crores. The report was being examined by the Indian Government's technical experts.

The Government had formulated a scheme for the development of Marmagao Port (Goa) and had made specific recommendations in respect of the scheme to the Planning Commission. The total expenditure on the project is estimated at present at Rs. 20 crores. Out of this outlay, Rs. 8.5 crores will be spent during the third Plan period.

Explaining the position regarding the Port of Haldia, Mr. Raj Bahadur stressed that there was no question of any clash of interests arising between the future of Calcutta port and the future of Haldia port. The final decision on the pattern of the authority for the administration of Haldia would be taken after detailed studies are carried out on several important points.

Expenditure on Education

A statement was laid on the table of the Lok Sabha showing the trends in the expenditure incurred by the States on education and its proportion to the total budgetary expenditure. The trends are tabulated below:—

Percentage of Educational Budget to the Total Budget			
State	1960-61	1961-62	1962-63
Andhra Pradesh	20.2	19.2	21.4
Assam	16.8	21.6	23.1
Bihar	17.4	19.8	11.7
Gujarat	20.0	19.7	29.8
Jammu & Kashmir	14.3	17.0	11.6
Kerala	34.0	32.6	19.3
Madhya Pradesh	20.4	20.6	23.6
Madras	19.6	22.6	24.0
Maharashtra	20.6	19.1	17.9
Mysore	20.0	21.9	17.9
Orissa	11.0	11.8	15.2
Punjab	18.0	20.1	12.4
Rajasthan	21.7	24.6	27.7
Uttar Pradesh	13.4	14.6	14.1
West Bengal	15.3	17.9	19.5

Special Steels and Alloys

The Minister for Steel and Heavy Industries, Mr C. Subramaniam, explained briefly the prospect about increasing the production of special steels and alloys. He informed the Lok Sabha that Government had licensed an aggregate capacity of about 600,000 tonnes of special, stainless and alloy steels in the public as well as private sectors to date. The present production was about 53,000 tons per annum whose break-up was given as 29,000 tons of spring steel manufactured by six units and 24,000 tonnes of electrical sheets manufactured by TISCO.

The measures of expansion now under way are broadly as follows: The contract for the alloy steel plant at Durgapur in the public sector was likely to be concluded with a Japanese consortium in the very near future. Other units in the private sector were also likely to go into production by 1966-67. So far, Government had approved technical collaboration in respect of nine such units licensed for the manufacture of special steels and alloys. This licensing was exclusive of and in addition to the technical collaboration for the Central Alloy Steel Plant at Durgapur. In so far as the five units licensed for the manufacture of spring steels and alloy steel casting is concerned, foreign technical collaboration is not called for as indigenous skills are available.

Then there was the conversion programme of the Mysore Iron and Steel Ltd. into an alloy steel plant for which technical collaboration was arranged. This programme was expected to commence in the first quarter of 1964 and the ultimate

capacity of 77,000 tonnes of alloy steels was expected to be reached by 1966-67. The technical collaborators are Messrs Bohler Brothers of Austria. Credit is being negotiated from Austria and furthermore foreign exchange equivalent to Rs. 6.4 crores, which is required to meet the cost of the plant and equipment, is likely to be arranged under the West German credit. No investment has been made thus far in the conversion scheme. But an outlay of Rs. 4.5 crores has been incurred up to June 1963 for the expansion of mild steel. Its relevance in this context is that the facilities provided for mild steel expansion and extra foreign exchange investment from Austria and West Germany will be utilized for the manufacture of special steels.

Steel Targets

On the specific question as to whether the Steering Group for Iron and Steel had set up any targets for the fourth Plan, Mr. Subramaniam furnished the following information to the Lower House. He stated that the Steering Group had recommended a production target of 18 million tonnes of mild steel, 3 to 4 million tonnes of pig iron and 1 million tonnes of tool, alloy and special steels. So far as mild steel is concerned, the increased production is to be realised by the expansion of the existing plants and by establishing two new plants exclusive of Bokaro. The share of the private sector in the expansion will be 2 million tonnes. The detailed programme for tool, alloy and special steels is yet to be finalized.

"Nationalisation" of Audit

The Minister of Industry, Mr. Nityanand Kanungo, was questioned in the Lok Sabha about the Government's decision on the INTUC's demand for the "Nationalization of audit" made at its 14th annual session. In reply he stated that it was not at all clear as to what precisely was meant by "nationalisation of audit" in the INTUC's resolution. But he explained that if the demand was that the auditors of the companies should be appointed by the Government, this issue was very carefully considered by the Reviewing Committee appointed by the Government and the Institute of Chartered Accountants only a few years back. Government still adhered to its view that such a step was neither necessary nor desirable in the present stage of our developing economy. Section 233A of the Companies Act, 1956, provides for the appointment by the Government of a special auditor in certain circumstances after the normal audit by the statutory auditor. But the Government as well as the Institute of Chartered Accountants were of the firm view that the independence of auditors ought to be maintained and appropriate measures ought to be taken to preserve it. "Nationalisation of audit" was thus not contemplated by the Government.

Rural Credit

Mr. B. R. Bhagat, Deputy Minister of Finance, disclosed in the Lok Sabha that, after the introduction of the Gold Control Order, the annual average rural credit provided by the scheduled, non-scheduled and co-operative banks to farmers declined from Rs. 60 crores to Rs. 25 crores. But he explained that the Government was taking measures to improve, if not totally reverse, this trend. To this end, it had adopted a policy of liberalising the conditions under which credit was advanced by the medium and small banks which cater to the requirements of farmers. Likewise, advances against foodgrains were also being made on relaxed and liberalized terms.

Issue of Capital

The Finance Minister informed the Lok Sabha last week that during 1962-63 the total amount of capital which was authorized by the Government to be raised by commercial and industrial units was of the order of Rs. 408.2 crores. The

number of companies which required additional capital for the expansion of their present production capacity or business was 186 and the number of companies which were allowed permission for capital issue for new flotations was 131.

Fall in Coffee Production

The Minister of International Trade, replied in the affirmative to a question whether there was a decline in the production of coffee in the past two years. He stated that compared to the record production of 68,020 tonnes during the crop year 1961-62, the production of coffee during the crop years 1961-62 and 1962-63 showed a decrease of 22,200 tonnes and 14,000 tonnes respectively. The figure for 1962-63, however, does not show the final estimate. Explaining this steep fall, the Minister emphasised that the output in 1960-61 was abnormally high and, as such, it cannot be taken as representative of normal conditions. Unprecedented rains in 1961-62 and draught conditions in 1962-63 had their adverse repercussions on output. The Government was taking effective measures to raise coffee production, such as distribution of improved strains which are high-yielding and disease-resistant; tendering advice on control of pests and diseases; demonstrating intensive methods of cultivation and granting loans for intensive as well as extensive cultivation. In addition, Government was conducting trials to bring areas under coffee cultivation in Andhra Pradesh and the Andamans.

Bills

The Employees Provident Funds (Amendment) Bill, 1963, which was passed by the Rajya Sabha, was taken up for consideration by the Lok Sabha. This Bill contains some important amendments, the most vital among which relates to employees employed by or through contractors. The benefit of compulsory contributory provident fund was extended to this class of employees also in addition to those employed in factories and other establishments by the Employees Provident Funds Act, 1952. The definition of "employee" contained in this Act covered an employee employed by or through contractor, but there is no specific provision in this Act making it compulsory for the employer to contribute his share to the fund of this class of employees. In March 1962, the Supreme

Court gave a ruling that the provisions in regard to contract labour contained in the Employees Provident Funds Scheme, 1952, framed under this Act, were void for two reasons—there was no power conferred by the Act on the contractor to recover the amount of contribution from contract labour and there was no obligation on the contractor to pay to the employee of this class the employer's share of contribution. This ruling led to a strange situation resulting in discontent among contract labour which enjoyed the benefit of the Fund prior to March 1962. The lacuna is being removed by the amendment of the benefit of exemption from attachment of provident fund to certain employees whose provident fund is not now Central Board of Trustees to administer the Employees Provident Fund; empowering the Central, Deputy and Regional Provident Fund Commissioners to determine the provident fund dues and other charges recoverable from an establishment; authorising Provident Fund Inspectors to make searches and to seize documents etc., for the implementation of the Act and to provide for the transfer and acceptance of Provident Fund accumulations from the Employees Provident Fund to a recognized Provident Fund and vice-versa in cases where an employee leaves one fund and joins the other by change of his job.

The Major Port Trusts Bills was passed by the Lok Sabha for the purpose of constituting Boards of Trustees for the administration of three new major ports of Cochin, Kandla and Visakhapatnam. The provisions of this Bill will be applicable to the other major ports that may be set up or raised to this status in the future. For each of these major ports there will be a Board of Trustees whose Chairman will be appointed by the Central Government, while a Deputy Chairman may be appointed by it if necessary. The strength of the Board will consist of 22 members. Mr. Raj Bahadur, Minister for Shipping, rejected the demand made in an amendment that Members of Parliament should be included on the Boards of and not deliberative bodies. However, he accepted an amendment to the effect that the Boards should include at least two representatives of labour.

Getting the Best Out of It

(Facilities Utilisation Analysis)

By Brigadier K. PENNATHUR

WHAT ARE 'facilities' in the industrial sense? Facilities are resources which are pressed into service, at the cost of time and capital, in the pursuance of an industrial activity of providing goods or services to the society. These are in several forms: manpower, which comprises brain, brawn, skill and morale; materials—raw, semifinished and finished; machinery and equipment; space, plant and buildings; and auxiliary services like electricity, power, gas, telephones etc.

Whatever be our sphere of organising and controlling human effort directed to specific ends, we utilise some or more of these facilities. While some of us use them more effectively and to better purpose than others do, the basic fact is that all of us use them. There are Work Study specialists who subject the utilisation of facilities to the techniques of critical investigation and, through optimisation of utilisation, effect cost reduction and achievement-maximisation. Since the end products of reduction in cost and maximisation of achievements are our primary concern, it should be worth our while to analyse how facilities are utilised in varied spheres of human enterprise.

Barring the way to higher efficiency, effectiveness or productivity are many problems—some of which appear almost insurmountable. A successful executive, administrator or manager is one who can reorganise a problem and have the will to solve it and have the means with which to solve it. The last part can be easily overcome by using Work Study specialists to study the problems and make recommendations for their solution. But the first two aspects are right in our domain.

Sources of Waste

Among the many problems that beset us the least apparent and yet the most important one is that of Facilities Utilisation. It is here that the area of maximum cost reduction lies. We should, therefore, at least be aware of the various facets of this problem. The theme of this paper is to highlight some of the sources of waste in our utilisation of facilities so that it could bring about an awareness of the problem which could motivate us to determine to do something about them.

When we make use of the services of an individual, we aim at getting from him a certain amount of service the work content of which is generally correlated in terms of time or quantity and quality of achievement. Let us consider three hypothetical cases that of: a surgeon, a personal secretary and a machinist.

Against the contracted service, let us say in terms of time stipulation, the person 'serves' for eight hours in the day. It is not necessary, nor even feasible, that the person 'works' all the eight hours. A certain amount of relaxation is needed, in between spells of work, to avoid fatigue and to enable the individual to attend to his personal needs. If the summation of the various relaxation periods, spread out during the day, amounts to a hypothetical figure of one hour, then we should expect seven hours of work from the person. But, do we?

The surgeon does surgical work for three hours: He does administrative work, which does not require training as a surgeon, for two hours. The remaining time he spends in enforced idleness. The cause is simple: there is only one surgical theatre and it takes 87 minutes between two usages for cleaning up the theatre after the first usage and preparing it for the subsequent one. The surgeon, however, will

be quite content with a 20-minute break between two schedules. This is a case of under-utilisation of a surgeon, for no fault of his: the queue of patients is there; the surgeon is willing; but the 'make ready' and 'put away' activities in the theatre are the main bottleneck!

The itemisation of the secretary's daily service time is: 2½ hours of secretarial work; one hour of work for the executive, but not connected with the organisation; one hour of welfare work—like preparing and serving tea etc; the rest of the time in activities of relaxation. The reason is very simple—there is not enough work load for the secretary and probably for the boss too.

The machinist's sources of wasted time are: setting up and tooling at frequent intervals due to a constant variety in the type of jobs; waiting for work-piece to arrive from the previous process; breakdown in machinery; power failure etc.

Figure 1 below depicts a few samples of utilisation. Thus in many cases, the 'effective time' of work is grossly reduced due to various factors. Next, we must face the fact that 'effective time' is not necessarily 'effective work'. Mere application to a specified task for a specified time does not result in effective work. Two additional factors come into the picture: the 'method' of performance; and the knowledge, acumen, skill and dexterity of the performer. An inefficient method prescribed for the performance of a job supported by inept material, tools, equipment, might require 4 hours for the completion of a task. A better method might drastically reduce the time from 4 hours to 30 minutes. Again, a trained and correctly qualified person would take very much less time, task for task, than an untrained or semi-qualified person.

In piece rate systems of payment for work, the factor

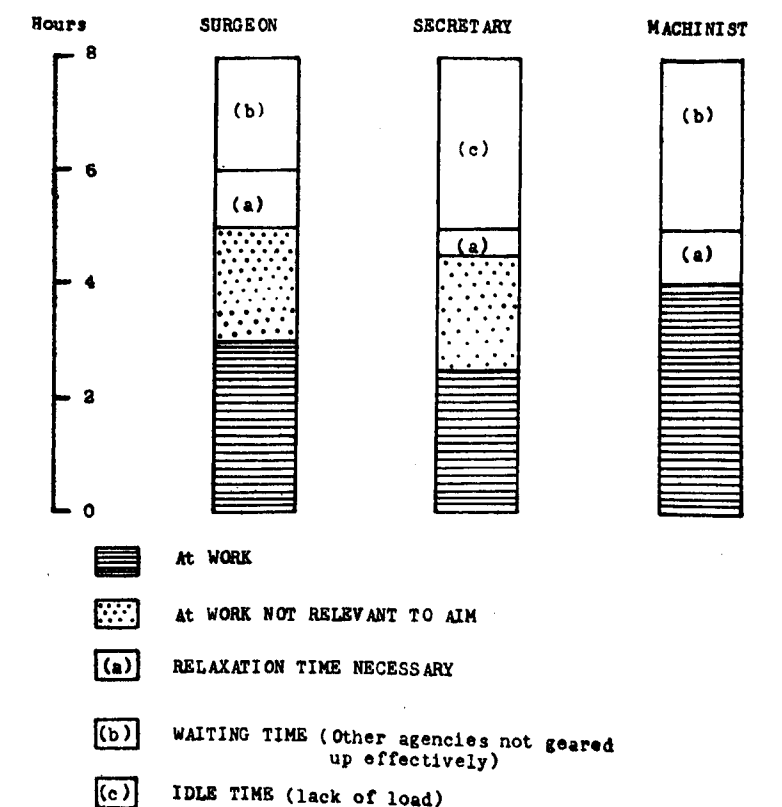
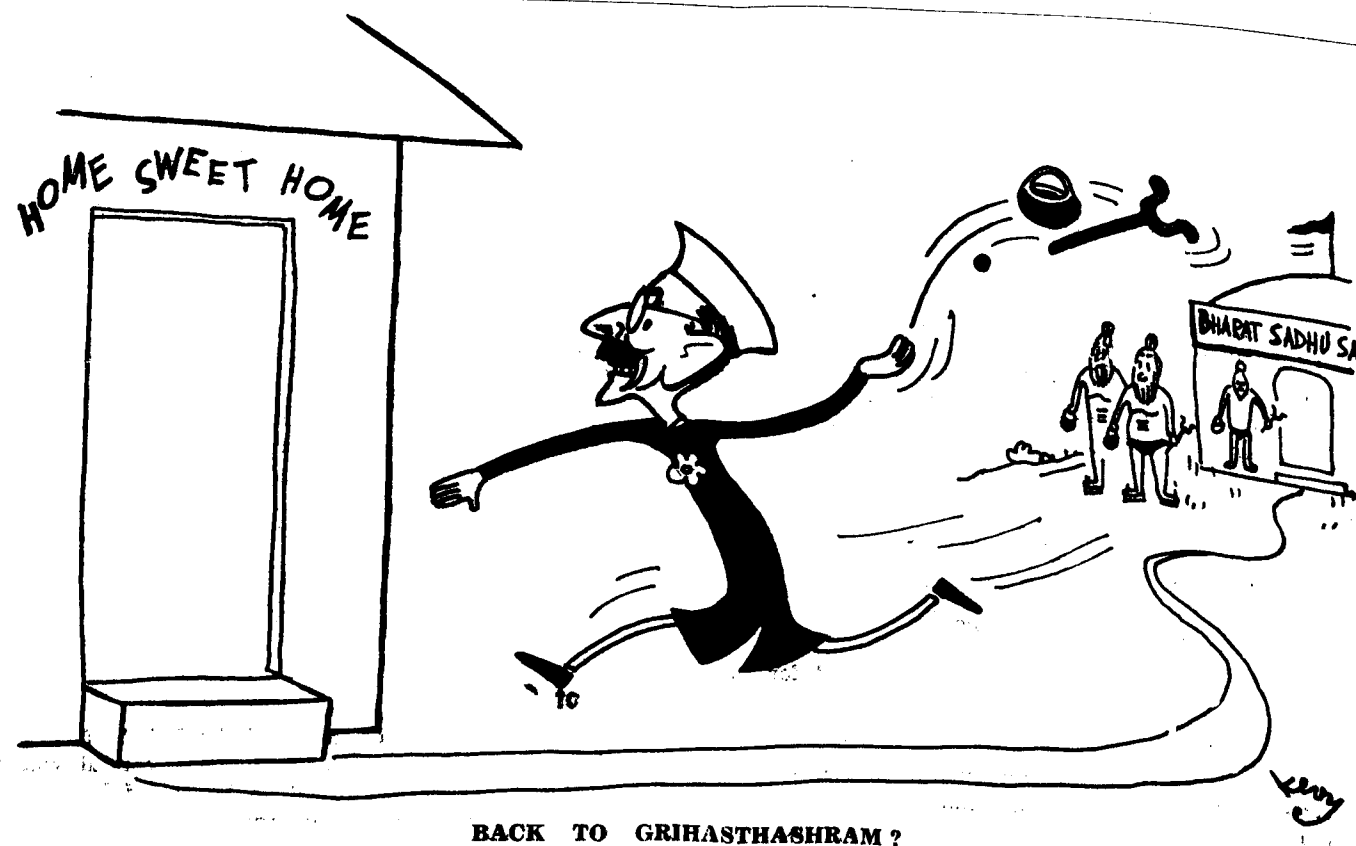


FIGURE 1



BACK TO GRIHASTHASHRAM?

of 'method' is predominantly the cause of not maximising the achievement.

Figure 2 below shows how the working time need not necessarily produce corresponding work, giving the lie to our facile and innocent assumption that 'being at work' is the same as 'effectiveness at work'.

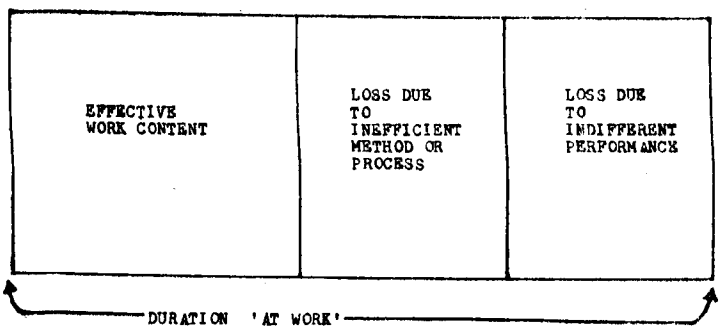


FIGURE 2

In the field of materials, utilisation assumes great magnitude because of the fact that the cost of materials also is around 60 per cent of the cost of the end-product! Direct factors affecting utilisation of material are: specifications of quality being much higher than required; persistence with materials in short supply rather than look out for cheaper but equally effective substitutes; more quantity being used because of faulty design; waste of material during processing due to bad process planning; waste due to defects etc.

Indirect factors are: capital locked up due to over-stocking and safety-cushion; expenditure on maintenance, care and preservation of stored items; waste due to deterioration; locking up of storage space; materials handling methods etc.

Figure 3 depicts the loss of 'value' of materials due to various causes.

In the case of space and buildings, the utilisation factor is rarely given the importance it is due. Firstly there is the bogey of 'cushion for expansion.' Thus a 100 per cent reserve in covered accommodation and 200-500 per cent reserve in open area is 'normal'! 'Norms', evolved after detailed surveys and studies are not to be our guides because our requirements are something special. Space and buildings are not consider-

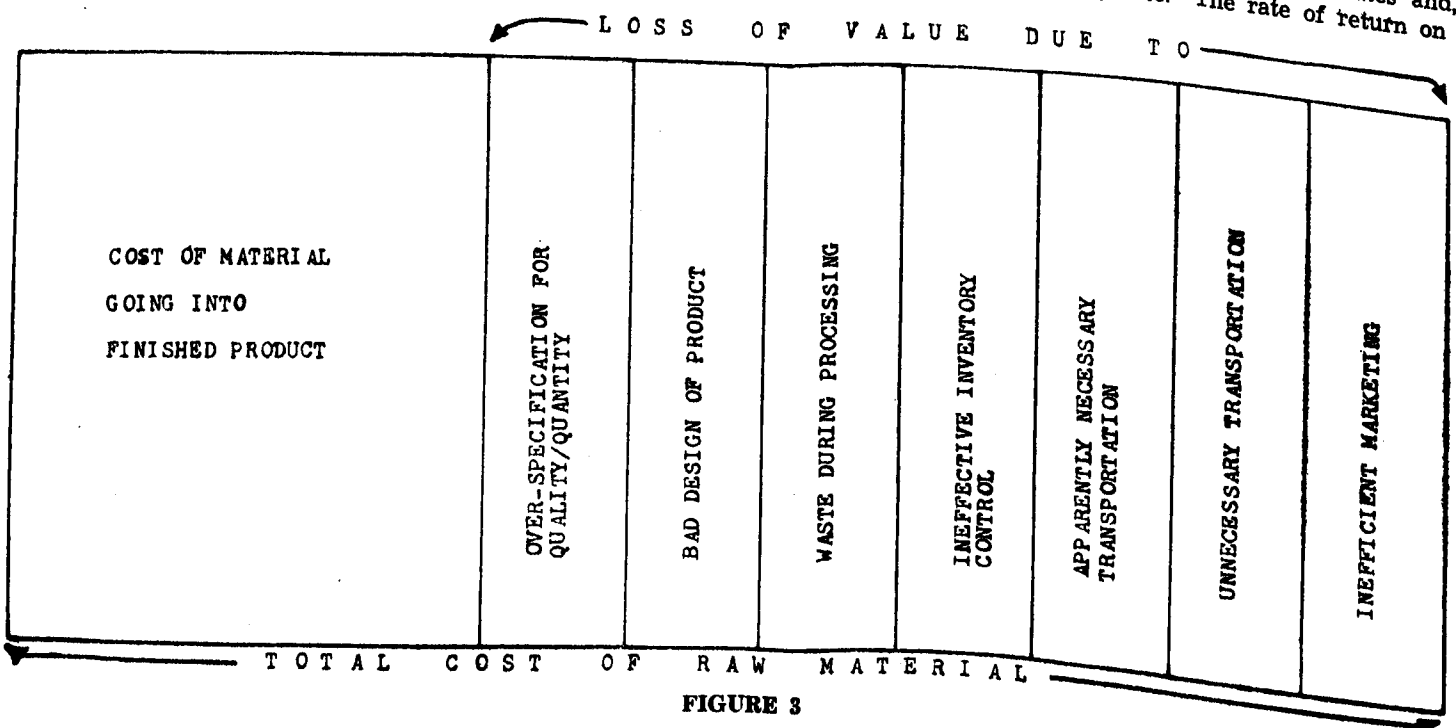


FIGURE 3

ed scarce commodities in our country which probably accounts for our lavish outlook. But they will soon be. In central London, the space occupied by a waste paper basket could the same will be the case in our big towns too.

Even where there is an apparent justification for extra accommodation, an analysis may reveal that by suitable readjustments, the extra requirement could be eliminated or reduced. A pertinent example is a defence training establishment abroad. Because of the expansion in training activities, it was estimated that the present building would have to be extended at a cost of £500,000. An analysis of the existing set-up revealed the following percentages of utilisation:

	Per cent
(a) Class room	21
(b) Laboratories	41
(c) Auditorium	3
(d) Library	17
(e) Cinema hall	6

It was found, after a detailed readjustment in the schedules of training programmes, phasing of work in various courses in a rational manner and erecting a balanced multiple utilisation chart of various rooms and halls, that the existing accommodation could cope with not merely the immediate expansion but also a further expansion of 50 per cent! The necessity for building an extension was eliminated.

Some remarkable facts have been revealed by the study of utilisation of minor items such as lavatories, waiting rooms, linen cupboards, old-files-coffins etc. A study of office tables alone revealed that the size was seldom dictated by the necessity of utilisation but by the status of the officer.

In the above case, the utilisation was rated against a 7-hour day. There are examples, of schools, operation theatres, the utilisation had been rated against a 24-hour day and the acuteness of scarcity of accommodation overcome by achieving 87-92 per cent effective utilisation over a 24-hour day.

In the case of machinery the same question 'why only eight hours?' can be pertinently asked. Equipment and machinery are merely capital locked up—capital which does not earn any interest but, on the contrary, depreciates and, in some cases, at an alarming rate. The rate of return on the

capital is directly proportional to the factor of utilisation on a round-the-clock basis.

Factors responsible for under utilisation of equipment and machinery are: non-utilisation on a 24-hour-day basis; bad machine loading and scheduling resulting in 'idle' time; ineffective production control causing 'waiting' time; poor

production planning with frequent changes in 'types' of jobs leading to avoidable waste in retooling time; inefficient method, taking up excessive machine time; break-downs due to weak planned preventive-maintenance; absenteeism among operators etc.

Figure 4-A represents the futility of an 8-hour-day utilisation.

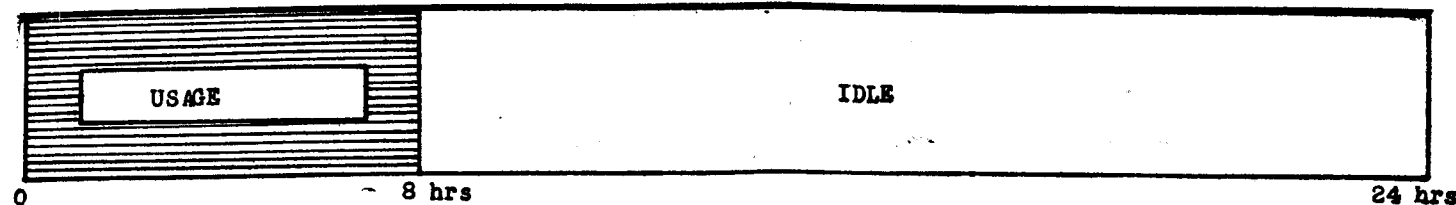


FIGURE 4A

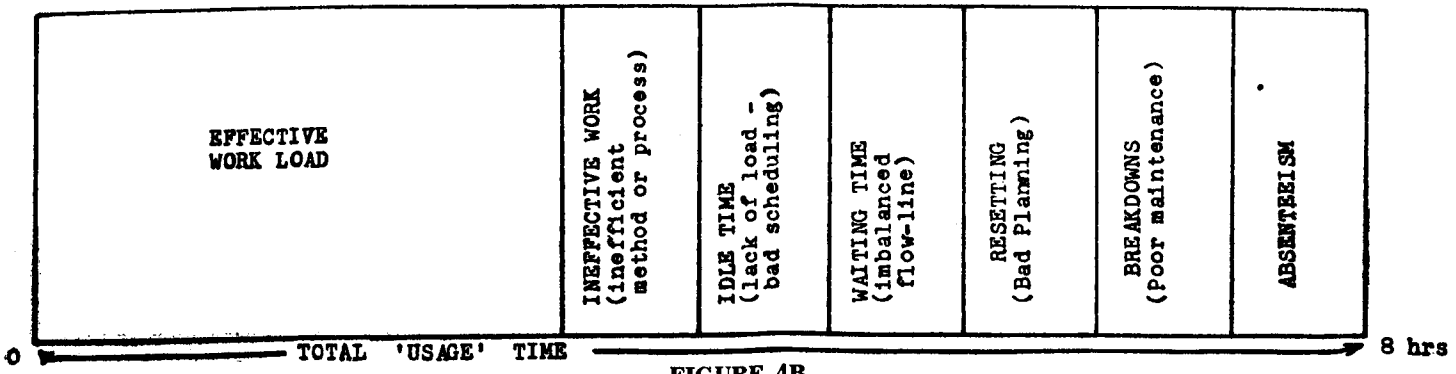


FIGURE 4B

tion basis. Figure 4-B shows the relationship between effective work load and 'usage' time.

There are also cases of machinery and equipment whose utilisation is governed predominantly by work load. A few samples are illustrated in Figure 5 below.

And so on and so on and so on. The facts that could be

quoted would fill a book. The aim is not to make anyone look small but to bring about a recognition of the colossal waste that could be taking place in the utilisation of facilities in our own organisations. A broad pattern of the areas of waste has been traced. Only if we become aware that such problems do indeed exist can we gear ourselves up to the task of having them solved.

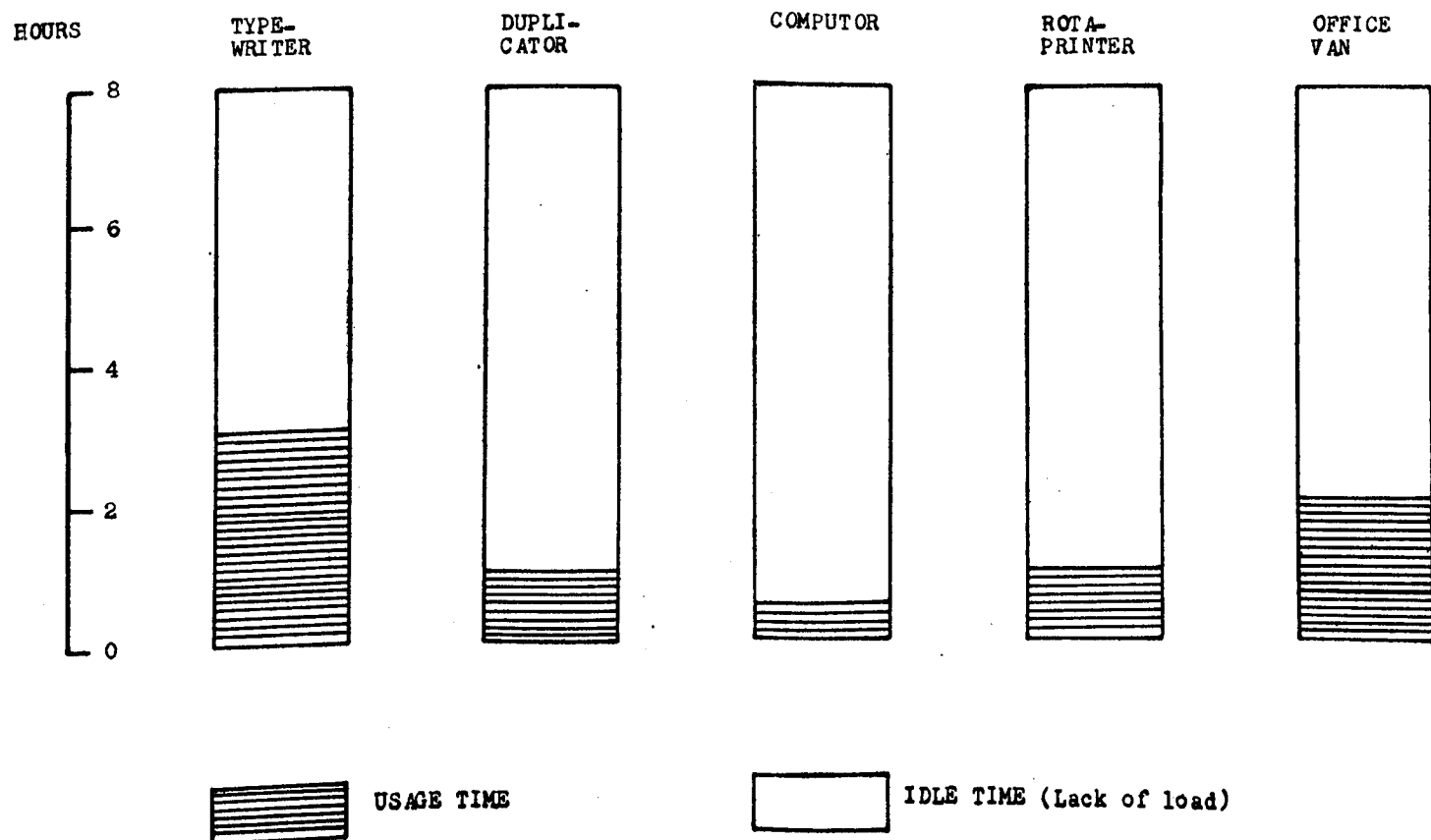


FIGURE 5

WINDOW ON THE WORLD

The Failure of Gaullism

From Our Special Correspondent
PARIS:

IT IS NO DOUBT too early to say that Gaullist foreign policy is bankrupt. The General still holds several strong cards; he could conceivably manage to pull many chestnuts out of the fire; and it would require fewer changes of course than he effected successfully in his Algerian policy to put a new face on his European policy such as to repair the defeats he has suffered to date. But all of that would be salvage work, disguised retreats, making the best of a bad situation. There is no doubt that his original design is ruined, for his lifetime at least: the "European Europe" that he envisaged building a new political unity and independence on its recovered economic power is in abeyance. It is even possible that such a Europe will never arise, that West Europe's failure to respond to the prospect de Gaulle outlined is definitive. That is to say, one can well imagine Russia and the USA developing their curious alliance to consolidate their superiority over all their clients and dependents, so that any attempt at building a third challenger was foiled—unless one day China can fill that role.

Cheerful Illusion

However distasteful this prospect may appear to some Europeans (both Britons and Continentals) who have a nostalgia for independence, one must take note of the fact that most of the nations of the world are not disturbed by it. On the contrary, they cheerfully embrace the position of dependence and cherish the hope (the illusion, perhaps) that in the shadow of the reconciled super-powers all the peoples will be able to devote themselves in peace to constructive tasks.

Still, one can never be too cautious about pronouncing the demise of the spirit of independence. However attractive subservience may appear, it seldom satisfies for long men who have the means to throw it off; it has happened before today that prophets of independence have died in disappointment but a later generation has revived their ambitions and realised them. The notion of an independent Europe is too plausible, too strongly suggested by the economic facts, to be quite dead even if de Gaulle has finally failed to secure support for it. And the illusions of a world living happily under fraternal American and Russian im-

perialisms are too evident for men to place long trust in them. The design of an independent Europe will surely be taken up again, and perhaps sooner than many think, so it is worth asking why it came to nothing in its Gaullist presentation.

Two reasons for this failure come to mind at once. The first was the General's unwillingness to let a united Europe take supranational form, that is to build it on the surrender of sovereignty by national states. The second was his effort to make West Germany, rather than Britain, France's partner in the work, on the grounds that the British were insufficiently independent of the Americans to co-operate loyally in the task of constructing a united Europe that would inevitably have galled the USA. In other words it is suggested that de Gaulle should have done either of two things (not a supranational unity). Either he should have let the original European-unity plans go ahead, with an elected parliament in Strasbourg and an embryo supranational government port of the Germans and of Benelux instead of frightening them with his outmoded nationalism. Or else he should have opened the doors of Europe to Britain, in which case he would have found a much more reliable partner in the truncated Germany reduced to impotent dependence on American protection.

It is obvious that by refusing both these courses, de Gaulle vastly complicated his own work and invited the failure that has overtaken him. It would have sufficed to pretend to enter on one or the other of them to expose the hypocrisy of his Benelux and German opponents who claim, with patent insincerity, to favour both a supranational Europe and British membership, when everyone knows that these are irreconcilable. As it was, de Gaulle managed only to arouse the opposition of the Americans (which was of course inevitable, European independence being what Senator McCarthy would have called an un-American activity by definition) and of the British and of the European-unity clan, he did nothing to mollify despite predictions to the contrary. In the face of this disparate coalition, his failure was unavoidable and it only remains, as we have said, for

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de Gaulle to save what he can.

Among these various errors, some are greater than others. One may doubt, for instance, whether an independent Europe could really have arisen from the supranational fantasies of the European-unity visionaries. They imagine that de Gaulle vetoed their schemes because he was reluctant to surrender a jot of French sovereignty, that his nationalism was incompatible with genuine attachment to the cause of unity; and from there they have passed to the accusation that his idea of a united Europe was disguised French domination. The accusation is ridiculous and finds no support in the facts; it has served only American campaigns against European unification, which began as soon as Washington saw what was entailed. The real reason for Gaullist opposition to the supranational "ideal" was the perfectly sound argument that you do not start making an independent union by destroying the existing instruments of European power, which happen to be national governments. A headless Europe, where national capitals had handed over authority to tyro bureaucrats in Brussels, would be the plaything of Washington, who could dominate the insecure infant "super-state" much more effectively than it does the national governments today.

U.S. Hegemony

European-unity fanatics who cling to the super-state ideal have to admit that in reality it was only de Gaulle's restoration of the French state in 1958 that made possible such unification as has since been achieved. That is, the way toward European co-operation lay through bolstering the authority of national governments, not beheading them. But now they ask sadly why de Gaulle had to defy both the Americans and the unity party. They cannot see that this was one and the same task. To let the architects of a super-national authority have their way would have increased American domination of Europe, which could only be stemmed by strong national governments who agreed to collaborate in a European design, which is what de Gaulle invited them to. It is evident that once their baby super-state began to run into American opposition, as it was bound to do, the supernationalists in Brussels would have bowed like reeds in the wind, lacking all the historical strength of national states. This is so true that one can confidently forecast that if the USA succeeds, by means of its nuclear monopoly and its "free-trade" plans, in consolidating its hegemony over West Europe, it will lavishly encourage the formation of a puppet super-state in Brussels, this being the ideal instrument for its domination.

The other error, then, seems to have been the more

serious: the idea that there were fewer supporters for a European policy independent of the USA in Britain than in West Germany. The last few months have shown that the contrary is true. Few Britons delude themselves that their third seat at the super-powers' table is permanent, for they see that the aim of American policy must inevitably be to put Britain "back in the ranks" and that Britain alone, without the other Europeans, has no prospect of retaining her independence. Although infinitely more cautious about defying the Americans, the British are as attached to preserving their autonomy as the French. If the affair could be handled discreetly (without the open challenges that de Gaulle throws down in his Press conferences), Britain would no doubt collaborate in the sort of political union that the General outlined. At least, whenever it has been a question of doing something that asserted Europe's independence of America—whether it be in constructing a supersonic airliner or in projecting an independent satellite-communications network—it has been Britain that joined France.

The German Dinghy

West Germany in contrast, in whom de Gaulle placed so much hope in the treaty he signed with Adenauer, is entirely subservient to American policy and cannot help being so. If one is looking for the American "Trojan Horse" in Europe, for the colonial mentality, for the signs of the U.S. corporations' domination and for complete reliance on American protection, one must look in West Germany rather than in Britain. Anglo-French collaboration in a design to render a restored Europe free of outside direction would have been extremely difficult, but Franco-German collaboration in any such scheme would be—has already been proven to be—impossible. The Franco-German reconciliation is necessary for anything worthwhile in Europe (and it is essential for any effective American domination of the Continent too) but it is insufficient foundation for an independent Europe. This is beyond doubt the main reason for de Gaulle's failure. The Germans (not for any reason having to do with national character, of course, but simply because of their present exposed situation) are not candidates for a venture in independence. For centuries the Europeans have called Holland "the dinghy behind the British schooner" (a characterisation amply confirmed in the past year, incidentally), and some similar description must now be applied to West German relations with the USA. An Anglo-French Europe will be difficult to construct and might not resemble de Gaulle's ideal in some respects, but it is the only likely form of European independence. A Franco-German Europe has proven a vain imagining.

Flexible "Stop and Go"

By JOSSLEYN HENNESSY

LONDON:

THE O.E.C.D.'s newly published 1963 Report on the U.K. Economy has an important section on the Management of Demand in the U.K. which, if the Labour party were to win the next election would assume a certain quaint historic interest, as having lent the O.E.C.D.'s authority to encouraging a solution of the problems of rising prices and wages by techniques compatible with the maintenance of consumer's choice and a free market economy.

It is noteworthy that all economists, whether, like Professors F. W. Paish and L. Robbins, inclined to the Right, or, like Mr. J. K. Galbraith and Dr. T. Balogh, inclined to the Left, agree in their diagnosis of our troubles: namely, that modern "full employment" policies inevitably move into "over full employment", in which the pressure of demand is pushing up incomes faster than the maintainable rate of growth of output, so that more and more money chases the same volume of goods and services. They further agree that

this leads to the misallocation of resources by enabling inefficient firms to make (inflationary) profits, by causing firms to compete against each other for, and to hoard, scarce labour, and, not least, that by forcing up export prices and attracting in a flow of cheap foreign imports, it all ends in a balance of payments crisis. They agree that whereas, possibly, in the short run, inflation maintains full employment, it would in the long run certainly lead to massive unemployment by (a) pricing the nation's exports out of world markets and (b) discouraging the technical innovation that comes from competition. They agree that inflation can only be cured if the pressure of demand is kept below full productive capacity, so as to give a margin which, for the U.K. economy, Professor Paish, by empirical calculations (See his "Studies In An Inflationary Economy", Macmillan, 1962) puts at 5 per cent below total capacity, with 2 to 2½ per cent unemployed (i.e. between 500,000 and 625,000), although if structural unemployment could be eliminated and the percentage of

ployment made uniform throughout the country, the average level could be lower.

But on how to achieve this result, the Left and Right-inclined economists are in total disagreement.

Because the Labour party has been greatly influenced by Mr. Galbraith and Dr. Balogh, a great many people who had hitherto dismissed their views as wittily or dangerously eccentric began to study them afresh as Labour's chances of victory seemed to loom larger.

Mr. Galbraith would maintain the required margin of slack in the economy by taking workers out of production as the index approached the danger line of full capacity, compensating them with unemployment pay equal to their wages in order to avoid deflation, and controlling wage increases by authority in order to avoid wage-wage and wage-price spirals. Dr. Balogh, however, says that "anticipated maintenance of demand will rob unemployment of its terror and wage-bargains will continue as before in disregard of national needs." For Dr. Balogh, the root of the evil "obsession with consumer's choice". Public ownership both eliminates the motive for pushing production up to capacity and provides the means for an increase in collective consumption (education, health, etc.) without having to raise taxation, and the Labour party will have to stop soft-peddalling on nationalisation. Planning will get social priorities right and prevent waste of resources on the production of Cadillacs, luxury housing, and other goods of which Dr. Balogh disapproves.

Fiscal Controls

Professor Paish, on the other hand, whose views have influenced Conservative Chancellors, has a substantial number of economists of all political shades (e.g. Professors A. K. Cairncross, L. Robbins, T. Wilson, D. H. Robertson, etc.) with him in arguing that production can be kept within 5 per cent of capacity by controlling the volume of demand by monetary and fiscal measures. If you do that, they agree (with some qualifications) that you do not need a Wages Policy, or wage controls, because, if inflation is eliminated, wages will depend on the inter-action of supply and demand, and there will be no cost push inflation.

With one voice, the Left attacks such attempts to control demand as leading to the "Stop and Go" of the past few years, alternating periods of excessive price rises and excessive idle capacity, which interfere with industry's own planning, and lead to labour hoarding in anticipation of the next "Go", which defeats the objects of the policy. They also usually imply that the policy keeps production at 95 per cent of a static total of production.

To this, the proponents of the policy reply that just as the technique of public works and deficit budgeting had to be learned through trial and error and did not work effectively when first tried out, so the techniques of managing demand in conditions of full employment have had to be learned. First, the apparatus of statistical analysis required to recognise whether the point for putting on, or taking off, the brakes had been reached was deficient, so that the brake was put on too late, and therefore had to be applied more violently, and was taken off with equal crudeness. Finally, they point out that the statistics show that (a) the demand control policy has not prevented total capacity from rising, and (b) that capacity actually rises much faster in periods when demand is not pressing it all out.

The 1963 O.E.C.D. Report on the U.K., which has, on occasion in the past, been critical of U.K. policies, by implication rebukes those who have been criticising the government for not reflatting faster, and points to the merits of the present policy which, by better timed and gentler applications and removals of the brakes, avoids short lived phases of hectic increases in demand (as, e.g., in 1959 when consumer expenditure rose 10 per cent in 12 months and gross capital

formation rose by 18 per cent) followed by a phase of severe restriction. The O.E.C.D. praises the government's realisation that if management of demand is to be flexible, the government cannot delay fiscal changes until the budget but must take powers to vary taxes by administrative order, and concludes with the discreetly worded comment: "In the light of such considerations, it is difficult to quarrel with the judgment of the U.K. authorities."

In the event that a Labour government were to adopt a Galbraith-Balogh policy next year, it will be amusing to see whether the O.E.C.D. will manage a corresponding reversal of face and will find it difficult to quarrel with the abolition of consumer's choice, the inauguration of central planning, and a cheap money policy promoting inflation, repressed into black markets by a galaxy of controls.

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LISTENING POSTS

Planning Commission in Melting Pot?

By Our Special Correspondent

NEW DELHI:

SPECULATIONS REGARDING further changes in the Central Cabinet continue unabated. It is considered likely that the Prime Minister would more or less complete the process of reorganisation within the first fortnight of this month, although the actual induction of the Congress President, Mr. Sanjivayya, into the Central Cabinet may have to be effected some time later. The names of Mr. K. P. Tripathi from Assam and Mr. Jetti from Mysore are frequently mentioned as possible additions to the ranks of Ministers at the Centre. It now appears to be the case that the possibility of Mr. Asoka Mehta joining the Planning Commission as its Deputy Chairman is negligible. It has been suggested that Mr. Mehta stood up for an autonomous body, a suggestion which has reportedly not found favour with the Prime Minister. Currently the expectation is that a Congressman with adequate political standing will probably be preferred. The larger question of the future set-up of the Planning Commission will have to be decided.

Lok Sabha has been discussing the extent of poverty in our country. This debate is provoked by Dr. Lohia's assertion that about 300 million persons in this land have to subsist on three annas per day or less. In this context an interesting study of the economic conditions of the tribal people in Madhya Pradesh, which the National Council of Applied Economic Research has just published, provides significant information. The Council's survey has disclosed the following estimates of average annual family income and expenditure in the tribal areas of Madhya Pradesh:

Area	Income (Rs.)	Expenditure (Rs.)
North-Eastern Zone	561	589
Eastern Zone	855	667
Western Zone	809	805
Central Zone	563	609
Southern Zone	669	718

From the more detailed figures given in this study, Bilaspur (West) in the Eastern Zone of the State reports the highest average family income of Rs. 1,132 per year, while Khargone in the Western Zone reports the highest average family expenditure of Rs. 1,165 per year. These levels are, of course, very much higher than the estimate of about Rs. 68 per year per person (or Rs. 340 per family of five) figuring in Dr. Lohia's assertion. The National Council's survey indeed shows that for one area, that is Raigarh in the North Eastern Zone, the average family income estimated at Rs. 316 per year was below Dr. Lohia's figures. But even in this case, the average family expenditure at Rs. 346 was above Dr. Lohia's estimate. Generally speaking, the tribal people fall into the poorest sections of the community. Even in their case Dr. Lohia's assumptions seem greatly to exaggerate the extent and intensity of poverty.

The Union Finance Ministry, it is understood, will shortly provide a further line of credit to the Refinance Corporation for Industry Ltd. This will be subject to reimbursement by the U.S. Agency for International Development. The Corporation at present has a line of credit from the Government of India (against reimbursement by USAID) to an amount not exceeding Rs. 26 crores. Of this, a sum of Rs. 18.50 crores has already been borrowed by it. The Cor-

poration expects to draw and utilize the entire amount of Rs. 26 crores earmarked for it before the end of the current financial year. By June 30, 1963, it has sanctioned refinance to the tune of Rs. 36.15 crores, out of which Rs. 20.64 crores have been disbursed. The 313 applications received for extending refinance facilities up to June-end involved a sum of Rs. 49.21 crores.

Addressing the Import and Export Promotion Advisory Councils in New Delhi this week, the Minister for International Trade, Mr. Manubhai Shah, indicated the possibility of effecting a slight liberalisation in the imports of raw materials, components and spare parts during the next six months. This, he said, had been made possible by increased availability of united external assistance and some improvement in the country's exports—exports in the first seven months of 1963 at Rs. 427 crores showed an increase of Rs. 56 crores over the figure for the corresponding period last year. Higher production of a number of items and the increased indigenous content in various others, he added, would also make available savings for diversion to other uses. He, however, stressed that the defence effort would naturally have the first priority on the available foreign exchange resources and any relief that could be given on industrial raw materials, components and spares must necessarily be confined to uses of high priority or against export promotion. The requirements of small-scale industries would also receive sympathetic consideration.

Export Incentives

Mr. Shah also made a number of other important pronouncements. He declared that the export incentive schemes which were in force today were not proposed to be modified in any way till the end of the third Plan. He assured the African countries that India did not aim at achieving self-sufficiency in raw cotton, which would shut out imports of this commodity from the African suppliers. All the existing contracts in this regard would be honoured and cotton imports from African countries would be continued. The possibilities of dovetailing some of the Indian exports to the development plans of the African nations might also be studied.

Another important announcement made by Mr. Shah was that an Export Credit and Guarantee Corporation on the lines of the Mathrani Committee's recommendations was likely to be set up before the end of the current year. Discussions are being held with the Reserve Bank in this regard. This new body would incorporate the functions of the Export Risks Insurance Corporation and also of the revolving Export and Import Stabilization Fund suggested to be established by the Mudaliar Committee to finance the additional imports of raw materials and components for export industries.

As regards the jute industry, Mr Shah indicated that a revolving fund might be placed at the disposal of the IJMA for import of jute cuttings from Pakistan. He favoured the setting up of captive power plants by the jute industry so that electricity supply to this important foreign exchange earner could be assured. Arrangements, he added, were also being made to the effect that electricity cuts in future should not affect the working of jute mills.

For stepping up exports of Indian films, a Film Export Corporation is to be set up on September 21, 1963. It will explore new markets in the foreign countries. Although the existing export trade in this line is not proposed to be dis-

September 6, 1963

September 6, 1963

turbed, gradual canalisation of film exports through this Corporation is not ruled out.

As regards the ferro-manganese industry, Mr. Shah indicated that a proposal was under consideration for according the same treatment to manganese ore supplies to this industry as is currently being given to manganese ore exports. Ferro-manganese is primarily an export item and its domestic consumption is only a fraction of its total output.

Free Trade Experiment

In respect of the recent demands made for establishing free trade zones at Haldia and Bombay ports, Mr. Shah stated that these proposals could be considered only if the experiment of setting up a free trade zone at Kandla proved successful. He, of course, called for realistic proposals from the quarters suggesting the setting up of free trade zones at Haldia and Bombay.

Mr. Shah further indicated that some cost reduction studies were proposed to be undertaken by the Ministry of International Trade and the Planning Commission as a measure to step up exports. A Madras State Export Promotion Corporation is also envisaged to be set up on the lines of the one established recently in Punjab. This Corporation will help in promoting the exports of decentralised industrial sector.

The two Advisory Councils on Import and Export Promotion are proposed to be reconstituted into a single Advisory Council for Foreign Trade so that the representatives of trade and commerce, exporters and importers, small-scale industries and small exporters, and medium and large-scale industries and export houses could discuss the inter-related problems in a more comprehensive and concrete manner. This Council is also likely to meet more often.

★★

The Minister for Shipping, Mr. Raj Bahadur, stated at the joint meeting of the Import and Export Promotion Councils that his Ministry had planned a number of steps to counteract the adverse effects on India's export trade of the recent 12.5 per cent increase ordered in its freight rates by the Karmahom Conference in utter disregard to the 7.5 per cent increase suggested by the Maritime Freights Commission. They cover both the short-term and the long-term periods.

The short-term plan envisages chartering of foreign ships and calling upon Indian shipowners outside the Conference to ply their vessels on tramp basis. The latter, it was disclosed, had already agreed to quote freight rates lower than the Conference rates.

As a long-term measure, it is proposed to develop the Indian merchant fleet in the direction of tramp vessels. Liberal loans, the Minister indicated, would be granted for acquisition of such ships, provided the shipping companies acquiring them adhered to the tramp trade and did not crave to join the Conference by the backdoor. Permitting of global licences to be issued to tramp trade for a period of one year in the first instance and renewable for longer periods is also contemplated so that these shipping companies can resort to cross trading, wherever necessary.

Mr. Raj Bahadur further stated that the Freight Investigation Bureau was being asked to approach the Conference to forthwith remove the discriminatory treatment accorded by it to shippers in India in the matter of deferred rebate. While in the U.K. and Europe, he added, the Conference allowed either 10 per cent deferred rebate or 9.5 per cent cash rebate at the option of the shippers, no such option was allowed to Indian shippers. There was no reason whatsoever, he opined, to compel Indian shippers to subscribe to the deferred rebate terms.

The Freight Investigation Bureau has also been asked to take up the following two questions with the Conference: (1) in cases of any dispute arising between the shippers and the shipowners, the Indian shippers should be afforded the facility of arbitration which is available to shippers in the U.K. and on the Continent; (2) the Conference must arrange for the grant of immediate dispensation (within 48 hours) wherever they are not in a position to provide shipping space. All other discrimination in freight rates practised by the Conference are also proposed to be examined by the F.I.B. and taken up with it for securing suitable adjustments.

For avoiding any arbitrary increase in the freight rates in future, Mr Raj Bahadur indicated, some legislative action might also be called for.

★★

Two "still born" projects are likely to be revived. The German Ambassador in India, who is at present on leave, is expected to hold discussions with Bayers in Germany to revive their interest in setting up the project for the manufacture of intermediates for dye-industry. A state-owned company, called the Hindustan Organic Chemicals, Limited, was incorporated some years ago, to undertake the manufacture of these intermediates. Side by side, the Government had licensed a number of units in private sector to manufacture several intermediates with the result that the German collaborators in the proposed undertaking. As indicated earlier, the Government is making every endeavour to revive this project.

Meanwhile licensing of new units in the private sector for some of the items proposed to be produced by the proposed undertaking have been postponed.

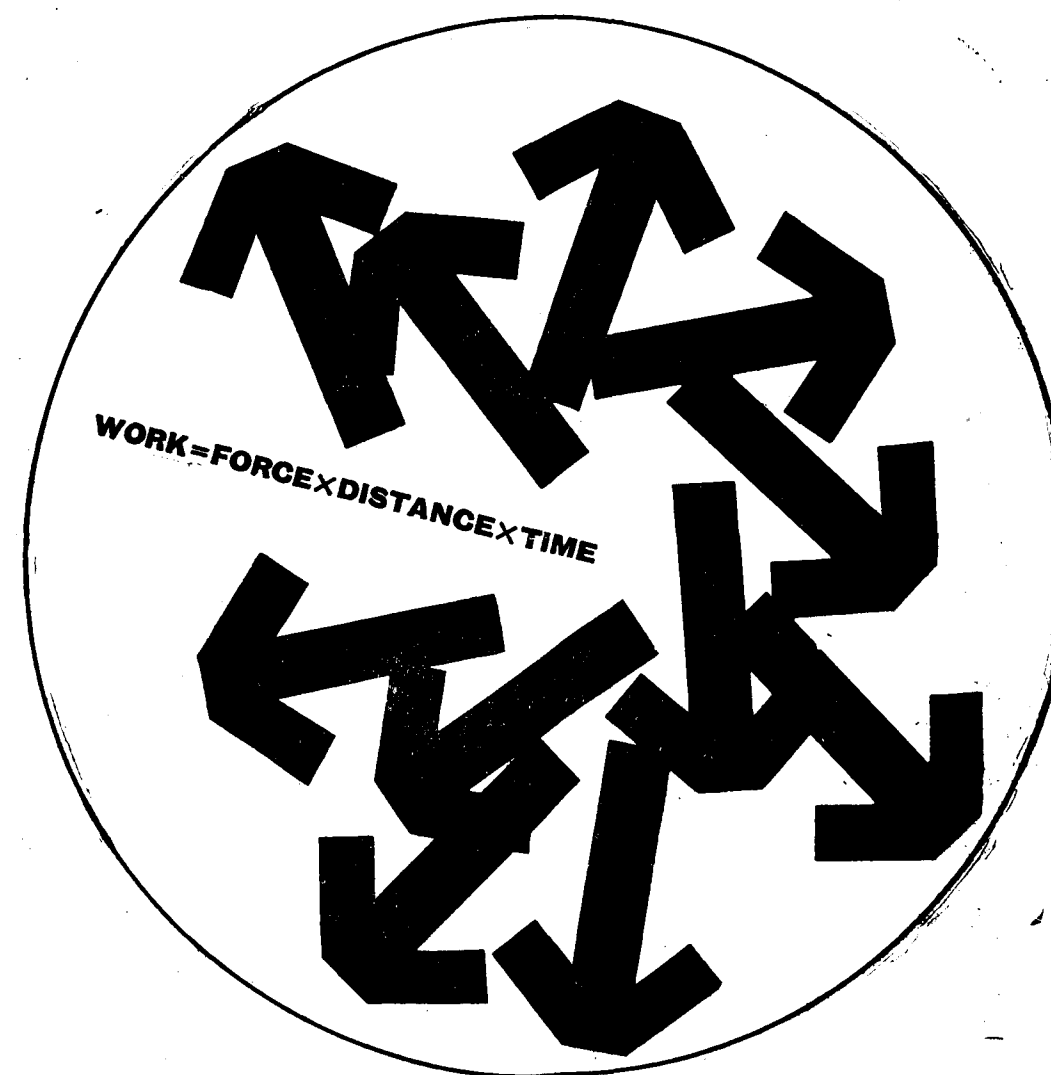
The heavy structural and vessel plate project, proposed to be located at Wardha, has similarly been lying in cold storage for want of foreign exchange. Originally these were proposed to be two units, one manufacturing heavy structurals and the other Vessel Plates. Davy Ashmore of the United Kingdom had prepared project reports for these two units. Subsequently it was decided to have one unit for the combined production of heavy structurals and vessel plates for which another project report, again by Davy Ashmore, was prepared. This was again put aside for want of foreign exchange. The revised thinking favours two units of which vessel plates plant is proposed to be commissioned in two stages. Davy Ashmore, for the third time has prepared a third project report for vessel plates. In its view, the first stage would not be an economic unit and suggestion has, therefore been made to take up the whole project simultaneously.

This view, prima facie, does not find much favour with the authorities here. Here again, the basic problem is that of finances and the project should go through, even of both the stages together, if foreign exchange were made available for it.

So far as heavy structurals are concerned, the thinking here favours the Austrian firm of VOST, which, it is believed, may be persuaded to participate financially in the project. Developments are expected.

★★

The Government has licensed a capacity of about 600,000 tons of alloy tools and special and stainless steels in the public and private sectors. The present production is about 53,000 tons per annum consisting mainly of 29,000 tons of spring steels by 6 units and 24,000 tons of electrical sheets which are being produced by TISCO. An ad-hoc committee has been set up to explore ways and means of starting production of low alloy steels in existing units with minimum further investment in foreign exchange. The conversion of Mysore Iron and Steel Limited into an alloy steel plant has also been approved and terms of technical collaboration settled. The conversion programme is expected to commence by the first quarter of 1964 and ultimate capacity of 77,000 tons of finished alloy steels is



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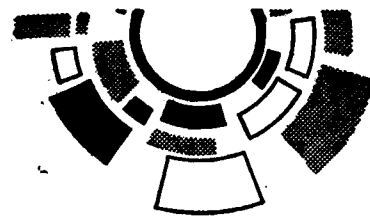
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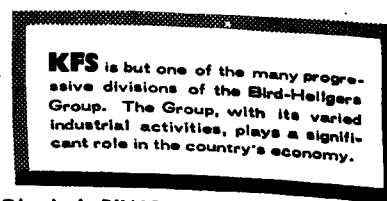
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Copies of the Notification announcing the terms of issue and application forms are available at all the receivements mentioned above, at all treasuries and sub-treasuries in the State of Madras and at all offices of the State Board.

likely to be reached by 1966-67. The contract for the alloy steel plant at Durgapur in the public sector is likely to be signed with a Japanese consortium very shortly. Other units in the private sector are also likely to go into production by 1968-77. Government have so far approved technical collaboration in respect of 9 such units licensed for the manufacture of alloy steels and special steels besides the technical collaboration for the central alloy steel plants of Durgapur. No technical collaboration is envisaged in respect of 5 units licensed for the manufacture of spring steels and alloy steels casting as the manufacture of these items does not require the application of skills not available in the country.

Due to the Emergency the entire woollen industry was geared for Defence Production and whatever stocks of wool tops were available were utilised for Defence requirements. It was not possible to give any quota of yarn for civilian production.

The woollen mills have since been permitted to utilise a part of their capacity for meeting civilian requirements and licences for the import of raw wool/wool tops have been issued to them.

The requirements of wool for the third Plan targets are :

Wool tops	32 million lbs.
Raw wool	33.7 million lbs.
Rags	14 million lbs.

The following additional quantities of wool will be required for Defence purposes at the present rate of demand.

Wool tops	13 million lbs.
Raw wool	18.5 million lbs.
Shoddy yarn	16 million lbs.

It has been agreed between the Japanese and Indian Governments that the foreign exchange cost of the Gorakhpur Fertilizer Project could be financed out of the Yen credits made available by Japan to India. Accordingly, the Fertilizer Corporation of India Limited who are in charge of the Project have recently awarded a contract to a consortium of Japanese manufacturers for the supply of plant and equipment.

It has now been agreed between the Government of India and the Government of Andhra that the existing pattern of participation between the Centre and the State, in the ratio

of 40:60 in the equity capital of the Singareni Collieries Company is to be raised from the existing Rs. 4 crores to Rs. 9 crores in the third Plan in view of the Company's expansion programme. The Central Government has agreed to advance a loan of Rs. 3 crores in the years 1964-65 and 1965-66 to the State Government to enable it to subscribe its share of the additional equity capital.

The rubber tyre manufacturers have represented to Government for an upward revision of prices of their products. The increase is sought on the ground of additional burden of customs/excise duties, freight and transport charges, Central sales tax, Emergency Risk Insurance, bank interest to cover additional excise financing and revised A.I.D. procedure.

The Commonwealth Economic Consultative Council will meet in London on September 24 and 25.

The meeting, which will be held at Marlborough House, will be attended by Commonwealth Finance Ministers, who will exchange views on economic matters of common concern, with particular reference to finance and development.

The value of foreign exchange approvals in principle for the import of capital equipment by the private sector since 1st April 1961 amounts to Rs. 400 crores.

The following will show the amount of sugarcane cess/purchase tax collected and the amount spent for the development of sugarcane during 1962-63 in various States :—

State	Sugarcane cess/ Purchase Tax collected (In Rs. Lakhs)	Amount spent for development (In Rs. Lakhs)
Uttar Pradesh	660.83	126.29
Bihar	124.48	30.87
Punjab	12.00	8.59
Maharashtra	160.76	30.56
Madhya Pradesh	0.59	3.07
Andhra Pradesh	130.18	40.27
Madras	20.92	14.36

It will be seen that the sugarcane cess, originally intended to improve the quality and yield of sugarcane is being largely used to finance ways and means expenditure.

Will He? Won't He?

From Our Correspondent

BOMBAY:

THE APPOINTMENT of Mr. T. T. Krishnamachari, in the place of Mr. Morarji Desai, as Finance Minister, is being interpreted in political circles as a concession to States' party leaders who have been agitating for a change in the Government's economic policies. TTK is well known for his pragmatic approach and it is generally expected that he will come out with a bold plan to improve the economic climate. Before long, the Compulsory Deposit Scheme may be scrapped or modified substantially, the Gold Control Order amended or withdrawn and the controversial SPT may be watered down if not totally abolished.

The share market greeted the appointment of the new Finance Minister with a modest rise in prices and it has maintained a steady uptrend since then. It is the hope of marketmen that TTK will help to revive confidence in the capital market so that the corporate sector may not encounter difficulties in securing the funds needed by it in financing expansion. Mr. G. D. Somani, President of the Indian Merchants' Chamber, remarked that "in him (TTK) we have a man of dynamism and imaginative drive and we expect him to take certain realis-

tic and effective measures to restore the confidence and stability in the capital market." Another section of industry, however, is not without its doubts. It is said that the series of imposts such as the wealth and expenditure taxes, which he (TTK) had levied during his previous regime as the Finance Minister, do not warrant any optimistic expectations. Probably the implementation of Prof. Kaldor's controversial tax recommendations by TTK is still very green in their memory.

Mr. H. V. R. Iengar, chairman of the National Productivity Council and former Governor of the Reserve Bank, told the ninth annual dinner meeting of the Bombay Management Association the other day that fresh thinking was needed for reshaping the economy so that it could regain the momentum of the first two Plan periods. In particular, he was thinking of the administrative machinery and, according to him, under the prevailing system of administration, even vital decisions were being delayed, despite the emergency caused by the Chinese aggression. Lack of prompt decision, he said, was at the bottom of the present deterioration.

The Chairman of the National Productivity Council sub-

jected his alert audience to a fairly extensive travelogue through Brazil, Mexico, Japan, and Spain just to provide an indication of what those countries have been able to achieve in more or less similar circumstances. Evidently, Mr. Iengar has become quite impressed with the progress made by Spain among all these countries, in recent years, and he has good reasons too for that, judging from the improvement made by that country in its rate of economic growth and balance of payments position. But he was quick enough to add that he was not suggesting that India too should, like Spain, resort to devaluation and demolition of all controls, a combination course that has been frequently and consistently advocated by at least one eminent economist in this country. However, Mr. Iengar was categorical about one thing. In the interest of speedy decision, to the lack of which he attributed almost all the economic ills to which we have become victims, he wanted the Government to liberalise or modify its approach to the wide network of controls. This is necessary, he exhorted, if we have to achieve the social objectives we have set unto ourselves.

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An investment programme of Rs. 3,545 crores and Rs. 1,710 crores, respectively has been recommended by the National Council of Applied Economic Research during the period 1961-76 to improve the economies of Maharashtra and Gujarat. If the investment targets are implemented, Maharashtra's income would go up from Rs. 1,245 crores (in 1960-61) to Rs. 3,026 crores (in 1976). The per capita income will rise from Rs. 315 to Rs. 557 in 15 years implying a growth rate of 6.1 per cent compared to an all-India average of 5.8 per cent.

Honeymooning with TTK

From Our Correspondent

CALCUTTA:

WHILE POLITICAL commentators are hard put to it to unravel the working of the Prime Minister's mind in accepting the resignation of six senior ministers in the Central Cabinet and appointing three from the remaining members to the key posts of Finance, Home and Food and Agriculture, the stock market seems to have had no doubts about what is intended to be done by the new Finance Minister. After the devastating performance of Mr. Morarji Desai in the last Central Budget, even the once dreaded Mr. T. T. Krishnamachari has become acceptable. Notwithstanding the reiteration of the Prime Minister that the ex-Ministers' policies were those of the Government also, the stock market fraternity finds no difficulty in concluding that a reversal of the controversial measures, to which Mr. Desai clung to the last, is in the offing. For, it is argued that since it has become clear for some time that Government is anxious to revitalise the capital market, the new Finance Minister will perforce have to examine anew the state of the capital market with a view to identifying the factors that are now choking it.

The recent steps initiated at the instance of Government such as asking the various financial institutions in the country to interest themselves actively in new issues have failed to enthuse investors, whose main concern is about the dividend paying capacity and the scope for expansion of the enterprises in which they will invest their funds. If the Government is sincere about fostering capital formation, then there is no way out but to scrap the SPT which is not only scaring away domestic investors but foreign investors as well. If he is convinced of its ill effects, as convinced he must be, then one can depend upon TTK boldly to opt for its abolition. This is all perhaps wishful thinking but then stock markets are always apt to invest in faith. Whether this new found enthusiasm for TTK will hold, time alone can show. It is, however,

According to the Council, the prosperity of Maharashtra is concentrated in Greater Bombay. The major portion of investment (Rs. 1,098 crores) would go to industries; power comes next with an investment of Rs. 629 crores; agriculture gets Rs. 613 crores. Maharashtra accounts for 9 per cent of the country's population and the proposed investment forms less than 8 per cent of the investment envisaged in the country during the 15-year period. The agricultural investment is expected to step up foodgrain output from 5.7 million tons to 12 million tons. While the State is expected to be self-sufficient in food in overall terms, it will continue even in 1976 to be deficit in wheat. After a careful review of the resources position of the State and the demands which would be made on the infra-structure in the process of development, the Council has proposed the investment of Rs. 1,789 crores for strengthening the social and economic overhead facilities.

According to the Council, Gujarat State should invest more in specialising commercial and cash crops than aiming at food self-sufficiency. With its new found oil and gas reserves and minerals and forest wealth, the State has immense potentialities of development. The investment proposed by the Council will enable Gujarat to achieve a 52 per cent increase in the net output of agriculture, a 170 per cent increase in industrial output and about 95 per cent increase in the tertiary output. A rough estimate of the Council shows that the output of cotton and tobacco will double and that of foodgrains increase by 118 per cent. Industrial activity accounts for a fifth of the State's income. Gujarat has the requisite material resources, capital and entrepreneurial abilities to push forward an ambitious industrial programme.

inconceivable that there will not be occasions in coming months that the new Finance Minister may not be doing what the stock market expects him to do.

It is perhaps a chance coincidence that the stock market people have found other factors to sustain their enthusiasm. These are generally said to be the Indonesian Foreign Minister's statement to the effect that the Chinese are not contemplating any further aggression on our borders, the growing indication of the LIC's interest in equities, good corporate news and the revival of investor interest in the stock market. Good corporate rate news such as the improved dividends paid by Bird-Heil-gers group of jute companies no doubt calls for a show of enthusiasm. The fact that during the past few days there has been some buying of cash scrips indicates that the investor too is influenced by current talks about a possible welcome change in Government policy pertaining to the private sector.

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The steady trend currently prevailing in the gunny market stems from revival of foreign interest in both the main categories of goods. Latterly, the US has made some sizable purchases of hessian and more is believed to be in the offing. The belief is that the long awaited revival of buying interest in hessian has started and will continue for some time. As been reported to have been concluded in recent days, some sizable business will be put through with a number of foreign countries in the days to come. The confidence that fresh orders will be secured stems from the fact that Pakistan will not be having much of its output available for some months. Purchases by Government of India are also expected to take care of a part of current output. Already the tour of the IJMA delegation of the USSR and East European countries has engendered optimism about increased sales to these countries.

In the meantime, the raw jute market is keeping fairly

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steady despite increased arrivals. This is the time of the season when arrivals gather momentum and according to official indications preparations are well in hand to cope with the increased arrivals. The Jute Commissioner has allotted a purchase quota of 7.5 lakh bales, 7 lakh bales to IJMA mills and 50,000 bales to the rest of the industry. This is against 6.5 lakh bales stipulated for August. The Government is determined to ensure that the cultivator is not cheated out of his due share in the official minimum price. It has been indicated by the Minister for International Trade that in order to prevent the middlemen from appropriating the lion's share of the profit, the provision of DIR will be invoked when necessary. The jute mills too will have to share the responsibility with the State Trading Corporation which is to enter the market in a big way this season. Mr. Shah has revealed that on their part the mills will be required to carry jute equivalent to seven months' consumption as compared to three months' requirements as at present.

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Addressing a press conference in Calcutta last week, the Chairman of the LIC, Mr. B. K. Kaul, allayed fears that the LIC would be playing any part in the backdoor nationalisation of the private sector. However, it would make sure that the companies in which it invested were soundly managed. As for the investment policy, it continues to be the

same as laid down in the Insurance Act 1938 and elaborated by the Finance Minister in August 1958. The Corporation continues to discharge its duty in stabilising the stock market as will be evident from its large-scale purchases immediately after the commencement of the present emergency. Mr. Kaul recalled the policy statement of the then Finance Minister in 1958 in which he had said that the Corporation may, in the national interest, "sell during periods of boom and buy during periods of depression in order to even out the fluctuations in the stock market" and said that this continues to be one of the guide lines. The prime consideration, however, is the need to safeguard the interests of policyholders in investments. The complaint that the Corporation is not investing much funds in the private sector will not stand close scrutiny. In 1958 the LIC invested 16 per cent of its investible funds in the private sector. The proportion increased to 20 per cent in 1959 and after a temporary decline in 1960 to 18.1 per cent, it shot up in the next year to 29.2 per cent and for the 15-month period ended 31st March, 1963, the percentage has been lending active support to new floatations. During the 15 months period ended 31st March, 1963, the LIC's underwritings covered 58 new issues aggregating Rs. 19.53 totalling Rs. 20.56 crores, were placed in the market, resulting in an allotment for Rs. 20.19 crores.

Markets Turn Hopeful

From Our Correspondent

MADRAS:

THE CHANGES impending in the Madras Cabinet consequent on the decision of Mr. Kamaraj to give up his office, in pursuance of his plan, have not caused any excitement as it is now generally known that Mr. Bhaktavatsalam would become the Chief Minister and the new Cabinet would be sworn in on October 2. There may not even be new additions to the Cabinet, neither any large reallocation of portfolios.

There is, however, greater anxiety to know what will happen at the Centre as Mr. T. T. Krishnamachari has taken over as Finance Minister from Mr. Morarji Desai. There is naturally great satisfaction that it has again become possible for Mr. Krishnamachari to handle the finance portfolio, but it is realised that his task will be difficult and the reversal of some of the policies of his predecessor, which have come in for serious criticism, will not be easy of achievement. The changes in the Super Profits Tax, Compulsory Deposit Scheme and the Gold Control Order, have to be effected in such a way that there is no loss of face for the Government and the objectives are secured at the same time.

A rather optimistic feeling has been noticed in the stock markets in the past few days and a significant rise in the prices of many counters has been recorded in Madras, particularly as Bombay advices have been encouraging. As there are earlier precedents relating to the abolition of the Wealth Tax on companies and the Expenditure Tax, there is no reason why the Super Profits Tax and the Compulsory Deposit Scheme cannot be abolished and new schemes substituted in their place.

★★

The removal of the ban on exports of outsized goat skins by the Central Government has been welcomed by trade circles in Madras City. The imposition of the tax some time back, on the advice of the Leather Export Promotion Council was resented by a section of exporters because the sudden decision of the Government had an upsetting effect on the market and prices declined sharply. It was argued that exports of raw skins could be stopped only over a period and a slump in prices for raw qualities would have its adverse effect on finished products. As there were representations to the Government urging the removal of the ban and it was recognised

that prices had been unduly depressed, the Government agreed to lift the ban. It will be now possible for exporters to fulfill outstanding contracts. If Soviet purchases of pickled goat skins also prove to be satisfactory it can be expected that good prices would be secured on future exports.

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Indian coffee producers have been experiencing better trading conditions in the past two years after a bad patch when there was a huge crop and a heavy accumulation of Robusta grades. In the past two years, however, the crop has been only around 55,000 metric tons and with increasing internal consumption and large exports of Plantation grades, even the marketing of Robusta Coffee, which is not very popular within the country, has not been found difficult. In fact, Indian consumers are now obliged to use Robusta grades in increasing quantities on account of the shortage of Plantation varieties and methods have naturally been found to effect suitable blends. The country can do well with a much larger crop as exports have picked up in volume and coffee rate. The Chairman of the Indian Coffee Board referred to the fact, recently, that the industry had been able to complete its export quota under the International Coffee Agreement and that the Board had applied to the International Council seeking an upward revision of the quota of 21,350 metric tons. As a result of changes in the method of export sales and the provision of incentives coffee exports to quota countries have been satisfactory, Plantation varieties particularly Robusta grades also it has been possible to release larger quantities of these grades for export. The absorption by non-quota countries, particularly the East European bloc, has also been satisfactory. In fact, it has been claimed that Yugoslavia is the largest buyer of Indian coffee on the European continent. As Indian tea and coffee are likely to be absorbed in increasing quantities by the East European countries in the coming years and the E.C.M. group also might purchase larger quantities of Plantation products, it will not be surprising if total exports of coffee exceed 50 per cent of the total output. The yield of coffee crop should, therefore, be suitably increased, Plantation grades especially.

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The moving fingerprints

SINCE THE Prime Minister has been remarkably successful in maintaining a high degree of secrecy lately about changes in the Government, very few of those who had been speculating both before and after the recent Cabinet reshuffle were really in a position to comment definitely on the 'why' or 'how' of things. Nevertheless, it would be broadly correct to say that neither Mr. G. L. Nanda nor Mr C. Subramaniam was considered at any stage for the Finance portfolio. There has certainly been a certain amount of lobbying by Mr. V. K. Krishna Menon against Mr. T. T. Krishnamachari, but this, if anything, could have only helped the latter.

There is lively talk of how acute the poverty of our masses is. If this very real problem of the poverty of our people is to be dealt with constructively at all, it is essential and urgent that there should be effective co-ordination of our economic policies to clearly realised long-term ends in terms of increased agricultural and industrial production. It is true, of course, that an increase in production that would ensure reasonable living conditions to the masses of our people cannot be secured within a few years. The process has necessarily to be spread over time but the point is that, if there is no intelligent and far-sighted direction of our economic affairs in the immediate present, the reduction of mass poverty will not be achieved ever. From this point of view the test that any Finance Minister must prepare himself to face is, whether by his policies and attitudes, he is succeeding in stimulating investment and production and assisting the economy in breaking through the stagnation that seems to be setting in. An uninterrupted increase in industrial production from year to year at a recurring annual rate of from 10 to 12 per cent is the minimum obligation which any Finance Minister who would assume the direction of our economic affairs should be prepared to accept. This is much more important than raising a little more revenue for the Government or securing a little more money from the Aid India Club.

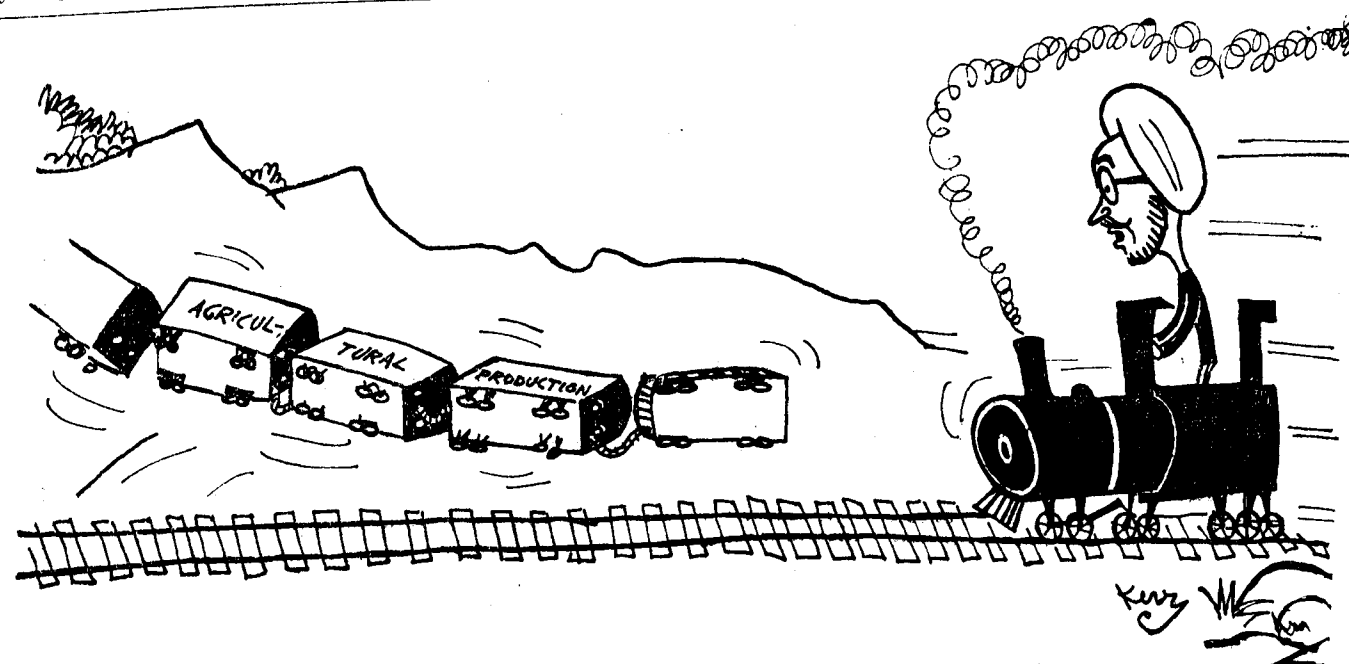
It should be tempting to picture Mr. Mani Ram Bagri as a Sancho Panza to Dr. Lohia's Don Quixote, but then Master Sancho had a mind of his own and was capable of much healthy scepticism for the extravagances of his crazy master.

The analogy of the Boswellian allegiance to Dr. Johnson also does not seem to apply. I suspect that the canny Scot posed quite a bit, whereas there is nothing of the imposter at all in Mr. Bagri's dog-like devotion to his leader. I wonder whether there is not something frightening in the total identification which Mr. Bagri is evidently trying to achieve with his chief. It is not right that one human being should so single-mindedly be endeavouring to surrender his personality so completely to that of another. Dr. Lohia's certainly is a grave responsibility.

I must confess that I am fascinated by the subject of Dr. Lohia. In a rejoinder to Mr. Nanda, he has explained that the "three-anna-or-less-wallahs" who, according to him, number nearly 300 million, comprise agricultural workers, agriculturists holding two acres and below, Adivasis, artisans, widows and miscellaneous groups, such as sadhus. There is surely here what the statisticians would call the fallacy of double-counting. Widows in this context are not to be regarded as a class apart; nor are Adivasis. Again, why widows only? Why not also babes-in-arms, old men counting their days, blind persons and cripples and at least some politicians who, until they become Members of Parliament, were probably not earning even "three annas a day"?

I see that the Health Minister inaugurated last week a Family Welfare Counselling Bureau for the benefit of couples caught in marital disharmony. But is there not something faintly incongruous in the Delhi Family Planning Association interesting itself in the setting up of such institutions? Being (more or less) happily married myself, I am all for a movement to have more happy marriages. It is undoubtedly a good cause deserving well of all right-thinking men and, naturally, women. But since the Delhi Planning Association's primary purpose, I presume, is to assist in controlling the growth of population, I should like to know whether thought has been given to the possibility that the reduction in marital disharmony might conceivably lead to an increase in population. I am not suggesting that happy or harmonious marriages must necessarily lead to larger families, but the risk cannot be entirely ignored.

V. B.



Trade Winds

NEW SOURCES OF OIL

A NEW site has been selected at Tinali for a test well in Oil India's new concessions of 1,290 square miles in the Dum Duma area in Upper Assam. Drilling at Tinali is expected to commence in December, 1963 as soon as the approach road to the site is ready. The first well in the Dum Duma petroleum exploration licence area is located near Bogapani, where a ten-mile approach road at a cost of Rs. 8 lakhs is being constructed to carry equipment and machinery to the spot. While Bogapani is expected to be the first test well to be drilled in Oil India's new concession, Tinali could be taken up for drilling soon afterwards. These sites for exploratory wells have been selected as a result of the 223 line miles of seismic survey which was carried out between March and June, 1963, immediately after the grant of exploration licence for the Dum Duma area. This new area granted to Oil India Limited, which is owned half and half by the Government of India and the Burmah Oil Company is in addition to the 510 square miles of mining leases where it is already engaged in developing indigenous sources of crude oil and transporting it through 720 miles long Nahorkatiya-Gauhati-Barauni pipeline system to the refineries in North-East India.

VANASPATI PRICES REVISED

The Centre has revised the ceiling prices for Vanaspati with effect from August 23. The new prices apply to zones A (Maharashtra, Gujarat, M.P., Goa, Daman, Diu, Dadra and Nagar Haveli) and D (W. Bengal, Assam, Orissa, Bihar, Manipur, Tripura, Nagaland, NEFA, Andaman and Nicobar). The prices notified in a gazette extraordinary, include freight but exclude octroi, terminal tax and similar other local taxes and also sales tax. The price limits for zones B and C remain unchanged.

The following are the prices for zones A and D:

	Zone A		Zone D	
In tin con- tainers (net capacity in kg.)	Manufac- turers' price (in Rs.)	Retail price (in Rs.)	Manufac- turers' price (in Rs.)	Retail Price (in Rs.)
16.5	45.87	48.18	47.35	49.66
8.0	22.68	24.80	24.40	25.52
4.0	12.64	13.20	13.00	13.56
2.0	6.62	6.90	6.80	7.08
1.0	3.41	3.55	3.50	3.64
0.5	1.70	1.77	1.75	1.82
0.25	0.86	0.90	0.88	0.92

The price of loose vanaspati is Rs. 2.92 per kg. in Zone A and Rs. 3.01 in Zone D.

PAYMENT OF INCOME TAX

A discount of one per cent of income tax will be given to assesseees who file their returns of income and pay their tax dues before January 1 of the relevant assessment year, under a new Section 141A in the Income Tax Act, 1961. Assesseees who do not file their returns of income before January 1 of the relevant assessment year will, under the same Section, be liable to pay interest calculated at the rate of two per cent for the period of delay. This new Section 141A in the Income Tax Act, 1961, providing for the discount and penalty of interest, has been incorporated in the Finance Act, 1963. A press note issued by the Finance Ministry says, "the discount is admissible even in a case where no provisional or regular assessment to income-tax is made before the first day of January, if the assessee files his return of income

and pays the tax due on the basis of that return voluntarily before the said date (January 1). Instructions have been issued to the Income Tax Department for rendering necessary assistance to assesseees, on their request in calculating the amount of tax due on the basis of their returns of income".

GOATSKIN EXPORTS

Keeping in view the several representations made, the Union Government has decided to withdraw, with immediate effect, the recent restrictions imposed on the exports of raw goatskins of 36" and above sizes. These curbs were placed to develop tanning and finishing of raw skins so as to increase production, employment and export earnings, following the recommendations of the Leather Export Promotion Council. The press release issued recently says that "in view of the commitments already entered into by exporters for raw goatskins of large sizes and considering also the interests of exporters to develop and expand the tanning and finishing industry to enable the country to earn more foreign exchange through increased exports of finished skins, footwear, leather travel goods and other articles, above sizes are being withdrawn". It is also stated that policy of gradually increasing the production and export of finished and tanned skins compared with the export of raw goatskins.

MARKET RESEARCH

The Reserve Bank is to set up an overseas department to organise market research in various regions of the world for the purpose of export promotion. Economists will be attached to the department for each special region.

The RBI has also decided to reinforce its staff for research in markets abroad. It will secure the assistance of the foreign branches of Indian banks. The bank has already enlarged its programme of research studies on the commercial, economic and financial patterns developing in other countries, and it has been decided to undertake such studies on a continuing basis.

The recent studies made by the Bank on the South-east Asian and other markets have proved to be valuable, and the Board of Trade has suggested that the RBI should undertake such studies on a permanent basis.

FOREIGN CREDITS

The granting of £10 million (Rs. 13.33 crores) loan by Britain to India recently is to be welcomed on the score that it will help ease India's balance of payments difficulties. The loan will be used for the purchase of a wide range of manufactured goods from Britain. The loan agreements signed since the beginning of the third Plan bring Britain's contribution to £108.5 million (Rs. 144.67 crores) out of the total of £125 million (Rs. 166.67 crores) committed at the India Club meetings. Discussions are proceeding between the two Governments for the allocation of a balance of £16.5 million (Rs. 22 crores).

The Federal Republic of Germany has agreed to give an aid of \$100 million (nearly Rs. 48 crores) during the third year of the third five-year Plan. This amount represents an increase of \$35 million over the amount offered earlier. Upto the end of June, 1963, the Federal Republic of Germany had committed to provide development aid to a total value of DM 7,161 million (approximately Rs. 860 crores) — about Rs. 499 crores being the share of Asian countries. India benefits to

the extent of about Rs. 360 crores, i.e. nearly three-fourths of the entire aid being rendered to the developing countries of the entire aid of Rs. 360 crores, nearly Rs. 140 in Asia. Of this amount of Rs. 360 crores, nearly Rs. 140 crores had already been paid to India for carrying out schemes under the second five-year Plan. The Federal Republic's commitments to this country for the first three years of the third Plan amount to DM 1,850 million or about Rs. 220 crores.

The statement below shows rates of interest charged by different countries and institutions on loans offered at the end of the second Plan and interests now proposed to be charged for further loans during the third Plan.

Name of Country/ Institution	Interest Charged at the end of Second Plan	Interest charged/pro- posed to be charged for further loans dur- ing third Plan.
Austria	†	About 6%
Belgium	†	Not yet decided
Canada	4½%	*
Czechoslovakia	†	2½%
France	†	About 5½%
Germany	5½%	(Partly 3 % Partly 5½% Partly 5½%
I.B.R.D.	5½%	(**
Public Sector	6 %	(
Private Sector	†	½%
I.D.A.	†	***
Italy	5½% to 6%	5½%
Japan	†	Not yet announced
Netherlands	†	2½%
Poland	†	6%
Switzerland	†	3½% @
U.K	6-3/8%	2½%
U.S.S.R.	2½%	
U.S.A.		
EXIM	5½%	5½%
AID	..)	½%
DLF	5 %)	
Yugoslavia	†	3 %

- * Government's borrowing costs plus an administrative charge.
- ** For each I.B.R.D. loan interest will be determined in accordance with the normal practice. However, the present I.B.R.D. lending rate is 5½%.
- *** Rate of interest prevailing in the market plus Commission of less than 1%.
- @ The United Kingdom will make available loans totalling £30 million (\$84 million) repayable over 25 years, including a grace period of 7 years before repayments of principal begin. The United Kingdom Government has agreed to waive the interest payments during the grace period. Subsequently, the interest charged on the amount outstanding will be related to that at which the United Kingdom can borrow on the date of each drawing. The effect of this is that on the basis of current borrowing rates the interest charge may be something less than 3½ per cent over the whole period of the loan.
- † These countries did not extend any development loan to India in the second Plan.

MILK PLANT FOR KERALA

With the object of producing cheap milk and thereby to develop nutritional standards in Kerala State, a recombined milk plant is proposed to be established at Alleppey. The scheme envisages foreign assistance of Rs. 1.15 crore to meet

expenditure on laboratory and dairy equipment with an installation capacity of 20,000 litres of milk a day and the surplus of milk powder and butter oil over a period of five years. The project is reported to be under the consideration of the Norwegian Freedom from Hunger Campaign Committee for adoption.

Another scheme is the establishment of the Food Technology Training Centre at Mysore with the assistance of the Canadian Freedom from Hunger Campaign Committee. The Centre is intended to be utilised for demonstrating the methods of food processing and preservation adapted to local needs. Fifty model piggery units are proposed to be set up under another scheme. They will be located in suitable areas around big towns where bacon factories are being established or where such facilities already exist. The other action projects approved for implementation with foreign assistance include those for intensification of plant protection measures for achieving higher agricultural production, production of protein rich food through poultry, prevention of malnutrition and promotion of production and use of improved foods and improvement in the food of the general population, with particular reference to workers in industry.

EQUIPMENT FOR POWER STATIONS

Heavy Electricals (India) Limited have ordered hydro-electric equipment worth £300,000 for two power stations from Associated Electrical Industries. One order is for the Obra Power Station of the U.P. State Electricity Board for a 33,000-kW, 11,000-volt vertical waterwheel generator, together with the major component parts of a second and third machine. The second order is for the Punjab State Electricity Board and comprises a 15,000-kW, 11,000-volt generator, again with components for a second and third machine and the associated control gear for the Bassi Power House. These contracts raise the value of AEI's hydro-electric equipment on order from India to £4 million. The total rating of hydro-electric generators on order from the company's heavy plant division is now 7,24,000 kW.

IMPORTS OF TRACTORS

A plan is being finalized by the Union Agricultural Minister to ensure that the basic needs of modern farming are made available to the cultivator to the maximum extent. The doubling of the tractor imports from 1,800 to 3,600 and a Rs. 10 crore increase in the import of fertilizers next year are among the major measures to step up farm production. The import of fertilizers is to be increased from Rs. 25 crores to Rs. 35 crores in 1963-64. At the same time, renewed efforts have been made to encourage the use of compost manure. Poultry farming will be another item on which emphasis would be laid this year.

In addition to the original plan of importing 1,800 tractors from the U.S.S.R., it is now proposed to buy 500 more tractors during 1963-64 from Russia. One thousand and three hundred tractors are to be imported from Poland and Czechoslovakia and spare parts worth Rs. 50 lakhs this year.

COTTON EXPORTS

The Government of India has decided to release 2 lakh bales of Bengal Deshi cotton for export. No exports out of this quantity will be allowed under rupee payment arrangements. Out of this quota, 10,000 bales are earmarked for exports through co-operative societies in area growing such cotton. The balance will be licensed according to the terms and conditions laid down. The period of shipment will be from September 11, 1963 to August 31, 1964.

Company Affairs

TISCO

MR. J. R. D. TATA, Chairman of the Tata Iron and Steel Company Limited, informed shareholders at the Annual General Meeting held in Bombay that there was no point in a bonus issue unless the company could maintain the dividend on the increased capital. If, on the other hand, the company increased the dividend gradually, it would amount to the same thing. He also ruled out the possibility of a fresh capital issue by the company in the near future. During the five months of the current year, he stated the production had stabilised around an annual level of 1.5 million tonnes. By the end of the year, the company hoped to reach total production of 1.45 million tonnes, compared to 1.41 million tonnes last year. The company had also agreed at the Government's request to expand its capacity further provided it could be financed without undue strain on its resources. He said that the cost of expansion of one million tonnes capacity will be about Rs. 100 to Rs. 150 crores, out of which at least 50 per cent will have to come from abroad; a part of the balance will be met from internal resources, and a part by way of fresh issue of capital. The company could not get any foreign collaborator willing to invest in its alloy steel project on the Government's terms. Mr. Tata said that the alloy steel project was not likely to come up soon.

Regarding the decontrol of steel, he said that the matter was under a committee of the three main producers who would have to formulate their proposals. Regarding the target for steel production in 1971, Mr. Tata gave the opinion that the country would have to add nine million tonnes between now and by the end of the fourth Plan. Commenting on the Bokaro steel plant, he said that it would not affect the company either with regard to the availability of raw materials or in terms of production. The LIC's holdings in the company's share capital increased during the year from 298,000 to 403,767 shares, representing 11 per cent of the capital.

PARRYS CONFECTIONERY

At the Annual General Meeting of Parrys Confectionery Ltd., Mr. H. V. R. Iengar, Chairman, made a pointed reference to the Company's liability under the super profit tax which had been instrumental in reducing the net profit of the company for the year after tax to Rs. 3,88,903 — lower by Rs. 1.36 lakhs as compared with the preceding year. The sales of the company had listed a rise of 10 per cent over the preceding year to reach a new record level of Rs. 1.48 crores. In addition to the super profits tax, the increased cost of production especially in respect of raw materials, packing and wages was also responsible for wiping out the gains achieved through higher sales. Due to reduced profits and the anxiety of the company to conserve resources for the rehabilitation of its plant and machinery, the directors have proposed a reduction in the dividend to 16 per cent on the ordinary share capital absorbing Rs. 3,20,000 as against Rs. 4,17,000 last year.

The long-term progress of the company, the Chairman added, depended on the rehabilitation of plant and machinery and the cost of production which had continued to rise. Even the capacity of the company to earn more foreign exchange was limited by these two important factors. Since tastes continued to change in this consumer industry, the company has to experiment in new techniques of manufacture as well as in wrapping and packing the sweets. The company has not been able to make the advance necessary to compete with the sweets manufactured abroad and the basic limitation here is the licensing policy of the Government. Many of the raw materials such as gum arabic, menthol, tartaric acid and lecithin, etc., are all imported items and the licences made available are not sufficient to cope with the demand. Due to

the increases in customs and excise on cellophane, tin plate and aluminium foil, the wrapping and packing costs of the company had increased by about Rs. 3.5 lakhs on the same sales as last year.

DELHI CLOTH

The Delhi Cloth and General Mills Ltd., will enter the capital market on September 9, with a preference issue of Rs. 50 lakhs comprising 2 lakh, 9 per cent Fifth Redeemable Cumulative Preference Shares of Rs. 25 each at par. The subscription list will close on September 16 or earlier, but not before September 11. A sum of Rs. 10 per share is to be paid with application and Rs. 5 on allotment and the balance in two instalments later. The shares will be redeemable after June 30, 1975 and before June 30, 1980. The entire issue has been underwritten. The company proposes to set up two new plants, licences for which have already been received. At Kota will be located the PVC plant of 20 tons per day capacity with ancillary units for calcium carbonate, chlorine and caustic soda and rayon tyre cord plants for 4 million Kgs. per annum capacity. For the first project, the company has entered into a technical collaboration with Shin-etsu Chemical Industry Co., Ltd., Japan and Mitsui Co. Ltd., Japan. For the second units, the collaboration has been entered into with Chemtex Inc., U.S.A., and Beaunit Inc., U.S.A. Both the agreements have been approved by the Government.

ORIENT PAPER

The working results of Orient Paper Mills Ltd., for the year ended March 31, 1963 recorded an improvement in gross profit as well as in sales. The gross profit was Rs. 200.54 lakhs as against Rs. 198.14 lakhs in the previous year. Sales rose from Rs. 10.04 crores to Rs. 11.16 crores. The directors have proposed a dividend of Rs. 2 per share on 19,08,725 ordinary shares. In the previous year, a dividend of Rs. 2.25 per share was paid on 14,68,250 ordinary shares and a proportionate share of 56.25 nP. per share was declared for the new 4,40,475 ordinary shares. The directors have provided Rs. 60.45 lakhs for depreciation, Rs. 2.50 lakhs for development rebate reserve, Rs. 15 lakhs for general reserve and Rs. 3 lakhs for contingencies reserve. A sum of Rs. 70 lakhs has been transferred to deferred taxation reserve. The proposed dividends are to be paid out of the newly-created dividend reserve fund to which has been allocated a sum of Rs. 50,90,650. The directors have stated that the upward trend in the cost of raw materials, power and fuel and other expenses continued to persist during the year under report resulting in a further rise in the cost of production. The rates of excise and import duties, Central sales tax and other taxes were further increased; since the Government, the increased cost had to be borne by the company. The production of paper and board rose to 65,000 tonnes as against 62,000 tonnes in the previous year.

GWALIOR RAYON

The gross profit of Gwalior Rayon Ltd., for the year ended March 31, 1963 was lower at Rs. 3.90 crores as against Rs. 4.18 crores in the preceding year. The fall in profit was caused by the initial working expenses of the pulp factory (which went into production in January last), higher power and fuel costs, donation of Rs. 12.07 lakhs to the National Defence Fund and the excise duty on sulphuric acid. Higher. Shortage of coal forced the use of furnace oil which also increased fuel costs. An application of the company for raising the staple fibre capacity to 150 tons a day is pending with Government. The pulp plant at Birlakootam (Kerala State) started production in January and is expected to overcome teething troubles soon. The engineering divi-

sion of the company has manufactured rayon machinery with equipment and orders have been received from two rayon units.

HINDUSTHAN GAS

The Hindusthan Gas and Industries Ltd. has shown a lower gross profit at Rs. 15.39 lakhs for the year ended March 31, 1963 as against Rs. 16.80 lakhs in the previous year. The total sales, however, recorded a sizable increase from Rs. 70.38 lakhs to Rs. 94.72 lakhs in the year under report. The net profit, after providing for depreciation and development rebate reserve and necessary adjustments, was Rs. 4.89 lakhs compared to Rs. 4.51 lakhs in the preceding year. Depreciation was raised from Rs. 4.47 lakhs to Rs. 5.71 lakhs, general reserve from Rs. 1 lakh to Rs. 1.75 lakhs and development rebate reserve from Rs. 1.28 lakhs to Rs. 4.89 lakhs. No provision for taxation was made against Rs. 6.50 lakhs in the last year. The dividend on the ordinary shares has been maintained at Rs. 1.40 per share, less tax. The oxygen and acetylene plants have gone into production. Since the rate of dividend paid on the cumulative redeemable preference shares is now unrealistic, the board of directors has taken action to cancel the un-issued cumulative preference shares and to create an equal number of cumulative preference shares without fixing the rate of dividend which may be fixed in future as and when the said shares are issued.

SAKTHI PIPES

Sakthi Pipes Limited will enter the capital market shortly with a public issue of Rs. 54 lakhs. Its authorised capital is Rs. 1 crore and the issued capital is Rs. 90 lakhs. The promoters and their friends will subscribe Rs. 36 lakhs. The balance of Rs. 54 lakhs consisting of 36,000 equity shares of Rs. 100 each and 18,000, 9.3 per cent redeemable cumulative preference shares of Rs. 100 each is being offered to the public. The entire public issue is underwritten. The company will manufacture, in technical collaboration with Compagnie Generale des Conduites D' Eau of Belgium, 50,000 tons of centrifugal cast iron pressure pipes per annum. The total cost of the project is estimated at Rs. 1.71 crores. The foreign exchange component of the project is estimated at Rs. 64 lakhs which will be met by a loan from ICICI. The Madras Finance Corporation will provide rupee loan of Rs. 17 lakhs.

INDIA PAPER PULP

Satisfactory results have been reported by the India Paper Pulp Company Limited for the year ended March 31, 1963. A rise of Rs. 50 lakhs at Rs. 2.83 crores has been reported in respect of paper sales. Managing Agents' remuneration at Rs. 3.47 lakhs and depreciation at Rs. 13.86 lakhs have been provided. The profit, net of depreciation, was Rs. 40.63 lakhs as compared to Rs. 23.47 lakhs in the last year. The directors have recommended a final dividend of Re. 1 which along with the interim dividend of 50 nP. per share makes a total of Rs. 1.50 against Rs. 1.20 in the last year. The tax provision for the year was Rs. 22 lakhs out of which which Super Profits Tax accounted for Rs. 2.50 lakhs. Amongst the other allocations, Development Rebate received Rs. 2.85 lakhs and General Reserve Rs. 2.75 lakhs. The company has been permitted to expand its jute stick pulp plant. Its cost will be financed partly by a credit of Rs. 20 lakhs from ICICI and partly out of the company's own resources.

HUKUMCHAND JUTE

The working results of Hukumchand Jute Mills Ltd., for the year ended March 31, 1963, showed a higher profit at Rs. 87.89 lakhs (as against Rs. 27.19 lakhs for the preceding year) after providing Rs. 11.43 lakhs for depreciation. The sales also were higher at Rs. 6.44 crores against Rs. 6.15 crores in the last year. The directors have recommended the main-

tenance of the ordinary dividend at Rs. 2 per share (taxable). The various allocations proposed were: Development Reserve Rs. 3.06 lakhs, Contingency Reserve Rs. 57 lakhs and General Reserve Rs. 26.05 lakhs. No provision has been made for taxation, which will be appropriated from contingencies reserve when the liability is determined. The company has been licensed 75 looms out of which it has installed 47 so far. It has also received an industrial licence to set up a caustic soda and chlorine plant at Amlai, Madhya Pradesh.

METTUR CHEMICAL

The working results of The Mettur Chemical and Industrial Corporation Ltd., for the year ended March 31, 1963, showed a net profit of Rs. 29.82 lakhs after providing Rs. 16.33 lakhs for depreciation. A sum of Rs. 2.50 lakhs has been transferred to development rebate reserve, while the provision for income-tax is placed at Rs. 7.50 lakhs. On equity shares the dividend has been maintained at 12½ per cent per annum subject to tax. The caustic soda capacity unit was raised from 20 tons to 40 tons per day in the year under review. The unit is planning to expand its caustic soda capacity from 40 tons to 100 tons per day and to manufacture organic chemicals. During the year under review the industrial Finance Corporation of India sanctioned a foreign exchange loan of equivalent to Rs. 97.30 lakhs and rupee loan of Rs. 42.70 lakhs to cover the expansion. The company has received the sanction from the Controller of Capital Issues for issuing Rs. 60 lakhs worth of equity shares at par and Rs. 30 lakhs worth of preference share capital before 1964; it is programmed to make further issue of capital early in 1964.

ANGLO-INDIA JUTE

The sales of the Anglo-India Jute Mills Ltd., during the year ended March 31, 1963 rose to Rs. 8.63 crores as against Rs. 7.57 crores in the preceding year. The net profit, after providing Rs. 15.13 lakhs for depreciation but before taxation, was Rs. 73.58 lakhs as against Rs. 11.61 lakhs in the preceding year. The allocations were: Rs. 9.84 lakhs for general reserve, Rs. 9.54 lakhs for dividend reserve, Rs. 3 lakhs for contingency reserve, Rs. 38.13 lakhs for taxation reserve, Rs. 6.40 lakhs for development rebate reserve and Rs. 5.50 lakhs for investment rebate reserve. The ordinary dividend has been raised from 10 to 12 per cent, less tax.

SESHASAYEE PAPER

Commercial production of paper using imported wood pulp was started by Seshasayee Paper and Boards Ltd., in December, 1962. The total production till March, 1963, was 2,900 tons out of which 2,500 tons were sold for Rs. 37.47 lakhs. The working results for the four months show a loss of Rs. 4.5 lakhs which does not include proportionate depreciation "which when provided would amount to about Rs. 23 lakhs".

DIVIDENDS DECLARED

Ashoka Cement: The directors of Ashoka Cement Ltd., have proposed an equity dividend of 75 nP. per share for the year ended March 31, 1963.

Indian Rubber: Indian Rubber Regenerating Company proposes to pass over equity dividend for the year ended March 31, 1963.

Madras Machinitool: A maiden dividend of 5 per cent has been proposed by the directors of the Madras Machinitool Ltd. for the year ended March 31, 1963.

CAPITAL ISSUES

The Controller of Capital Issues has authorised seven companies to issue fresh capital amounting to Rs. 18.84 crores. Two are issuing bonus shares, one is issuing cumulative preference shares and the rest equities. The following are the details:

The African Trading Company Private Limited, Bombay,

has been granted consent to issue Rs. 20,000 bonus capital in shares of Rs. 100 each. The shares will be allotted in the proportion of one bonus share for every 15 shares held.

Oldham and Son (India) Limited, Madras, is to issue equity shares of the value of Rs. 2,50,000 as bonus shares in the proportion of one bonus share for every five shares held.

Sree Saraswathi Mills Limited, Madurai, is to issue capital of Rs. 15,88,520 divided into 1,09,402 equity shares of Rs. 10 each and 4,945 9.5 per cent (free of company's tax but subject to deduction of taxes at sources at the prescribed rates) and redeemable cumulative preference shares of Rs. 100 each for cash at par. Of these, 29,402 equity shares and 445 preference shares would be subscribed privately and the balance shares would be offered for public subscription by prospectus. The money is required for setting up a new spinning mill at Tiruttani.

The Canara Bank Limited, is issuing capital of Rs. 25 lakhs divided into 50,000 equity shares of Rs. 50 each, at a premium of Rs. 15 per share

Firth Sterling Steel Company of India Limited, Bombay, will issue capital of Rs. 50 lakhs in equity shares of Rs. 10 each. Of this amount shares of the value of Rs. 13 lakhs will be allotted to Firth Sterling Inc. of Pittsburgh, U.S.A., Rs. 10 lakhs for cash at par and the balance of Rs. 3 lakhs for consideration other than cash. The balance of Rs. 37 lakhs share capital would be issued for cash at par. Out of this amount, shares of the value of Rs. 20 lakhs will be offered to the public by prospectus. The money is to be utilised in the manufacture of high speed steels and high alloy constructional steels.

National Sugar Mills Limited, Calcutta, will issue Rs. 16 lakhs in equity shares of Rs. 10 each. This capital will be used for the expansion of factory premises.

In supersession of an earlier consent, **Fort Gloster Industries Limited, Calcutta** is to issue a total capital of Rs. 78,85,000. This comprises 41,500 equity shares of Rs. 100 each at a premium of Rs. 90 per share. Out of this 31,500 shares will be issued to the existing shareholders and 10,000 shares will be issued to the International Finance Corporation, Washington. The money is to be used for expansion in the manufacture of cables of various types.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951, during the week ending August 24, 1963. The list contains the names and the addresses of the licensees, articles of manufacture and annual installed capacity.

SEMI-MANUFACTURES & MANUFACTURES

Devidayal Electromet, Tulsiram Gupta Mills, Estate, Reay Road, Bombay-10 (Kalyan in Thana Distt. Maharashtra) — 1,800 metric tons per annum of manganese metal and corresponding quantity of manganese dioxide etc.

COAL

Shri Sadananda Banerjee, New Bhagran Colliery, 'Nilochal', P.O. Sitarampur, Dist. Burdwan, (Salanpur Dist., Burdwan, West Bengal) — Coal 10,000 tonnes per annum.

ELECTRIC LAMPS

Bijlee Products (India) Private Ltd. 26, Dr. A. L. Nair Road, P.O. Box 4516, Byculla, Bombay-8 (Poona, Maharashtra) — Electric bulbs same, shifting from Bombay to Poona.

RAILWAY ROLLING STOCK

Ramchander Heeralall, 138, Canning Street, Calcutta, Proposed name: Shalimar Iron Works (West Bengal) — Axle

Guards 2,880 tons per annum.

MACHINE TOOLS

General Machinery Stores, Rajabhadur Compound, 24/BD, Hamam Street, Bombay-1 (Greater Bombay, Maharashtra) — Injection moulding machines, 108 Nos. per annum. Extruding machines 60 Nos. per annum. Mouldes 180 Nos. per annum.

HAND TOOLS, SMALL TOOLS

Factories Private Ltd., 55/115, Generalganj, Kanpur (Uttar Pradesh) — Turning tools with cemented carbide tips (excluding carbide tips) 1,20,000 pieces per annum.

MISCELLANEOUS CHEMICALS

Shri R. K. Tejura, Raja Bahadur Mansion 45, Tamarind Lane, Fort, Bombay-1, Proposed name: Eastern Air Products Ltd. (Bhopal, Madhya Pradesh) — Oxygen Gas 4,53,600 cu. metres per annum, Dissolved Acetylene 2,88,000 cu. metres per annum, Nitrogen Gas 14,40,000 cu. metres per annum.

Hastings Mills Ltd., 14, Netaji Subhas Road, Calcutta (West Bengal) — Wide Hessian (Carpet Backing cloth) 100 broad looms for producing 10,500 tonnes per annum.

ALCOHOL

Shri Madhavlal Narayanlal Pitie, C/o Shangrila Food Products Ltd., Great Social Building, 60, Sir Pheroazshah Mehta Road, Bombay-1 (Bihar) — Ethyl Alcohol 15,60,000 gallons per annum.

MALTED FOODS

Jagatjit Distilling and Allied Industries Ltd., P.O. Jagatjitnagar, Railway Station, Hamira (Jagatjit Nagar, Punjab) — Malted Milk Food 1,800 metric tonnes per annum.

VEGETABLE OILS

The Jai Hind Oils Mills Co., 387-89, Narasi Natha Street, Bombay-9 (Bhandup, Bombay, Maharashtra) — Cotton seed oil 20,000 tons in terms of cotton seed.

OPTICAL GLASS

National Instruments Ltd, Jadavpore, Calcutta-32 (Durgapur, West Bengal) — Ophthalmic Glass Blanks 300 tons per annum.

CHANGES IN NAMES

(Owner or Undertaking)

(During the week ending August 24, 1963)

From M/s. Asiatic Foundries, Patiala to M/s. Asea Works, Private Ltd., Patiala. From M/s. Universal Electric Co. (India) Ltd., Faridabad to M/s. American Universal Electric (India) Ltd., Faridabad. From M/s. Lekhray Manoharlal, Bombay to M/s. Lekhray Manoharlal Agrawal, Bombay. From Shri C. C. Desai, New Delhi to M/s. Galileo Instruments Ltd., New Delhi. From M/s. Sri Podma Textiles Manufacturing Co. Ltd., Kodur Post Cuddaph Distt. to M/s. Sree Padmavathi Mills Ltd., Kodur Post, Cuddaph Distt.

LICENCES REVOKED

(During the week ending August 24, 1963.)

M/s. The Kasturi Engineers Ltd., Coimbatore — Steel forgings. M/s. The Upper India Glass Works Ltd., P.O. Yamunanagar, Distt. Ambala — Hollow-ware, bottles. M/s. Union Paper and Board Mills Ltd., Calcutta — Writing, printing and wrapping paper and pulp.

Readers' Roundtable

THE STATE OF PLANNING

Sir,—I read the first two articles in the issue, dated the 9th August, with immense interest. I am particularly happy that you did not pull your punches in dealing with the Planning Commission. This sort of thing badly needed saying. As far as I know, no one else has been able to see through the Planning Commission's trick of trying to attribute the entire failure of the Plan to stagnant agriculture.

On page 245 when you refer to the "grossing up of dividends" I suppose you mean the Government of India's decision to abandon the practice of grossing up of dividends which meant an increased tax burden to the shareholder. This was done to compensate for the loss of revenue following the decision of the Government to reduce the tax on corporate profits. The net result was that companies were let off with slightly easier rates while the discontinuance of the practice of grossing up of dividends. Subsequently, however, the Finance Ministry increased the rate of corporate taxation as well, with the result that both the companies and the shareholders have come in for a heavier dose of taxation.

"SCRIBE"
Bombay.

ASSOCIATES AS DIRECTORS

Sir,—Under the Companies Act, 1956 as amended by the Amendment Act of 1960, in all cases of appointment of the associates of the managing agents as directors of their managed companies, whether such appointment is made by nomination under Section 377 or election by the general body of shareholders under Section 255 or by virtue of the power of appointment of additional directors vested in the Board under Section 260 or of filling casual vacancies under Section 262 or taking in alternate directors under Section 313, approval of such appointment by the Central Government under Section 360 is necessary; and failure to obtain such approval either before the date of the appointment or within three months next after that date will make the appointment invalid.

Sub-section (1) of Section 360 provides as follows:

"A contract between a company and its managing agent or an associate of the managing agent,—

- (a) for the sale, purchase or supply of any property, movable or immovable, or for the supply or rendering of any service other than that of managing agent; or

(b) for the underwriting of any shares or debentures to be issued or sold by the company; shall not be valid against the company—

(i) unless the contract has been approved by the company by a special resolution passed by it, and

(ii) where the contract is for the supply or rendering of any service other than that of managing agent, unless further the contract has been approved by the Central Government,

either before the date of the contract or at any time within three months next after that date."

The appointment of an associate of the managing agent as director being a contract for the rendering of service by him in the capacity of a director as distinct from service as managing agent, it is clear that such appointment comes within the scope of operation of the above Section and unless approval of the Central Government is obtained therefor as required herein, such appointment becomes invalid as against the company.

This aspect of the scope of the Section has apparently not been noticed so far either by the Central Government or by the Management of the companies concerned, with the result that the practice of appointing as directors, the partners and relatives of the partners of the managing agent, where the managing agent is a firm, and directors and the other officers of the managing agent where the managing agent is a body corporate, has been going on unchecked and now become very common and widespread; and in several, nay, very many cases, the majority or almost the whole of the Board of directors of companies managed by managing agents practically consist of associates of the managing agents, with the result that the ostentatious provisions of Section 368 which provide for the managing agents exercising their powers subject to the supervision, control and direction of the Board of directors have been set at naught, the position in actual fact being that the directors are under the control and direction of the managing agents.

If, the provisions of Section 360(1) are to be strictly enforced and Central Government approval required to be sought for appointment of the associates of managing agents as directors of their managed companies, there will be an effective check on the Board of Directors becoming subject to the control and direction of the managing agents.

Madurai.

A. RAMAIIYA

BOOKS BRIEFLY

Joint Stock Companies in Perspective

Joint Stock Companies in India for 1958-59, Part II: Pages 1183; (supplemented by the Alphabetical Lists of Joint Stock Companies in India 1959-60 to 1961-62, pages 227+xxvii); Price Rs. 40 (both); Department of Company Law Administration, Ministry of Commerce and Industry, New Delhi.

A COMMENDABLE attempt has been made by the Research and Statistics Division of the Company Law Administration to piece together the information spread out in a number of publications and to present in two volumes an alphabetical list of the Joint Stock Companies at work as on March 1962. The publications running into about 1450 pages give authentic information relating to the date of registration, industrial

classification, capital position and addresses of registered offices of about 35,500 companies at work in the country.

The publications also contain a list of foreign companies doing business in India. This list gives such particulars as the date of their establishment of business in India, address of their principal place of business in India, and address in the country of their origin.

Besides meeting the pressing needs of chambers of commerce, joint stock companies and professional institutions, these publications will be of immense help to enterprising businessmen and to those interested in knowing about the companies functioning in the country and in particular as a source of ready reference about Corporate Sector.

COMPANY MEETINGS

THE JAIPUR UDYOG LIMITED

Speech of the Chairman, Shri S. P. Jain, at the Annual General Meeting of the shareholders of the Company at 12 noon on 21st August 1963, at Sawaimadhopur.

Gentlemen,

It gives me great pleasure to extend to you all a cordial welcome to the Annual General Meeting of the Company.

The Directors' Report and Statement of Accounts for the year ended 31st March, 1963 have been duly circulated and you must have noted the details of the working results with satisfaction.

As stated in the Directors' Report, production during the working year registered a substantial rise and has made an all time record for your Company. Production of clinker has risen from 6,69,675 tonnes to 7,67,250 tonnes and that of cement from 7,42,298 tonnes to 8,23,238 tonnes. Modifications and improvements made in sections of the plant such as feeding device and cooler system for the kilns have been large contributory factors to this striking rise in production. Some additional quantity of power made available by the State Electricity Board was helpful. In regard to despatches, as a consequence of improvement in the transport position mentioned by me in the last speech, substantial increase has been achieved making an all time record of 8,20,778 tonnes for the year from 7,34,139 tonnes in 1961-62.

The financial results also showed substantial improvement and the gross profit after providing for bonus to employees reached Rs. 1,30,76,745/- the highest level so far attained by the Company. The net profit after depreciation stood at Rs. 87,11,985 as against Rs. 65,02,100. The better financial results were largely due to the substantial increase in production. Although the price increase was applicable for the whole year, it was more than off-set by the heavy increases in costs mainly arising out of governmental action beyond the control of the industry.

The better working results have encouraged your Directors to propose an increased dividend at 10% against 8.36% in the previous year besides strengthening the finances of the Company by transfer of over Rs. 64 lakhs to Reserves. In view of profits determined by the Income-tax Officer as exempt from tax under Sections 84 and 101 of the Income-tax Act 1961 and Rule 20 of the Income-tax Rules 1962, Income-tax and Super-tax are not payable by the shareholders under Sections 85 and 101(2) of the Income-tax Act on the said dividends to the extent of Rs. 15,92,030. The proposed dividend of 10% on ordinary shares would amount to net payment of 87.52 nP. per ordinary share after deduction of Income-tax under Section 194 of the Income-tax Act 1961 on 4.16% dividend, the balance 5.84% dividend being exempt from tax. On this basis the shareholders would get a net dividend of 87.52 nP. per ordinary share.

In spite of the fact that there is general recognition of the importance and basic necessity of the development of the cement industry, the Government policy and action continued to be characterised by the same complacency as in the

previous years. Individual cement manufacturers and the industry as a whole have been representing to the Government from time to time about their difficulties and the continuing rise in costs mainly arising out of governmental action. But no tangible change in the governmental policy towards the industry has been witnessed. It is a matter for regret that the common objective of increasing production of an essential commodity like cement is not being fulfilled only for lack of a developmental price policy.

I can say with pride that the industry is pulling all its weight to improve production and despatches within its means. The impediments to expansion are no longer the foreign exchange scarcity and non-availability of plant and equipment because indigenous machinery manufacturers are promising delivery of complete plants by 1964 and 1965 providing firm commitments are given now. Orders are not forthcoming from licences because of low profitability and dearth of capital. It is only the non-availability of resources with the industry due to the price and tax policies of the Government that forms the impediment to development at present.

According to a Reserve Bank study, the cement industry could retain only 11.18% of the profits after tax against an average of 36.4% for industry as a whole in 1961-62. In spite of distributing 88.2% of the profits after tax, gross dividends worked out to only 6.9% of the profits after tax, gross is a matter entirely in the hands of the Government. If the production of cement is not going apace the requirements according to the anticipated targets, the blame should fall squarely on the Government policies affecting the industry.

The cement industry is a strategic one and it has to be helped to develop at an accelerated speed. Unless the Government follows an appropriate price policy that encourages expansion, the development of the industry cannot take place and the country will be faced with continuing scarcity in respect of an essential basic material as cement. In our developing economy and particularly with the emergency demand for cement will steadily mount. But the development of the industry is by no means showing any trend towards sufficiency to meet the need. Against the targeted capacity of 15 million tonnes the fulfilment of the existing proposals in different stages of execution will only lead to an attainment of 12.5 million tonnes capacity leaving a shortfall of nearly 3 million tonnes in the targeted capacity itself. Therefore, it is imperative that all the licensed schemes at present should be put into execution immediately if the Plan target is to be achieved within the Plan period as it takes about 3 years for a plant to go into production.

The Heavy Industries Minister Sri C. Subramaniam has announced a policy of cancelling licences on which no effective steps have been taken. It is desirable to have a clear idea as to the implementation of the schemes. But has the Minister gone deeply and carefully into the reasons for the

non-implementation of these licences? Sufficient appreciation of these basic reasons would have probably reflected a change in the Governmental attitude and policy in this respect. This fundamental problem has, therefore, to receive more earnest consideration at the hands of the Government leading to effective and prompt action.

In this light, the last price fixation has been disheartening. It reflected neither promptness nor perspective thinking. The increase granted with effect from 1st June, 1963 gave your Company Rs. 2.75 nP. per tonne. This price increase is totally inadequate in view of the heavy rise in costs that took place after the previous price fixation due to governmental action. Further rises in costs have also not been checked by any means. Unless a system of automatic escalation to cover the increases under the major heads like fuel, power, transport etc. arising out of governmental action is introduced by the Government, the industry will continue to face this problem of rising costs without adequate timely cover for same in the prices. Even after holding out definite assurance of providing for rise in costs due to their own action, Government failed to take timely action and when action was taken after considerable delay, the compensation was not sufficient and it was also not given retrospective effect with the result that the entire burden of enhanced costs due to governmental action had to be borne by the industry.

Another factor on which also the Government is not taking a realistic decision is in regard to the quarterly packing charges. The scheme of price fixation does not include any element to cover packing charges as the Government has been following a policy for fixing packing charges quarterly on a certain formula based on actual costs. Since October 1962 the Government formula envisages 50% use of old bags and the prices of old bags have been taken at 65% of the price of new bags. This 50% use of old bags is impossible as it requires 100% return of new bags. In spite of the best efforts of the industry, the average for 1962 has only been 34% use of the old bags. In view of the short supply of packing bags and consequent competition in the market the actual price of old bags has been as much as 85% of the price of new bags. There has thus been a considerable loss to the industry on account of packing charges also. This will continue till the Government adopts a realistic policy in this matter.

I would also like to point out here that transport costs on limestone from the quarries to your factory are increasing year by year due to the continuous increase in railway freight. As stated in the Directors' Report the railway freight has increased 70% since 1954. Cement factories like yours which are situated at a distance from the quarry site are at a disadvantage as the cost of transportation of raw materials from the quarry site to the factory is to be borne by the industry while the outward freight of cement is pooled. As long as individual prices were fixed on the basis of individual costs, this factor was immaterial. But when prices are fixed on the basis of average costs as is being done now, this becomes a burden on the units concerned. While locational disadvantages or advantages to the industry are nullified by the pooling of freight on cement, there should be a similar adjustment in the matter of freight on raw materials. In the case of your Works, the freight per tonne of limestone works out to Rs. 4.40 nP. This freight for a distance of 15 miles is exorbitant and inequitable especially in view of the bulk movement in block rakes of a raw material. Your Company had also a definite agreement with the then State Government at the time of the establishment of the factory that the concessional railway rates would be made available for the movement of the raw material and no terminal or short distance charges would be levied. This matter is still under

correspondence with the Railway authorities and it is hoped that the unfair and unjust situation would be remedied. The incidence of this freight on the cost of cement is Rs. 7 per tonne, which is an additional burden on your Company as compared to units at quarry site.

As I mentioned in my last speech, steps were taken for mechanisation of your quarries and installation of handling and other equipments at the Works. These should further contribute to efficiency and improve production. Your Company's application for import licence for balancing equipments is still pending with the Government for sanction. I had mentioned in my last speech that the grant of permission for such imports should be expeditiously given as the foreign exchange expenditure incurred would be more than compensated by the increase in the production of cement. Here again, a more practical approach on the part of the Government is warranted. May I express the hope that the experience, skill and the willingness of the industry to develop and make full utilisation of the capacity to satisfy the national demand for cement will meet with encouragement from the Government by appropriate policy and timely action.

I would, in conclusion, like to thank you all and on your behalf the workers and members of the staff at all levels for their continued co-operation.

NOTE: This does not purport to be a record of the proceedings of the annual general meeting.



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DYER MEAKIN BREWERIES LTD.

September 6, 1963

PARRYS CONFECTIONERY LIMITED

STATEMENT BY THE CHAIRMAN, MR. H. V. R. IENGAR

The following statement has been circulated to Shareholders of Parrys Confectionery Limited by the Chairman, Mr. H. V. R. Iengar.

Since the last Annual General Meeting, Mr. G. N. Noel-Tod, one of the founder-Directors of the Company, and Mr. P. Hadfield, who joined the Board in July 1959, have resigned their appointments as Directors consequent upon their return, for permanent residence, to the U.K. Both of them have made valuable contributions to the development of the Company from its small beginnings in 1954, and I am sure you will wish to join with me in recording our appreciation of their services. I feel sure you will also welcome the new members of the Board, Mr. K. P. Ramsami, Mr. C. S. Narasimhan, and Mr. J. S. Prabhu.

The Report and Accounts for the year ended 31st March 1963 have been in your hands for the statutory period and, with your permission, I will take them as read.

In spite of the increase in sales of 10% to a new record of Rs. 1.48 crores, the net profit for the year, after taxation at Rs. 3,88,903, is Rs. 1.36 lakhs lower than that of last year.

The main reason for this reduction is the provision of Rs. 1,85,000 which it has been necessary to make for the Company's liability under the Super Profits Tax Act, although the increased costs of production, to which I referred in my speech last year, mainly in respect of raw materials, packing and wages, have all tended to off-set the gains achieved by a higher turnover.

It is not possible to say at present whether the Super Profits Tax will be abolished or further liberalised, although, in view of the effect of the tax on the capital market, there is a very strong case for its abolition. The tendency for costs of production to rise has, if anything, been accentuated by the additional indirect taxes levied in the 1963 Budget. Additionally, your Company is faced with the need to conserve resources for rehabilitation of its plant and machinery which will involve substantial expenditure over the next ten years.

It is in this context that your Directors have recommended a reduction in the quantum of dividend on the Ordinary Share Capital of the Company for the year under review, to a total of Rs. 3,20,000 (representing 18% on the Ordinary Share Capital) as against Rs. 4,70,000 last year. Whilst the reduction in dividend is regretted, it will be noted that it is more than accounted for by the Super Profits Tax liability and that the total dividend for the year still represents a very high proportion of the net profits, after taxation, for the year.

At the same time, your Directors have appropriated to reserve the bulk of the surplus brought forward from last year and of the net profit for the year, after provision for dividend, so as to obtain the maximum benefit under the Super Profits Tax Act in respect of the current and future years.

I am happy to say that a significant feature of the year's turnover was that a major portion of the Defence Forces' requirements of toffees, valued at over Rs. 8 lakhs, was supplied by your Company against tenders placed by

the Chief Director of Purchase and through the Canteen Stores Department.

The upward trend of sales in North India, to which I referred last year, was well maintained and approximately 40% of the increase in sales was in that area. This is an encouraging sign and it is hoped that in the not too distant future your Company's products will be as popular in North India as in the South.

Your Company, in common with the other units in the confectionery industry, faces two main difficulties, namely, rehabilitation of plant and machinery, and rising costs of production. The long-term progress depends largely on the Company's ability to obtain licences for import of machinery in order to maintain even the present rate of growth in the face of rising costs of production. The extent to which the industry can overcome these difficulties depends, in turn, upon the Government's licensing and fiscal policies.

In the matter of allocations of foreign exchange for imports, the confectionery industry is accorded a low priority, although the types of machinery needed by the industry are not manufactured in India. In a consumer line like confectionery, more than in any other field, trends and ideas keep changing fast and pose a continuous problem to the industry to keep pace with refinements in manufacture and packaging. You will have noted from the sales pattern over the years that the demand for wrapped sweets has been steadily rising. While this development has taken place, the industry, owing to import restrictions, has remained insulated from the advance western countries have made in packaging and is, today, finding itself ill-equipped to meet the changed situation. The imbalance is greatest between the sweet-making capacity and wrapping it in ways that will appeal to the consumer; and if the industry is to maintain its growth in the home market and, more especially, to play an effective role in developing exports, it must be assisted by grant of adequate licences for import of machinery required for modernization, rationalization, and replacement. Against this, the only remedy the Government has to offer is to exhort manufacturers to export, incurring heavy losses, and then allow only a nominal portion of the foreign exchange earned for import of machinery. This attempt to rehabilitate the industry through the medium of exports has proved ineffectual, costly, and uneconomic. I would, therefore, strongly urge the authorities to view the problem with sympathy and to accord a higher priority than at present to the confectionery industry in the matter of issuing licences for machinery imports.

It is well known that the confectionery industry in India has to pay a much higher price for sugar, glucose, and wrapping paper—the main raw materials—than its counterpart in other countries. Additionally, the industry is dependent on imports for many items of raw materials like gum arabic, menthol, tartaric acid and lecithin, and it is virtually impossible to cover its requirements with the limited import licences made available. This, in turn, forces the industry to buy part of its requirements from established importers at very high prices. While this unwholesome

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position persists, it has been further aggravated by the increase in Customs and Excise Duties on cellophane, tinplate, and aluminium foil. Due to the additional tax levies, our wrapping and packing costs will rise by no less than Rs. 3.5 lakhs on the same turnover as last year. The increase in Central Sales Tax and surcharge on freight introduced at the same time will account for a further Rs. 50,000/-. Added to this is the steady rise in our wage bill owing to the continuous upward movement of the Cost of Living Index.

Increased costs can, no doubt, be off-set to some extent by higher turnover and operating economies, but, clearly, there is a limit to this process of adjustment. In the long run, higher costs inevitably force the industry to increase its prices. As confectionery is a semi-luxury item, a steep increase will undoubtedly inhibit consumption and is, therefore, not in the interests of the industry. It also makes it virtually impossible for the industry to develop the export market.

It should cause no surprise, therefore, that our exports have so far been negligible in relation to the potential that exists. The quality of our product is not the obstacle. Except, perhaps, in the latest techniques of wrapping and packaging, we can offer a quality of sweet that can match the best available elsewhere. It is the wide disparity in the costs of production between the foreign and Indian manufacturer that stands in the way of our developing a large export market. The drawback of Customs Duty on imported raw materials and rebate of Excise Duty on sugar and other indigenous raw materials, together with the cash subsidy of 10% on the f.o.b. value of goods exported, still leaves the gap wide open. If a major break through is to be made in the export markets, I would urge the Government actively to consider a liberalisation of import policy in respect of machinery as well as of essential raw material.

In a growing economy, the demand for consumer goods is bound to rise, but the future prospects of the confectionery industry depend largely on the assistance it receives from Government to reduce the high cost of production and to set right the imbalances that affect its working today.

During the year under review, our relations with the 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 above statement is not a report of the proceedings of the Annual General Meeting, which will be held on the 27th September 1963.

THE AMALGAMATED ELECTRICITY CO. LTD.

The Registers of Members and Transfer Books of the Company will be closed from 16th September to 5th October, 1963, both days inclusive in connection with dividend payable on or after 21st October, 1963.

BY ORDER OF THE BOARD
For The Amalgamated Electricity Co. Ltd.,
For N. C. Javeri & Co.,
KIRAN N. JAVERI
Partner,
Managing Agents.

Registered Office:
17-B, Nanjee Building,
Horniman Circle,
Fort,
Bombay.

26th August, 1963.

ORIENT PAPER MILLS LIMITED

Regd. Office: Brajrajnagar, Dist. Sambalpur (Orissa)

NOTICE is hereby given that the Annual General Meeting of the ORIENT PAPER MILLS LIMITED will be held at the registered office of the Company at Brajrajnagar in the district of Sambalpur (Orissa) on Friday, the 27th September, 1963 at 3-30 P.M. for the following purposes:

- To receive and consider the report of the directors and to adopt the audited accounts of the Company for the year ended 31st March, 1963.
- To declare dividends on Preference and Ordinary Shares.
- To elect directors in place of H.H. Maharaja Sir Sawai Man Singh Bahadur of Jaipur and Shri Shavax A. Lal who retire by rotation and are eligible for re-election.
- To appoint Auditors for the current year and to fix their remuneration.

AS SPECIAL BUSINESS

- To consider and if thought fit to pass with or without modification the following ordinary resolution:

"Resolved that (1) the letting out of the Company's factory situated at 111/1, Barrackpore Trunk Road, Calcutta to its wholly owned subsidiary, Orient General Industries Limited, be and is hereby approved and confirmed and (2) the directors of the Company be and they are authorised from time to time to vary, modify and/or abrogate any of the terms of the tenancy for the time being in force as the directors may consider proper."

By Order of the Board,
Per Pro. Birla Brothers Private Limited,
G. D. MAKHARIA,
Managing Agents.

15, India Exchange Place,
CALCUTTA, the 14th August, 1963.

- N.B. (i) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.
- (ii) The Share Registers and Transfer Books of the Company will remain closed from the 24th August to 9th September, 1963, both days inclusive.
- (iii) The dividends, when declared, will be payable to registered shareholders as on the 9th September, 1963, or to their mandatees on or after the 15th October, 1963.
- (iv) The Explanatory statement as required under Section 173 of the Companies Act, 1956, has been forwarded to the members of the Company along with the Notice of the Meeting.

RECORDS AND STATISTICS

Aluminium Industry

The Bombay Shareholders' Association has published a Paper prepared by its Study Group on "The Aluminium Industry in India". Following are the details:

The Aluminium industry has by now established itself as the paramount non-ferrous metal industry in India. It is on the threshold of the most spectacular expansion in its history. Special significance of aluminium due to its unique and remarkable properties is being increasingly realised with the growing tempo of all-round industrialisation during the third five-year Plan.

A development of special importance to India is the major technological breakthrough which is about to take place in the method of its production. This will mean a substantial reduction in capital cost for this highly capital-intensive industry.

Raw Materials

Aluminium is the only non-ferrous metal for which India has abundant supplies of the basic raw material, namely Bauxite deposits. Besides, the nature has been kind to the country in that these deposits are by and large evenly distributed all over the country. As a result, all the four regions of India have or will have aluminium smelters as shown below:

Smelter-Company	State
Aluminium Corporation	West Bengal.
Indian Aluminium	Kerala and Orissa.
Hindustan Aluminium	U. P. State.
Khataus	Maharashtra.
Madras Aluminium	Madras.

According to one estimate, India possesses bauxite deposit to the extent of 250 million tons of which 25 million tons have already been proved to be suitable for the manufacture of aluminium. The regional distribution of the bauxite deposits is as follows:

State	Million tons
1. Bihar: Ranchi Plateau	90
2. M.P.: Jabbalpore and Balghat Dists.	90
3. Maharashtra: Belgaum & Kolapur areas	30
4. Madras: Sherroy Mills	20
5. Kashmir	2
6. Rest of India	18
Total	250

These known reserves are expected to last at least for a century. However, there are limiting factors for the rapid development of aluminium in the country. First, areas of large deposits of bauxite are not always connected with rail or road. Secondly, aluminium smelting requires abundant supplies of power at cheap rates and the prospects of obtaining power at bauxite sites are in many cases, not bright. The latter need not be a handicap provided adequate transport facilities are available to move bauxite to the smelter sites where power is available in large quantities at relatively cheaper rates.

The Bihar and M.P. deposits contain the best and most concentrated bauxite. Madras bauxite is reported to contain a larger proportion of reactive silica content, which considerably affect production costs. The higher the silica content the larger the loss of alumina and consumption of soda ash during the process of purification. The contents of sand, clay or hard laterite covering the layer of bauxite also affects the

cost of production. The deposits of Maharashtra have been observed to contain these impurities in fairly large proportion.

Besides bauxite, the other chief raw materials or stores required for aluminium smelting are caustic soda, petroleum coke, soft pitch, cryolite, aluminium fluoride, and flourspar. Though the country is rapidly developing its production of caustic soda, the indigenous production, with the increasing claims on its domestic supplies from other industries is found to be inadequate to meet the demands of the aluminium industry. Besides the caustic soda industry is faced with the problem of surplus chlorine; and hence the capacity of caustic soda cannot be increased without finding alternative industrial uses of chlorine.

Soft pitch is available indigenously but cryolite, aluminium fluoride and flourspar have all to be imported. Cryolite is mostly imported from Greenland.

Aluminium is a power intensive industry, hence cheap electricity is a vital requirement for the industry. About 20 per cent of the cost of smelting is accounted for by electric power. As much as 25000 kWh electricity is required for each ton of aluminium required. An increase of 1 naya paise per kWh would inflate the cost of production of ingot by Rs. 220 per ton.

Production and Consumption

Planning has given a stimulus to the development of the industry, even though the first Plan target of 20,000 tons and the second Plan target of 30,000 tons (later revised to 25,000 tons) were not reached. The production in 1956-57 at 7,000 tons increased to 18,500 tons by the end of second five-year Plan. The production is expected to increase at a very fast rate when the number of new units under construction go into production. The monthly average production of aluminium ingots and fabricated goods for the last five years has been as follows:

Year	Pure Metal	Sheets and Circles	Aluminium Foils	(In tons)	
				Wires and Rods (Electric)	Rods and Sections
1958	982	1112	131	134	90
1959	1437	1317	163	358	103
1960	1514	1727	245	493	110
1961	1440	1605	274	580	121
1962	1560	1713	284	629	127

Production of aluminium and allied products has been consistently short of internal demand. The present demand is estimated to be more than 50,000 tons per annum. The demand has been met largely by imports as revealed by the following import statistics:

Year	Import in tons
1958	17,288
1959	15,091
1960	20,397
1961	22,153
1962	22,546

Properties and Uses

Until about ten years ago, the metal aluminium was sold mainly to the utensil manufacturers. As a result, consumption tended to fluctuate considerably, and the overall rise was never sharp. Now, the uses of the metal have been

greatly diversified, and it is mainly in the sector of newer uses that the demand has grown most rapidly.

These uses are based on the remarkable properties of aluminium. The most important of the properties are that it is light, strong, and an excellent conductor of heat and electricity. In addition, it resists corrosion better than most other metals in common use; and it can be beaten into thin sheets or foils which manage to retain remarkable strength.

The special properties have led to the increasing use of aluminium in place of iron and steel, copper, lead, zinc, tin etc., for various purposes in recent years. In the transport and building industries, aluminium sheets are used for fabricating aircraft frames, railway rolling stock, bus-bodies, pre-casting houses etc. Aluminium foil is used in place of fabricated houses etc. Aluminium foil is used in place of lead and tin as packing material for tea, cigarette etc. Aluminium powder paste is used in paint industry. The corrosion resisting properties of aluminium are utilised for the fabrication of plant equipment in the chemical industries. Increasing use is made of aluminium in the manufacture of domestic utensils in place of copper and brass.

The most promising use of aluminium is perhaps as an electrical conductor. The acute shortage of copper in the country has given a great impetus to the manufacture of A.C.S.R. (Aluminium Conductor, Steel reinforced) cables and other types of aluminium conductors.

Thus, aluminium can largely replace other non-ferrous metals like copper, lead and zinc, all of which are mainly imported. It is estimated that without the substitutive use of aluminium, annual demand of copper, lead and zinc by 1965-66 will be 17,000 tons, 55,000 tons and 150,000 tons respectively, which together would cost more than Rs. 800 million by way of foreign exchange at the current prices. Thus increased production of aluminium and its increasing use as substitute for other metal can help India to save considerable amount of foreign exchange.

Expansion in Third Plan

The Third Plan targets for the industry envisages fourfold increase in production and increase in capacity (installed) to 150,000 tons (revised from original target of 120,000 tons). This spectacular anticipated growth is but a true reflection of vital role of aluminium in the implementation of the engineering and heavy industries, power and transport programmes of the Plan.

Thus the targets are so set that they may take the Indian economy a considerable distance towards the stage of self-sustaining growth and these targets are expected to prepare the ground for more rapid development after 1966. The break up of 150,000 tons capacity is of the following demand-pattern.

Industry	Demand Pattern
Building & Construction	6,000
Transportation	20,000
Domestic Utensils	30,000
Electrical Industries	50,000
Food, Farming & Sugar Industries	5,000
Canning and Packing	10,000
Miscellaneous	9,000
Exports	20,000
Total	1,50,000

Simultaneously, with this increase in primary aluminium production, the semi-fabricating capacity will also be expanded considerably.

It is felt in some of the interested quarters that this revision of targets to 1.50 lakh tons is a premature step. Being a capital intensive industry, care must be taken to see that production is not too far advanced of demand. Dynamic growth can only be achieved if the industry's ability to supply is clearly demonstrated. For instance, demand of aluminium for elec-

trical industries estimated at 50,000 tons may emerge out ultimately to be an overestimate in view of the technical bottlenecks involved in the successful use of aluminium as the substitute for copper in the electric industry. Thus it should be kept in view that an excess capacity can militate against growth by reducing the attractiveness of investment in aluminium production.

To achieve the target fixed for the third five-year Plan, following expansions have been licensed, some of which are expected to complete the plant construction during the early fourth five-year Plan:

	(In Tons)		
	Present	Additional Licence	Total
Ingot			
Aluminium Corporation	2,500	5,000	7,500
Indian Aluminium Co. "Alwaye"	5,600	5,000	10,600
Indian Aluminium Co. "Hirakud"	10,000	10,000	20,000
Hindustan Aluminium	20,000*	30,000	50,000
Khataus	20,000*	30,000	50,000
Madras Aluminium	10,000*	—	10,000
Mysore State Project	—	30,000	30,000
Fabricated Goods			
Aluminium Corporation	2,500	2,860	5,360
Indian Aluminium: Belur	9,000	7,500	16,500
" " Venesta	3,200	—	3,200
Hindustan Aluminium	—	15,000	15,000
Mysore State Project	—	—	—

* Under construction or trial production.

The industry is highly capital intensive with higher percentage of foreign exchange. The success of the new companies' licences depends upon the availability of foreign exchange required to carry out the expansion, especially in view of the defence-oriented diversion of financial resources being implemented by the Government due to emergency requirements.

Future Prospects

Some notable developments in the international aluminium manufacture have taken place which may change the entire production process of aluminium. Some time back, one of the leading producers of aluminium in the world announced that they have under construction a plant for the production of aluminium by a basically new process. This plant, expected to be ready within two years will have a capacity of 6,000 to 8,000 tons of primary aluminium and will cost approximately \$4 million. Thus the capital cost for producing aluminium by the new process is about Rs. 2,500 per ton against Rs. 8,000 per ton under the existing process. This is of great significance to a capital intensive industry like the aluminium industry.

In view of these developments which may completely revolutionise aluminium production process all over the world within the next few years, it would be unwise to go ahead and invest large sums of money in plants which may become obsolete within the next few years. Moreover, we, in India can afford to wait for a few years before embarking on substantial expansion, considering that the current planned expansion will more than take care of the demand that is likely to arise by the end of the third five-year Plan. This will also enable the country to compete more effectively with the North American and European manufacturers and to build an industry which is based on the latest technological improvements, an important consideration for a developing country like ours.

Targets for 1965-66 are difficult to attain in view of the foreign exchange and raw material shortages, as well as diversion of financial resources due to emergency. Thus, from

the pattern of demand the market is likely to absorb the full supply that is possible to be generated in the circumstances. Thus, the individual aluminium units can expect to fare well in years to come, if they can curtail their costs reasonably and exploit the new developing markets of aluminium fruitfully.

Aluminium Industries Ltd.

Incorporation:—The Company was registered in 1946 at Kundara (Kerala).

Managing Agents:—Seshasayee Brothers, (Travancore) Private Ltd.

Works At:—Kundara (Kerala), Hirakud (Orissa), Hyderabad.

The Company has collaborated with Aluminium Laboratories Ltd., Montreal, Canada. The plant at Kundara was commissioned in 1950 with initial capacity of 1,500 tons of Aluminium conductors per annum. The present capacity of the plant is 9,000 tons of ACSR and other Aluminium conductors per year.

The Kundara works also includes a casting and rolling mill which was commissioned in 1955 and produces electric conductor grade aluminium rods with annual capacity of 2,400 tons. The plant for manufacturing insulated aluminium conductor was started in 1957, with capacity of 10 million core yds. p.a. The plant produces Alind all-weather and Alind ker-alite building wires and Alindal Vinyl all-purpose wire. There is also a small unit manufacturing full range of aluminium conductor accessories.

The works at Hirakud (Orissa) includes wire mill (Capacity 3,600 tons p.a.) and a rod mill (3,600 tons annual cap.). The wire mill was commissioned in January 1959, and the rod mill in February, 1960.

The latest addition to the company's manufacturing activities is wire mill in Hyderabad (Andhra Pradesh) to manufacture PVC covered aluminium housing wiring cables with capacity of 5 million core yards per annum.

The Company has plans to expand Rod rolling mill at Kundara.

Aluminium Corp. of India

Registration:—The Company was incorporated in Calcutta in 1937.

Managing Agents:—J. K. Industries Private Ltd.

Works:—At Jaykaynagar (District Burdwan).

Activities:—The company manufactures and deals in aluminium ingots and allied products. The chief products are virgin aluminium ingots, aluminium sheets, aluminium circles, aluminium extruded metal, aluminium chemicals etc. The Jaykaynagar factory at Asansol has annual capacity of 2,500 tons of aluminium ingots, which was commissioned in 1942; and produces aluminium of the purity necessary for Electrolyte reduction.

The expansion of the plant is being carried out to treble the present capacity. The first phase has been completed. Plant for the second phase has recently arrived. The entire project of expansion is expected to be completed by the end of 1964.

Hindustan Aluminium Corp. Ltd.

Incorporation:—The company was registered in 1958 in Calcutta.

Managing Agents:—Birla Gwalior Private Limited

Works:—At Renukoot (Mirzapur, U.P.).

The Company has been set up in collaboration with Henry J. Kaiser & Co. of Oakland, U.S.A., who have participated in the Company's capital to the extent of 160 lakhs. The smelter plant was commissioned into production in 1962, after a construction period of 18 months. The full capacity of 20,000 tons is expected to be reached by the end

of 1963.

The Company has obtained licence for putting up a Rolling Mill. Orders for plant and machinery of this Rs. 6 crores project have been placed, and the construction is expected to be completed by end of 1964.

The 20,000 tons smelter plant is to be expanded to the capacity of 50,000 tons.

The Company has also undertaken the installation of fabricating facilities for the manufacture of aluminium conductors, re-draw rods, rolled products and extrusion for a total capacity of 15,000 tons per annum.

Besides, the Company has applied to the Government for a licence to set up its own thermal power generating unit.

Indian Aluminium Co. Ltd.

Incorporation:—The Company was registered in 1937 as a private co. "Aluminium Producing Co. of India Ltd." which name was converted into the present name in 1944. The Company became a Public Ltd. Co. in 1945.

Registrars:—Andrew Yule & Co. Ltd.

Works:—

Bauxite Mines near Lahardaga (Bihar)

Alumina plant at Muri (Bihar)

Smelters at Hirakud (Orissa) & of Alupuram (Kerala)

Rolling Mills at Belur (W. Bengal)

Extrusion Plant at Alupuram (Kerala)

Powder and Paste Plant at Kalwa (Maharashtra)

The Company manufactures and deals in aluminium in its alloys and semifabricated products, namely, ingots, bars, chequered plates, circles, covered sheets corrugated sheets, extended sections, flat sheets, foilstock, grain foils, irrigation tubings, paste for paint-pigment, prefabricated houses, rods, slugs etc. The Company also produces and sells hydrated and calcined alumina, bauxite and carbon electrode paste. The Company is a distributor of Alcan Asia Limited.

The doubling of the Hirakud smelter, established in 1959 with initial capacity of 5,700 m.t. of ingots, was completed in 1961, simultaneously with the new extrusion press at Alupuram in the same year.

The expansion of Muri Aluminium Plant was completed in March, 1962 raising its capacity from 18,300 tons to 55,000 tons. In the same year Belur rolling mill was expanded to 16,800 tons.

The Company's plans are in full swing for expansion of Alupuram smelter to 10,850 tons expected to be completed in mid 1964.

Madras Aluminium Co. Ltd.

Incorporation:—The Company was incorporated at Coimbatore in 1960.

Managing Agents:—Messrs. Salcoa & Company, Coimbatore.

Works:—At Mettur.

The Company is to undertake manufacture of aluminium ingots and alloys, in technical collaboration of Messrs. Montecatini of Italy. The company has obtained mining rights of bauxite reserves in the Shevroy Hills, from "Shevroy Bauxite Products Company" by paying Rs. 14.25 lakhs for the said right.

The licensed capacity of the plant is 10,000 tons p.a. of which 7,000 tons will be ingots and 3,000 tons alloys. An additional licence for expansion of the plant to 20,000 tons capacity has been already granted to the Company.

A rolling mill is also to be set up as an adjunct to the Aluminium smelter.

The factory construction work is in progress. All contracts for major civil constructions have been entrusted to a leading contract company and the constructions are expected to be completed by December, 1963. The plant is expected to commence production during the later half of the year 1964.

FINANCES OF ALUMINIUM COMPANIES

(Rs. Lakhs)

Description	Year	Indian Aluminium	Aluminium Corporation	Aluminium Industries	Hindustan Aluminium	Madras Aluminium
		1938	1937	1946	1958	1960
1. Year of Establishment	.. .. .					
2. Paid-up Capital	 1962	440	134	100	849	276
3. Net worth (a)	 1962	951	354	155	655	275
4. Total capital employed (b)	 1961 1962	1917 2043	442 599	539 490	1295 1668	159 261
5. Net worth as % of capital employed	 1962	47.0	59.1	31.6	39.3	105.4
6. Sales/Main income	 1961 1962	1010.0 1050.1	131 129	436 618	— 202	— —
7. Current Assets (c) Turnover Multiplied	 1962	1.4	1.0	1.7	0.6	—
8. Outstanding book debt as no. of days' sales	 1962	47	34	77	9	—
9. Gross Profits (d)	 1961 1962	250.8 289.8	30.8 25.7	50.1 61.9	24.5 —144.7	2.1 —0.5
10. Gross Profits as % of sales	 1961 1962	24.8 27.6	23.5 20.0	11.2 10.0	— —71.6	— —
11. Gross Profits as % on total capital employed	 1961 1962	13.1 14.2	6.9 4.4	9.3 12.6	— —8.7	— —
12. Interest charges	 1961 1962	41.3 49.5	1.6 2.5	12.4 17.7	22.6 49.3	— —
13. Mg. Agents' Remuneration	 1961 1962	— —	2.1 1.7	3.0 2.8	— —	0.1 0.1
14. Mg. Agents' Remuneration as % of gross profit	1961 1962	— —	6.8 6.3	6.0 4.5	— —	4.8 —
15. Profit before tax	 1961 1962	209.5 240.3	27.1 21.5	34.7 41.4	1.9 —194.0	2.0 —0.6
16. Profit after tax	 1961 1962	146.5 127.5	14.1 10.0	18.3 23.2	1.9 194.0	2.0 —0.8
17. Profit after tax as % of net worth	 1961 1962	17.3 13.4	4.4 2.8	12.1 15.0	0.2 4.6	1.2 —
18. Tax provision	 1961 1962	53.0 112.5	13.0 11.5	16.4 18.2	—4.6 —	— 0.2
19. Dividends	 1961 1962	62.2 76.3	10.6 10.6	16.8 18.0	— —	— —
20. Retained profits	 1961 1962	84.3 51.5	3.5 —0.6	1.5 5.2	1.9 194.0	2.0 —0.8
21. Tax provision as % of profit before tax	 1961 1962	25.3 46.8	47.9 50.3	47.3 43.9	— —	— —
22. Dividend as % of profit after tax	 1961 1962	42.4 62.1	75.2 106.0	91.8 77.6	— —	— —
23. Retained profits as % of profits after tax	 1961 1962	57.6 37.9	24.8 —6.0	3.2 22.4	100.0 100.0	100.0 100.0
24. Dividend as % of paid up capital	 1961 1962	14.2 17.4	10.4 7.9	16.8 18.0	— —	— —
25. Dividend as % of net worth	 1961 1962	7.3 8.0	3.3 2.9	11.1 11.6	— —	— —

(a) Companies paid-up capital, all free reserves and surplus. (b) Total net assets excluding fictitious assets.

(c) Companies total net assets excluding fixed assets and investments.

(d) Profits before tax, interest and Mg. Agent's remuneration.

Note:—The information and statistical data reproduced here are exactly as they appear in the Paper prepared by the Bombay Shareholders' Association. We are, therefore, not responsible for the correctness or otherwise of all the data.

Progress of Industrial Co-operatives: 1951-61

THE NUMBER of industrial co-operatives in India increased more than four-fold from 7,101 in 1951 to 33,266 in 1961. While their membership increased during the same period from 7.66 lakhs to 25.64 lakhs, the growth of their working capital was seven-fold — from Rs. 7.05 crores in 1951 to Rs. 53.80 crores in 1961. Industrial co-operatives have thus become the largest group of the co-operative movement after agricultural credit societies which occupy the first place. Co-operative societies of handloom weavers formed the most important group in the industrial sector. Over one-third of the industrial co-operatives were weavers' societies, responsible for over 50 per cent of the working capital and over 70 per cent of the sales in the industrial co-operative sector.

Special attention had been paid during the last few years to the Khadi and Village Industries field with the result that over 36 per cent of the industrial co-operatives were by 1961 in this sector. In some village industries a major portion of the effort of the Khadi and Village Industries Commission was directed towards co-operative development — 85 per cent in hand-pounding of paddy, 90 per cent in village oil industry and fully in palm gur industry. There were about 2000 co-operatives of traditional craftsmen producing artistic handicrafts. Efforts were also being made to encourage coir workers to form co-operatives, particularly in Kerala State.

In the small-scale field more than 700 co-operatives were operating in the engineering and sheet metal work field, over 100 co-operatives in the hosiery industry and 40 in the manufacture of chemical products. There were also co-operative societies manufacturing bricks and tiles, sports goods, fibre products, sericulture, salt, woodwork, garments and similar other products. Co-operatives of carpenters, blacksmiths, leather workers and other artisans were also in existence.

In certain areas the industrial co-operatives had also set up their own co-operative banks to meet the requirements of the societies as well as individual artisans. There were four such co-operative banks operating at the State level and seven at district levels. In Mysore and Saurashtra industrial credit societies had been developed. The weavers' and palm gur producing co-operatives had set up their own federal structure for sales and supplies at Central, State and all-India levels. District or State level federations had also been organised by co-operatives of oilmen, leather workers and workers in some other industries in one or two areas. Multi-industry federations had been set up in some States.

The owned funds of industrial co-operatives were Rs. 21.35 crores and their borrowings Rs. 32.45 crores in 1961. It is significant that the co-operative societies in industries other than weaving which had a low ratio of per-member paid up capital caught up with the weavers co-operatives by 1961, it being Rs. 38 in both cases. 30.08 per cent of the borrowings of the industrial co-operatives were from co-operative banks, 44.99 per cent from Government and 24.93 per cent from other sources. 32.81 per cent of the working capital of the societies was invested in stocks. The investment in raw materials was about half of that in the finished goods. Inability to sell the bulk of the goods produced by the societies and their members, has, however, remained as a drawback. The percentage of working capital invested in plant and equipment had steadily risen from 9.5 in 1951 to 14.91 in 1961. The fact that a large number of co-operatives were in traditional industries which were predominantly labour intensive was responsible for the investment at a low level. Societies in mechanised industries were, however, being organised and improved tools and equipment were being gradually introduced in traditional industries.

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

Period	Bombay			Delhi	Bengal	U.P.	Bombay	Madhya Pradesh	Madras	E.P.	All India
	Bombay	Bombay	Ahmedabad	Delhi	Calcutta	Kanpur	Nagpur	Jabalpur	Madras	Ludhiana	
	1934	June 1934	July 1934	1934	1934	1934	1934	1934	1934	1934	
	=100	=100	=100	=100	=100	=100	=100	=100	=100	=100	
1955	322	338	218	130	334	371	364	133	321	134	132
1956	336	352	244	142	347	424	397	151	356	152	145
1957	352	368	269	150	364	448	422	162	375	157	152
1958	376	394	274	158	384	468	447	165	401	157	161
1959	393	412	308	168	384	469	498	168	429	166	168
1960	401	420	296	158	397	476	512	165	467	167	171
1961	412	431	300	167	406	486	495	168	478	172	173
1962*	423	444	302	172	420	511	502	168	484	172	173
1962 March	418	439	299	170	403	503	493	168	484	182	179
April	418	439	300	170	410	491	492	168	480	179	175
May	422	443	303	167	417	491	496	199	480	182	177
June	426	447	307	171	417	505	497	201	484	180	178
July	427	448	309	175	420	515	501	202	487	182	179
August	433	454	308	177	431	530	510	204	487	185	182
September	429	450	310	176	434	525	506	204	488	187	184
October	425	446	306	173	445	522	513	204	488	187	182
November	424	445	300	173	437	518	516	201	487	187	185
December	419	440	290	169	424	504	511	199	487	185	184
1963 January	417	438	285	171	417	499	508	199	488	180	181
February	416	437	282	171	427	497	492	199	484	180	179
March	417	438	285	171	431	498	485	201	484	184	178
April*	416	437	290	174	441	498	487	201	480	189	179
May*	419	440	293	174	448	501	500	—	488	190	181
June*	425	446	297	174	448	509	522	—	483	187	182
July*	427	448	—	175	—	530	540	—	485	—	—

* Provisional.

† Base: 1944 = 100.

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WHEN MAHABIR SEES RED...

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HIS PROUDEST POSSESSIONS?

A generous moustache, two grandchild-

ren and his job. Mahabir's face softens perceptibly when he talks of his grandchildren. His favourite: a girl aged six. 'She is intelligent,' Mahabir says. He has already planned her education. Quiet and friendly, over the years he has won the trust of his co-workers.

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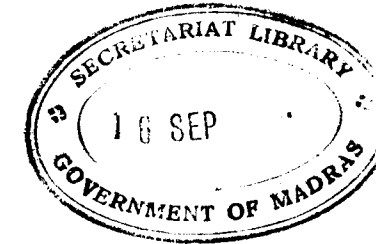
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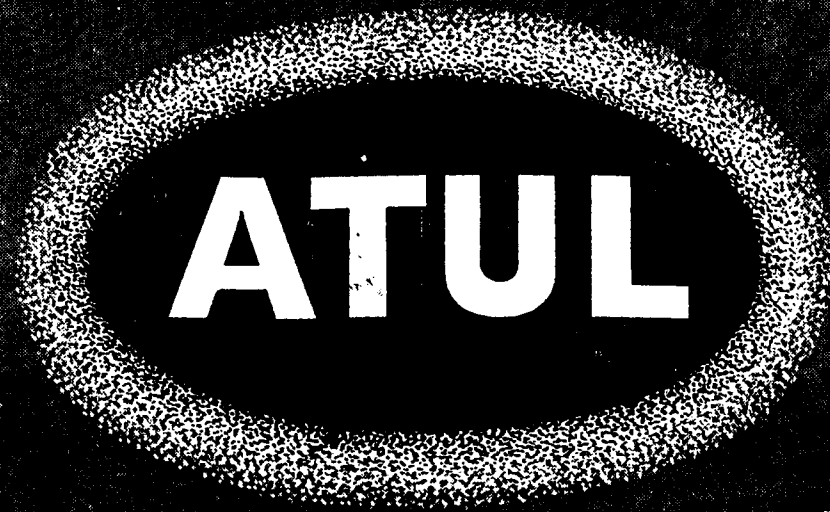
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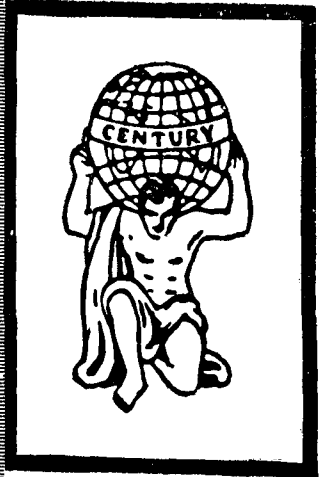
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SEPTEMBER 13, 1963

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Anatomy of Poverty

CURRENTLY THERE is a great deal of argument in this country about the arithmetic of the poverty of our people whereas an attempt to understand the anatomy of this poverty could perhaps have been more to the point. Current discussions have certainly served to emphasize the continuing prevalence of mass poverty in this country and the great and urgent need that there is for a more positive approach to our problems of economic development so that not merely poverty in the sense of penury or pauperism may be relieved but the standard of living of our people may be brought in step with the requirements of civilized life. But the discussions have not been equally fruitful in defining the broad principles along which that positive approach is to be made. If this problem is to be correctly understood and resolved it is even more necessary to discuss why our people are poor than to quarrel over how poor they are.

An answer to this question 'why' is, in its essential content, simple enough. Our people are poor because the capital and technical skills at the disposal of the nation are not adequate for the task of providing the goods and services which the 450 million people of this country need for a decent existence. It follows that the only solution is to build as rapidly as we can this capital and know-how into the nation's economy. Now it has been conceded more or less universally by all shades of opinion in this country that this task of building up of our capital and know-how will have to draw very heavily indeed on the resources of the industrially advanced nations of the world. This recognition is at the basis of our policy of seeking, securing and utilizing development assistance from the Governments of friendly countries. Unfortunately, this recognition has not extended to our attitudes towards foreign private capital. This is unfortunate because in the first place, external assistance on a government-to-government basis is not and cannot be sufficient for the demands of our development. Secondly, there is a limit to such assistance. This has become increasingly clear, especially in recent months and it will be an inexcusable act of wishful thinking on our part if we do not recognise that the peak of external assistance on an inter-government basis has probably been reached and passed.

It follows that we should give greater attention than we have done so far to the task of attracting foreign private capital to this country on a scale very much larger than has been realized hitherto. It has often been argued that foreign private capital can never be significantly important in the development of this country. The contention is that, in the first place, the exportable surpluses of capital are not sufficiently abundant and even if they are abundant they are unlikely to be keen on entering industrially backward areas of the world. There is, however, no firm warrant at all for such conclusions. Science and technology are taking giant strides in the world of today. This is increasing by leaps and bounds the efficiency and productivity of capital in the industrially advanced economies of the world. While this process certainly keeps on extending almost indefinitely the scope for domestic investments in advanced countries, it is also steadily adding to that part of the capital resources which can be released for investments outside the domestic economy.

The connected argument that the capital which may be available from industrialised countries for investment in backward but developing economies is not large is also not borne out by current experience. On the contrary, the limit, in fact, seems to be not the willingness or the ability of the capital exporting countries, but the opportunities and facilities

which countries importing capital are prepared to accord for industrial investments in their economies. In any case, while Governments and peoples of assisting countries are becoming less keen on providing public funds for development assistance abroad, they are becoming correspondingly more and more keen on stepping up the flow of private capital into the development of the assisted countries. This is a development which cannot be ignored by us. The economic climate and the investment climate we would create, particularly through the economic policies of our Government, should be such as to be broadly in alignment with the expectations of investors and entrepreneurs in the industrially advanced and capital exporting countries of the world. From this point of view it is becoming more and more irrelevant to try to justify our economic policies by referring them to our pieties and prejudices.

It is broadly true that if we follow a healthy economic policy in order to create a favourable investment climate for foreign capital, we would also be automatically providing a proper environment for the full and fruitful functioning of domestic capital and entrepreneurship. But at the same time, it may still be necessary to get over certain prejudices which have plagued our attitude to industrial development hitherto. In the first place, there has been far too much mistrust and in some areas of opinion an active animus against the growth of industrial undertakings. It is surely odd that in one and the same breath we demand industrial expansion but condemn individual firms or business houses which manage to expand. In the present circumstances of the country, the only true test of the public worth of private enterprise is that private enterprise should step up production and earn more thereby creating more capital for further expansion of industries and industrial production.

Threat to Textile Exports

FOR QUITE some time past, Lancashire cotton interests have been pressing their Government to do something to prevent what they describe as "price disruption" in the British domestic market for cotton textiles. Recently, a delegation of cotton industry leaders waited on the President of the Board of Trade to urge immediate action in this matter. From the statement made by the latter, the British Government seems to be impressed with the case made out by the Lancashire interests and, more, it even seems to share the views of the Lancashire interests on how to tackle the problem. Thus, the President of the Board of Trade is reported to have said: "I do not believe that the present state of affairs is satisfactory either for our own industry or for exporting countries whose needs to earn sterling I recognise as of the highest importance A reasonable measure of categorisation is desirable and justified to prevent price disruption in the home market for cotton textiles". This is precisely what Lancashire interests have been urging.

That the British Government is as good as its word is clear from the fact that the Board of Trade had already fixed quotas on arrivals from China of cotton

The Finance Minister, speaking in the Lok Sabha last week, pointed out that the paramount need of the day is that of stimulating the rate of growth of the economy. Proceeding, Mr. Krishnamachari said:

"The sizable claims of both defence and development cannot be met merely by diverting the existing resources from the private to the public sector or vice versa. What we need essentially is to enlarge the pool of available resources for stimulating the growth of the economy, so that the claims of defence and development are met in an environment of expansion.

The rate of growth of the economy as it is now organised has to depend to a very large extent on the performance of the private sector. It would, I think, be generally agreed that for a variety of reasons there has been a comparative set-back in the performance of the private sector both in industry and agriculture during the past two years. The issues that confront us, if we are to stimulate the growth of the economy, are many and range widely over the whole field of economic policy including policy in regard to controls, taxation, credit and the like but, as far as credit policy at any rate is concerned, the need at the present moment is to devise ways whereby our credit institutions can serve more adequately the needs of the economy at the present stage of development."

This candid and courageous assessment of the needs of the economic situation will no doubt confirm the initial confidence and hopefulness which have been generally inspired in business and financial circles by the assumption of the Finance Ministership by Mr. T. T. Krishnamachari. But, while recognising fully the key role which economic statesmanship and leadership in the Finance Ministry could play in accelerating the tempo of economic activity, we would like to point out that the task is not for the Finance Ministry alone, however strategic and significant the place of that Ministry may be in the machinery of Government. Here is a responsibility to which the Government as a whole as well as the Government in every one of its parts must address itself.

handkerchiefs and towels during the 17-month period from August, 1963 to December, 1964. Separate licences are now required for the import of these goods from China. Even before this, however, certain quotas had been in force for the imports of cotton or rayon yarn and thread and cloth from that country. It is significant that this action has been taken on the eve of the visit of the Indian delegation to the U.K.

Under her present agreement with the U.K., which is valid till 1965, India has voluntarily agreed to limit her shipments of cloth to the U.K. to 195 million sq. yards. The question of any modification of this agreement at this stage is, therefore, bound to raise difficulties. As it is, the export outlook for Indian textiles is by no means bright. Although there have been promises by developed countries that they would increase their imports of textiles from the less developed countries, in actual practice, the developed countries, even those like the E.C.M. countries which have an overwhelmingly favourable balance of trade with India, have not shown any eagerness to keep to such promises, as witness their half-hearted implementation of the pro-

visions of last year's Geneva Agreement. The United States, which took a prominent part in propagating the philosophy of aiding the underdeveloped countries, also is not prepared to increase her off-take of Indian cloth. On the other hand, the U.S. textile industry is reported to be unwilling even to maintain the level of America's intake of Indian cloth at the 1959-60 level of 32 million yards. In these circumstances, it would be interesting to watch what the Indian delegation to the forthcoming annual session of the International Federation of Cotton and Allied Textile Industries at Athens will be able to do to persuade the developed countries to liberalise their imports of Indian textiles.

But, when all is said and done, the fact remains that, unless our cotton mills are equipped with up-to-date

Input and Output in Agriculture

IN A SPIRITED defence of the agricultural policies of the Union Ministry of Food and Agriculture Mr. S. K. Patil stated in the Lok Sabha on August 20, 1963, that the progress made on the food front from 50 million tons in 1950-51 to 80 million tons in 1962-63 was not a sign of stagnation but was a sign of continuous growth. He claimed that an increase of more than 50 per cent in food production had been attained and that even a "bad year" for agriculture in 1962-63 had not reduced output below 80 million tons. While no one will deny that there has been an increase in output of foodgrains over the past 12 years, the difference lies in the degree of the rise.

The base-year figure of production is not comparable to the latest level of production for two reasons. In the first place, there were some non-reporting areas in 1950-51 whose production was not included in that year but which have been taken into account in subsequent years. The second important factor is that the method of estimation of production has changed in recent years from that of the inspection reports of the Patwari to the more scientific method of crop-cutting experiments. It is known that the crop-cutting experiments have invariably yielded higher estimates and a part of the present increase in food production is due to this new technique in estimation.

To analyse the performance of the agricultural sector, an attempt is made here to measure agricultural productivity in relation to investment. For this purpose, it would be best to correlate the estimates of agricultural income prepared by the National Income Unit of Central Statistical Organization and agricultural outlays in India's plans along with the farm investments made on personal account. The data on the investments made by agricultural families is not available beyond 1956-57. According to the estimates made by the National Council of Applied Economic Research annual farm investments on personal account between 1950-51

machines and are able to produce goods that can compete in the world markets both price-wise and quality-wise, our export ambitions are bound to remain as mere aspirations. The gap between the export target under the third Plan of 850 million yards per annum and our average annual (actual) exports during the past three years amply demonstrates that we have been falling behind our goal even quantitatively. It is high time, therefore, that both the Government and the textile industry in India applied their minds to the problems of the industry and did something concrete to revitalise the industry. If the Indian jute mill industry, which experienced similar periods of depression in the past, has been able to solve its problems remarkably in the past few years, there is no reason why the Indian cotton mill industry also should not be able to do likewise.

and 1956-57 were relatively constant. The figure was between Rs. 900 and Rs. 950 crores as is shown below:

Year	(Rs. Crores)
1950-51	947
1951-52	922
1952-53	914
1953-54	948
1954-55	945
1955-56	942
1956-57	927

Assuming that there was no significant change in personal investment in agriculture even after 1956-57, a relationship between inputs (agricultural outlays of the Government) in the farm sector and the resultant increase in production gives a measure of productivity of investment.

The value of agricultural production from 1950-51 to 1962-63 both at current prices and at 1948-49 prices and Plan outlays in agriculture are given in tables on the next page. It will be seen that the estimates of income at current prices tend to give a distorted picture. During the first five-year Plan the total, absolute increase in agricultural income over 1950-51 was negative at Rs. 440 crores. This may be explained by the performance of the agricultural sector during the five-year period. Agricultural production took a favourable turn from 1952-53 onwards which depressed agricultural prices and, hence, the monetary increase in agricultural income in three out of the five years was negative. An obvious interpretation of these figures is that investment made by the Government in the first five-year Plan (which was around Rs. 400 crores both by the Centre and the States combined), did not raise the money income of the farmers.

The picture in terms of constant 1948-49 prices, however, was different. The total increase in agricultural income at 1948-49 prices in the five years of the first Plan

over 1950-51 was Rs. 2,370 crores. Relating this monetary increase in production to investment of Rs. 400 crores (which, however, took place at current prices) by the Government, it is observed that capital-output ratio in this sector was 6:1 meaning every investment of a rupee in the farm sector yielded, in real terms, a rise of six rupees. The facts, as they are known, indicate that the increase in agricultural output was due to favourable monsoons and, hence, this highly favourable relation was not in any way a function of investment.

The agricultural scene took an unfavourable turn during the second five-year Plan. In the first two years of the Plan, that is 1956-57 and 1957-58, production was relatively stagnant and the outcome was an upward course of agricultural prices. It resulted in a sizable increase in agricultural income at current prices in the five years of the second Plan at Rs. 7,590 crores — again, not because of any rise in output, but because of the rise in prices. At constant prices, the real increase in the second Plan at Rs. 2,140 crores was lower than the increase during the first five-year Plan and was less than a third of the increase at current prices. The total Government investment in agriculture during the second Plan was Rs. 660 crores. It meant that every additional rupee which was invested by the State yielded an increase of Rs. 3.5 in real terms.

The picture in the first two years of the third Plan has been very dismal. In real terms, the increment in income over 1960-61 was negative at Rs. 60 crores. At current prices, it showed a marginal rise of Rs. 51 crores. It is estimated that the total agricultural outlay by the public sector during the first two years of the third Plan was around Rs. 350 crores showing that in these two years, every investment of a rupee brought an increase

VALUE OF AGRICULTURAL PRODUCTION
1950-51 — 1962-63

	Agricultural Income (Rs. crores) at current prices	Increment over 1950-51 or 1955-56	Agricultural Income (Rs. crores) at constant prices	Increment over 1950-51 or 1955-56
1950-51	4,890		4,340	
1951-52	5,020	+ 130	4,440	+ 100
1952-53	4,810	- 80	4,600	+ 260
1953-54	5,310	+ 420	4,980	+ 640
1954-55	4,350	- 540	5,030	+ 690
1955-56	4,520	- 370	5,020	+ 680
		- 440		+ 2,370
1956-57	5,520	+ 1,000	5,250	+ 230
1957-58	5,280	+ 760	5,010	- 10
1958-59	6,240	+ 1,720	5,560	+ 540
1959-60	6,250	+ 1,730	5,510	+ 490
1960-61	6,900	+ 2,330	5,910	+ 890
		+ 7,590		+ 2,140
1961-62	6,850	- 50	5,860	- 50
1962-63	7,001	+ 101	5,900*	- 10
		+ 51		- 60

* Estimated.

of only one-seventh of a rupee. Is there likely to be a more substantial increase in yield in later years because of these investments? The agricultural pundits believe that Indian agriculture has been dominated in the past by five-year cycles and that computations relating to the performance of the agricultural sector for two years are therefore not likely to yield meaningful results. Nevertheless it is reasonably clear from this broad analysis of Plan outlays and the volume and value of agricultural production that the performance of the agricultural sector, despite all the government directed investments, has been extremely erratic; money inputs have had no stable relation either to physical output or money value of product.

PLAN OUTLAYS ON AGRICULTURAL PRODUCTION
(Rs. Crores)

	Second Plan	Third Plan
Agricultural Production	98.10	226.07
Minor Irrigation	94.94	178.76
Soil Conservation	17.61	72.73
Co-operation	33.83	80.10
Community Development (Agricultural Programmes)	50.00	126.00
Major & Medium Irrigation	327.17	599.34
Total	666.65	1,281.00

- (a) Total agricultural investment by Government in the first Plan was about Rs. 400 crores.
(b) Total agricultural investment in 1961-62 and 1962-63 was about Rs. 350 crores.

Eastern Economist 20 Years Ago

SEPTEMBER 10, 1943

Elated at what they regard as the success which has attended their fiscal measures in recent months, Government has been egged on to further efforts. This time it is the small investor who has to be tackled, and it is the Provincial Governments which must set the machinery in working. A target of Rs. 100 crores has been fixed as the amount of small savings to be mobilized by the end of next March; in addition provincial tax measures are to be imposed to freeze surplus money. These include the amusement and sales taxes, court fees, stamp and excise duties and agricultural income-tax. The object of this second deflationary offensive is at once to set aside funds for post-war use by provinces and to provide the 'improvident' peasant with a 'nest egg' to lay hands on after the war. Even prior to this, some provinces, notably U.P. and Madras, have taken certain steps with this end in view. Now that these form part of a co-ordinated and country-wide campaign, it is opportune to review the state of provincial finances in the last four years with a view to examining how far it would permit of these large-scale offensives and to lay bare the inherent limitations of provincial fiscal policy in this respect. The question naturally can be considered in two parts: (1) Do the rural economic conditions today lend any strength to the scheme of mopping up Rs. 100 crores from the small saver in six months? and (2) Are there any sources of equitable and feasible taxation within the provincial sphere which have not been adequately tapped in the last four years?

Highlights of the Week

WHO IN S.-E. ASIA

IN HIS 15th annual report on WHO's contribution to health progress in South East Asia which Dr. C. Mani, Regional Director of the WHO presented to its Regional Committee now meeting in Bangkok, he makes the point that basic health services in the region should be developed on a top priority basis if the considerable success achieved by mass campaigns against malaria, yaws, leprosy and smallpox is to be consolidated. He notes that there has been a certain improvement in medical and nursing educational facilities in the Region; in India, for instance, the number of medical colleges has grown from 66 a year ago to 73 today. But it is still not possible to succeed in attaining a reasonable level of basic health services in the South East Asian Region without employing a vast number of auxiliaries to assist the qualified doctors as well as nurses. Urging a realistic ten-year programme for the training of medical auxiliaries, the Director says that any technical assistance required from WHO will certainly be forthcoming both for the initial planning as well as for the implementation of such schemes.

Meanwhile, the main emphasis in WHO's work in South East Asia continues to be on communicable diseases. The malaria eradication drive in the region, in which WHO has co-operated with national programmes, now affords protection to 545 million people out of a population at malaria risk of 600 million. Referring to tuberculosis control the report stresses that much greater resources should be provided as there are about 800 million active cases in the region. Experience from the projects assisted by WHO and UNICEF shows that gradual expansion of pilot projects to nation-wide programmes is feasible provided a strong organisation exists for the supervision of ambulatory treatment and funds are assured for adequate drug supplies.

The report refers to the commencement in this country of a national smallpox eradication programme towards the end of last year. This programme is the largest of its kind in the world and is certainly appropriate to India's requirements since out of about 40,000 cases and about 10,000 deaths notified in the South East Asia Region in 1962, the majority was from this land. The Indian programme tries to complete the "attack phase" within two years.

There was increased activity in the national leprosy, control campaigns in Burma, Indonesia and Thailand. In Nepal a WHO survey of the nature and extent of leprosy in Kathmandu valley disclosed that the incidence was of the order of 10 cases per 1,000 population. The report complains that a scarcity of doctors wishing to specialise in venereology is a limitation on the expansion of venereal disease control services in Burma, India and Indonesia. It notes with concern the wide prevalence of filarial infections in Burma, Ceylon, Indonesia, Thailand and throughout India, except in the north; about 64 million people are estimated to live in those parts of this country where transmission occurs. The report notes that although maternal and child health services have expanded, swelling populations, along with the acceleration of urbanisation and industrialisation, have brought into sharp focus inadequacies in those facilities, especially in the case of mothers and children in urban environments. It is proposed to recruit consultants to study this problem in a few major cities and to assist in preparing recommendations for further development of maternal and child health services.

The report takes rather a dim view of any large early

improvement with regard to sanitation and nutrition. Defective sanitation and malnutrition are still the two major causes of the very high morbidity that is characteristic of the Region. To widespread insanitation is linked the diarrhoeal diseases which the report describes as "one of the most formidable public health problems in the Region". A survey of water supply resources in Greater Calcutta which was started early in 1962 and is being financed by the United Nations Special Funds, the report hopefully suggests, could be the beginning of a determined effort to solve what is one of the most difficult urban water supply and sewerage problems in the world. The WHO is acting as the executing agency in this project. Advances in the field of nutrition and sanitation, however, have been slow and small, principally because of the financial barrier to any major breakthrough.

UNIT TRUSTS

A PROPOSAL for legislation to enable the setting up of Unit Trusts in this country was announced by Mr. Morarji Desai in his Budget speech last February. Mr. T. T. Krishnamachari, confirmed in the Lok Sabha last week that the matter was under consideration of the Government. The move has evoked considerable interest in financial circles and many parties have already come forward to start Unit Trusts. The need for legislation arises because Unit Trusts will have to be exempted from payment of income tax on their incomes since those incomes are derived as dividends from companies on which tax had already been paid at source. This apart, it is also necessary for the Law to lay down the form and manner in which Trust Deeds governing the operation of the funds of the Unit Trusts is to be drawn. In Britain the Trustee who administers the Trust Deed is usually a bank or an insurance company.

A point which the Government of India will have to decide is whether this practice should be followed here also or whether any particular institution such as the LIC or the Reserve Bank should be nominated for the position of legally authorised trustees. It is possible, of course, for the Government to have one or more Trusts for the entire country as a purely Government institution, but it would be much more desirable to let Unit Trusts be started as private investment institutions in accordance with such legal requirements as may be laid down. The investor should have the advantage of choosing among different Unit Trusts according to their different investment policies and relative efficiencies. This is certainly a field where competition is very much in the public interest, since investment is a business where the knowledge, judgment and expertise of the individual is an asset for which there is no substitute.

In view of the topical interest of the subject we reproduce below a pamphlet "A Plain Man's Guide to Unit Trusts" issued by the Association of Unit Trust Managers, London:

"The Right Way to Invest: Rather than put all of their savings on deposit at a fixed rate of interest, many people today want to invest in industry.

This means investing in stocks and shares. To the people who know little about it, and who fear the risks involved, the Stock Market is a forbidding world. For these people Unit Trusts provide an easy, convenient and, as far as it can be, safe way of investing in industry.

The soundest investment policy is to take the advice of well-informed experts and to use the money available to buy

the widest possible selection of stocks and shares.

The investor with limited means cannot easily by himself follow these rules of safe conduct.

However, as in other spheres of life, what a man finds difficult to achieve by himself, he can often bring about in co-operation with others. This in essence is all a Unit Trust is—a joint investment venture.

What Unit Trusts Are : A growing number of like-minded people have for years been daily adding their money together to make a large sum of capital to form a trust fund. This Fund is invested on their behalf in a carefully selected range of industrial companies, financial enterprises and commercial undertakings. The choice of the stocks and shares is made by the Managers of the Unit Trust, advised by leading investment experts. The list of investments is under continual review.

The operation of the trust fund is governed by a Trust Deed which is drawn up in accordance with requirements of the Board of Trade. There is a trustee—usually a well-known bank or insurance company—who holds the securities in which the money of the fund is invested and collects the dividends which these investments pay. The Trustee also ensures that the Managers of the Trust carry out their responsibilities to the unit holders in accordance with the Trust Deed.

Indirect Interest

When you buy units in a Unit Trust, you buy a proportion of the trust fund and, therefore, you have indirectly an interest in every share of every company in which the fund is invested. The dividends paid by the companies in which the trust has holdings form the income of the trust. In general, twice a year, after deduction of a small management fee for operating the trust, you will receive your share of the income in accordance with the size of your holdings. Because the dividends paid by the companies to the Trust are taxed at source, the income distributed to unit holders is net—i.e., income tax has already been deducted at the standard rate.

A Long-Term Investment : By buying units you cannot, of course, entirely escape the risks which apply to all investments in stocks and shares because the price of your units depends on the price of the securities in which the trust fund is invested. As the stock market value of these securities rises, so will the value of your units. If the securities fall in value, the price of your units will fall also. Likewise your income from a holding of units is governed by the dividends which the trust receives on the shares it holds. What you can escape, however, is the risk attached to investing in any particular share or small number of shares. And what you can expect is that through the guidance of investment advisers available to the Unit Trust in which you have chosen to invest, you will do better than an investor who merely follows his own inclination on every tip and hunch. One thing you should always remember, however, is that Unit Trusts are a medium or long term form of investment and can be relied upon to give satisfaction only if they are regarded as such.

Charges : The Managers and Trustees have, of course, to be remunerated for their services, and therefore charges are made for looking after your investments and for dealing with all the paper work involved. These charges, the level of which is controlled by the Board of Trade, are taken by way of an initial service charge, which is included in the price of the unit when you buy it, and an annual charge deducted

from the gross income or capital of the Trust in half yearly instalments.

Savings Schemes : Most Managers of Unit Trusts operate savings schemes in conjunction with the trusts which they manage. You can make periodical payments of small amounts to a savings account, and thereby accumulate capital for retirement, for children's education or for your family's financial future. Regular monthly investment eliminates the problem of when to buy.

How to Choose : Many Unit Trusts have different investment policies and no two have the same investment portfolio. Which one you choose depends on what you expect from your investment. Your bank manager, or a solicitor or a stockbroker can probably advise you as to which Unit Trust best suits your purposes.

To help investors distinguish between the investment objectives of Unit Trusts managed by its Members, the Association of Unit Trust Managers publishes a book (2/6d. post free) which gives details of each one.

Easy to Buy and Sell : On any working day you can write to, or telephone, the Manager of a Unit Trust belonging to this Association, and place your order to buy units at the offered price, or, if you prefer, you can ask a bank manager, solicitor or stockbroker to do the transaction for you—it will cost you no more. Offered prices are calculated to include all investment costs and the management's initial service charge. You can as easily sell your units back to the Manager at the bid price—although in this case, if you go through an agent, you can expect to pay him a commission for his services. The prices at which orders are carried out are those ruling when the order is received. These prices are printed daily in most national newspapers. Both the buying (offered) and the selling (bid) prices are calculated on the basis of the Stock Exchange values of the securities owned by the trust fund.

Some Terms Explained

Distribution/Accounting Period : This is the period in respect of which an income distribution is made. Most trusts have two distribution/accounting periods per year, each of six months. At the end of each accounting period the price of units is marked ex-distribution (xd).

XD : When these letters appear alongside the daily quotation of a unit it means that a purchaser of units will not receive the income distribution which the Managers are about to pay. On the other hand should a unit holder sell his units when they are marked "xd" he will receive his portion of the distribution of net income for the period just ended. Prices are quoted xd usually for a period of six weeks.

Income Distribution : This is equivalent to a dividend paid on shares. It is the amount of the net income of the trust distributed to unit holders in proportion to the size of their holdings. You may give instructions either to have the income distribution paid directly to yourself or, by agreement with the managers, to have it reinvested in units or to have it mandated to your account with, for example, a bank.

Distribution Dates : These are dates on which the income distribution is paid. They occur generally six weeks after the end of the accounting period.

Equalisation : When you buy units there will be included in the price a sum equivalent to the net income per unit accrued by the trust from the date of the last income distribution up to the time of your purchase. This amount will be returned to you as a tax free capital distribution on the occasion of

the first income distribution following the purchase.

Portfolio : This is the collective name given to the stocks and shares in which the trust fund is invested.

Gross Estimated Yield : Actual yield depends on the dividends paid by the companies in which the money of the trust is invested. The gross yield published by the Managers is their estimate of the return to be expected on a £100 investment over the next 12 months.

THE STATE OF THE PRESS

WITH TWO momentous events—the third general election and the Chinese invasion—taking place in 1962, a spurt in the number of periodicals and newspapers published in the country as well as in their circulation during this year could have been anticipated. The Press Registrar's report revealing a trebling of the rate of increase in their number from 3.5 per cent in 1961 to 10.9 per cent in 1962 and near doubling of the rate of growth in circulation from 4.7 per cent to 8.8 per cent, therefore, does not come as a surprise. In fact, as the Press Registrar himself records, the increase in the latter case would have been even of a higher magnitude but for the restrictions the Government had to clamp on the use of newsprint due to foreign exchange difficulties.

A pertinent point to be noted in this regard, however, is that most of the new additions to the daily press in 1962 were from district and small towns; as many as 33 new dailies made their maiden appearance during this year in regions where daily press was either non-existent or undeveloped. They were also successful in capturing appreciable new readership; their circulation rose by 11.7 per cent as compared to the previous year's figure. This surely is an indication of the fact that consciousness is growing in the suburban and rural areas about the happenings in the country and should augur well for democracy.

English Predominates

Language-wise, English newspapers commanded the highest circulation, followed by Hindi and Tamil papers. Particularly encouraging was the improvement in the circulation of Hindi papers. In 1961, the Hindi press had suffered a slight decline in circulation although the upward trend in the newspaper readership had continued during that year also. Gujarati papers are also stated to have done well in 1962; their circulation recorded an increase of 11.3 per cent as against 2.9 per cent in the previous year.

So far as periodicals are concerned, their number also showed sizable increase by 374, as against 281 in 1961. The specialised and technical journals shared well in this growth. The popularity of children's magazines was particularly impressive; eight such magazines were added during 1962 bringing their total to 114.

Another very significant fact brought out by the report is that while the Congress Party owned in 1962 as many as 25 papers, the Communist Party ran close to it owning 24 papers. These were the official party organs, declared and registered as such and did not include those which might reflect or advocate the views of particular political parties without any formal association. In respect of circulation, however, the papers belonging to the Communist Party commanded a lead over papers of the other political parties. This provides an eloquent testimony to the freedom the press in India enjoys.

Although the pattern of ownership disclosed in the Press Registrar's report indicates that individual ownership declined from 46.5 per cent in 1961 to 44.1 per cent in 1962, it can hardly be construed as accentuation of the tenden-

cies towards monopolistic hold on the Indian Press. The percentages of papers owned by societies and associations, joint stock companies, and firms and partners improved from 20.3, 7.4 and 7.6 in 1961 to 21.7, 8.1 and 8, respectively, in 1962. It is a pointer to the fact that the publication of newspapers today in India, as in the other countries, is becoming a big-size job, requiring pooling of resources by more than a few individuals. This inference is also corroborated by the finding of the Press Registrar that although the English and Hindi metropolitan papers (dailies published from Delhi, Calcutta, Bombay and Madras and these are the important links in the newspaper chains, groups and multiple units) showed an appreciable increase in their circulation, there was no significant rise in the percentage of their circulation outside the metropolitan towns.

The report also draws attention to two other—rather depressing—facts about the Indian press. One relates to the malpractices resorted to by some papers in exaggerating their claims of circulation. Surprise checks on the circulation of 172 daily papers, accounting for about 85 per cent of the total imports of newsprint in the country, disclosed wide discrepancies in the claims and actual circulation of as many as 105 papers. Of these, 68 papers accepted the lower figures assessed by the Press Registrar, but qualified their statements by adding that their circulation had come down only recently. The remaining 37 papers did not accept the Registrar's assessment but were at the same time unable to substantiate their claims by documentary evidence. These obviously were the papers belonging to the category which adopted rough and ready methods of keeping accounts. The reductions in the newsprint quotas effected by the Press Registrar resulted in a saving of Rs. 18 lakhs in foreign exchange. In the present-day conditions, when the country faces acute shortage of foreign exchange, the newspaper industry obviously has to subject itself to a voluntary code of discipline so that the legitimate requirements of all newspapers, old or new, can be met without jeopardising the larger interests of the country.

The other disconcerting fact brought out in the report is that the Indian newspapers in general have lagged behind in the introduction of modern printing, type-setting and processing equipment in their establishments. All the big papers had their own presses and rotary machines, but 13 medium-sized and 47 small papers had no press of their own. Modernisation of the Indian Press perforce has to be a slow process, taking into consideration the foreign exchange difficulties. But this process needs to be fostered to the extent possible.

TOURISM: NEW DEAL?

"WITH THE steady growth of international air travel, including round-the-world flights, foreign exchange earnings from tourism could easily be doubled, if not more than doubled, over the next five years if the Indian Government took the necessary steps. Few visible exports have potentially better prospects of growth". Thus observed the World Bank Team headed by Mr. Peter Wright, which submitted its report on the Indian economy to the Aid-India Consortium early this year, while commenting on the Government of India's estimate that the gross receipts from tourism were expected to rise from just over Rs. 20 crores a year at present to about Rs. 27 crores by 1965-66. It added: "India has to win tourist business in a highly competitive international market. The record of Air-India shows how well India can compete with other countries in this field if she tries, but so far little attempt has been made to cater specially to the needs of the foreign visitor, and opportunities for earning more foreign exchange from those who have come to the country have been thrown away". The Team listed three main factors which hindered

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the growth of tourist trade in this country. "Schemes for the development of the hotel industry, for the improvement of internal transport facilities and for the relaxation of restrictions on drinking", it pointed out, "have not been pressed forward with sufficient vigour".

Read against this background, many of the suggestions made by the Jha Committee on Tourism in its report submitted to the Union Government recently, can, at best, be styled as pedestrian. The most significant recommendation of this Committee is for setting up an undertaking in the public sector to handle activities of a commercial nature, e.g., hotel construction, provision of road transport facilities, production and sale of publicity material, entertainment for tourists, sale of imported articles on reasonable prices to tourists and arranging tours at all-inclusive rates. While this should meet the World Bank Team's such criticisms as the "Government (of India) has been reluctant to invest its own money in hotel construction unlike countries such as Greece and the United Arab Republic which have been much more successful in improving tourist amenities in recent years", the proposals made for fostering the development of the private hotel industry and for improvement of transport, apparently, are circumscribed by the anxieties caused by foreign exchange shortage. Private hoteliers and transport operators, according to the Jha Committee, should be released foreign exchange, as a sort of "positive incentive" against preventing leakage of it, in proportion to the amount of exchange earned by them.

The World Bank Team's observations implied much more than this. So far as the hotel industry was concerned, it had stated: "...Nor have private entrepreneurs been offered the special inducements and official support that are needed if they are to be persuaded to invest their capital in what is otherwise liable to be an unprofitable business—especially when there is little money to be made out of drinks, which elsewhere are usually the main source of the hotelier's income". Among the measures to improve transport facilities, the Team had suggested that if the Indian Airlines Corporation could not meet the tourists' requirements, "foreign operators could be allowed to operate services in conjunction with the major travel agencies." Further "car hire and bus services could also be improved and (their) rates lowered." The Jha Committee's suggestions assign a greater role in this respect to the public sector.

The Jha Committee, however, has done well in stressing the need for simplification of customs and immigration facilities, improving of the amenities at airports, speedy confirmation of LAC reservations, opening of more tourist offices overseas and concentration of resources to develop selected tourist centres on an integrated basis. Equally welcome are its suggestions in regard to relaxation for the tourists of restrictions on drinking. The Committee has recommended that facilities should be provided to enable foreign tourists to purchase,

carry or consume liquor with the minimum of formalities and that apart from the scheme of all-India liquor permits, provision be made in areas where there is partial prohibition, such as Delhi, to set apart a room in each hotel where both liquor and food can be served to foreigners and/or residents on all days, including "dry" days.

ALL-INDIA AGRICULTURAL SERVICE

At a two-day informal meeting of the State Agriculture Ministers, held in New Delhi last week, it was decided that an All-India Agricultural Service should be set up for removing the administrative backwardness of the Agricultural Departments in the States. Legislation for the formation of this service is hoped to be initiated during the next session of Parliament.

The creation of a full-fledged Indian Agricultural Service, capable of attracting the best talent to the service of science and practice of agriculture, it may be recalled, had been recommended by the Agricultural Administration Committee, popularly known as the Nalagarh Committee, set up by the Government of India in February, 1958, to undertake a detailed examination of the question of reorganisation of agricultural administration in the country. The Committee, in its report, had expressed concern over the low morale and frustration prevailing among the agricultural services in the States because they were treated as minor ones, and little attention was paid to build up stable departments manned by persons with adequate competence. The Committee had further stated that if the unit-area yields of agricultural crops and the total farm output had to be increased rapidly for fulfilling the needs of a growing population and an expanding industrial economy, it was necessary to remove administrative backwardness in the agricultural departments.

The formation of this service should go a long way in streamlining the agricultural administration, a process started recently. Since the officers manning this service will have a higher status than hitherto, they will be able to elicit better response from the agriculturists. They should also be in a better position to forge co-ordinating links among the various State Departments connected with agricultural development. Their transfers from one State to another should further help in the dissemination of the technological improvements being effected in different States. Instances have not been lacking in the past of such knowledge travelling from one State to another at not more than a snail's pace. There is the case-row), 'titan' and Nagpuri yoke, which can help in increasing unit-area yields, and have been very popular in Maharashtra, Gujarat, southern parts of Madhya Pradesh, western parts of Andhra Pradesh and northern parts of Mysore for centuries, having not found their way to the other parts of the country and even to the adjacent areas in Madras and Kerala.



BORDER STATE CHIEF MINISTER!

September 13, 1963

FROM THE PRESS GALLERY

Triumph of the Trio

By Our Parliamentary Correspondent

NEW DELHI: Tuesday

IT MAY BE said to the credit of the Ministerial trio who were recently moved to the key portfolios of Home, Finance and Food and Agriculture that they acquitted themselves remarkably well in important discussions in which they participated in Lok Sabha in the last few days. Mr. T. T. Krishnamachari who spoke on the LIC and later on the issue of the nationalisation of banking demonstrated that his grasp of the nation's basic economic programmes was as clear and firm as ever. He slid into a lively discussion of controversial problems with practised ease and through two pithy speeches succeeded in creating the impression that he would address himself to his task as Finance Minister with the vigour which the country has come to expect of him.

Sardar Swaran Singh was also a success when he made his first speech as Minister for Food and Agriculture in Lok Sabha on Monday. While it is true that his approach to the problems of his Ministry is still essentially that of a lay man who is anxious to learn, he did impress the House by his commonsense attitude and with a certain restraint which he had the good sense to exercise while holding out promises of future performance. But it was Mr. Nanda who provided the big surprise. Winding up the discussion on "the three-anna controversy" of Dr. Lohia, Mr. Nanda spoke unusually clearly-headedly and not only exposed the shallowness of the Lohia statistics effectively but, what was more important, managed to give a balanced picture of the achievements and disappointments in our record of economic development over recent years.

No Nationalisation

Intervening in the debate on a non-official motion, moved by Mrs. Subhadra Joshi (Congress), on nationalisation of banks, the Union Finance Minister, Mr. T. T. Krishnamachari, ruled out such a step on the ground that the direct and immediate gain from it to the Government in the form of an addition to its income could not be great. He stressed that what was required at the present juncture was to devise ways and means whereby credit institutions could serve more adequately the needs of the economy. The rate of growth of the economy as it was organised at present depended to a large extent on the performance of the private sector. Owing to a variety of reasons there had been a comparative set-back in its performance both in industry and agriculture during the past two years. The issue that confronted the Government, therefore, was how to stimulate the growth of the economy.

Disclosing the various steps the Government contemplated with this end in view, Mr. Krishnamachari made three important pronouncements. Firstly, he said, the question of placing further funds at the disposal of the Refinance Corporation for Industry was under consideration as it had disbursed or entered into commitments which would exhaust all the resources available to it. Secondly, the Government was thinking of enlarging considerably the scope of the Industrial Finance Corporation so as to convert it into a Development Bank with a broader capital base. The third important step proposed to be taken was the setting up of a Unit Trust which would provide a source for investment of savings of persons in the middle and lower-income groups without risks of

capital depreciation or capital erosion. This Trust, Mr. Krishnamachari expected, would be in a position to finance many new and and deserving enterprises.

Mr. Krishnamachari also pointed out that there was already a public sector in the Indian banking industry and this controlled 30 per cent of the working funds of the entire banking system. (The reference was to the State Bank of India and its subsidiaries whose total deposits amounted to Rs. 700 crores). From the practical point of view, he said, it would be useful and effective if the Government concentrated on extending further the area of operation of the banks which were already in the public sector.

Referring to the malpractices indulged in by some banking institutions in the private sector, the Finance Minister stated that there were other means of preventing them. He disclosed that the Government was examining whether further amendments to the Banking Companies Act were possible to check the control of banks for undesirable purposes by particular groups or persons. Similar was the Finance Minister's approach to the question of avoiding concentration of wealth and economic power. "For preventing the concentration of ownership in the private sector, we shall have to rely on other legislative or administrative measures", he said. "Our plans which aim at steady expansion of the public sector and at strengthening the less privileged classes of the society are also designed with this end in view", he added.

The motion was lost by 119 voting against and only 27 in favour.

TTK on LIC

The two-hour debate on the annual report of the Life Insurance Corporation of India for the year 1961 was noteworthy for the solid, often sparkling, contribution made to the discussion of the Corporation's broad as well as basic problems by the Finance Minister. The Minister's assurance that steps would be taken to settle claims more promptly was one of the major gains from the debate.

Mr. Krishnamachari gave a clear exposition of his views on the directions in which the LIC's investment policy should be evolved. The basic objective of its policy, he said, should obviously be to promote the socio-economic ends in our planned development. For this purpose it was essential that there should be a wide diversification of the investments of the LIC's funds. Giving a pointed reply to the suggestion that the funds should be invested more and more in Government securities to reach the level of something like 60 to 70 per cent of the portfolio, he reminded the House that the depreciation in the LIC's investments resulting from such a course must be counter-balanced by investments which would positively make for adequate appreciation. He urged that investments in loans for housing for low-income groups and in warehouse construction for agriculture would be highly desirable. But the actual pattern and changes in the investment portfolio, he emphasized, must be left to the Chairman and the Board of Directors.

The criticism of the monolithic structure of the LIC, the Finance Minister suggested, was valid but this was no time to reopen the question. The right policy, at this stage, would be to eliminate or minimise the drawbacks which sprang from monolithic organisation by seeing that reasonable initiative

is left with Branch Managers through a progressive delegation of powers.

The Minister did not agree with the suggestion that the lower mortality ratio should prompt a general reduction in the premia on the policies. This plea had some cogency with regard to non-participating policies. The better course was to distribute higher bonus. The potential field for the spread of life insurance was the country-side. But fluctuations in rural prosperity, influenced largely by the fluctuating fortunes of agriculture, lack of sufficient educative propaganda and the reluctance of insurance workers to face the risks and hardships of penetrating this area were responsible for the slow progress of insurance in the rural areas. Yet another field of more intensive sales of insurance policies was the newly emerging industrial townships which do not appear to have been sufficiently exploited. Enthusiasm of insurance workers was a powerful factor in this context and Mr. Krishnamachari stressed that the best way to provide incentive to them was to continue the system of linking their remuneration with the business procured. He disagreed with those who pleaded for fixed remuneration for them. He agreed with Mr. Singhvi, who initiated the debate, that there was a legitimate cause for concern about the rise in the lapse ratio from 6.6 per cent in 1960 to 7 per cent in 1961. Partly this was due to the excessive enthusiasm of the insurance workers; but there was something to be said about the control at the higher levels over adherence to sound practices in accepting policies.

Question Hour

THE DISCUSSION on the ninth annual reports of the Indian Airlines Corporation and Air-India for the year ended March 1962, in the Upper House was quite lively. It was initiated by Mr. Arjun Arora (Congress). The managements of both the airlines earned more than a word of appreciation for the general efficiency with which the services were operated. But the participants took sufficient care to focus attention on the drawbacks especially in the working of the Indian Airlines Corporation. The mover's complaint that the IAC was spending too much of its financial resources on the purchase of foreign aircraft when it could make savings by switching over to Indian-made planes was not, however, quite encouraging. Mr. Ahmed Mohiuddin, Deputy Minister for Civil Aviation, in his reply, said that AVRO 748's manufactured in the country would be purchased, depending on their availability. He declined to accept a plea for the reduction of air fares to Tripura and pointed out that the losses incurred by the IAC in the Assam sector were appreciable, although they were being progressively brought down — Rs. 26.50 lakhs in 1960-61, Rs. 23 lakhs in 1961-62 and Rs. 22.33 lakhs in 1962-63. The overall financial picture was improving. Up to 1958 the loss incurred was Rs. 5.9 crores approximately, after which the IAC started breaking even. But as against this loss, its contribution to the exchequer by way of payment of excise duty and sales tax ought to be taken into consideration. It more than cancelled out subsidy paid. What is significant is that in 1960-61 it earned a profit of Rs. 20 lakhs, as Mr. Raj Bahadur laid stress in the course of his speech. The question of agreement to settle the grievances of pilots was being negotiated and a solution acceptable to both the parties was expected to emerge very soon. But no uniform solution could be found by way of the complete absorption of the grounded pilots.

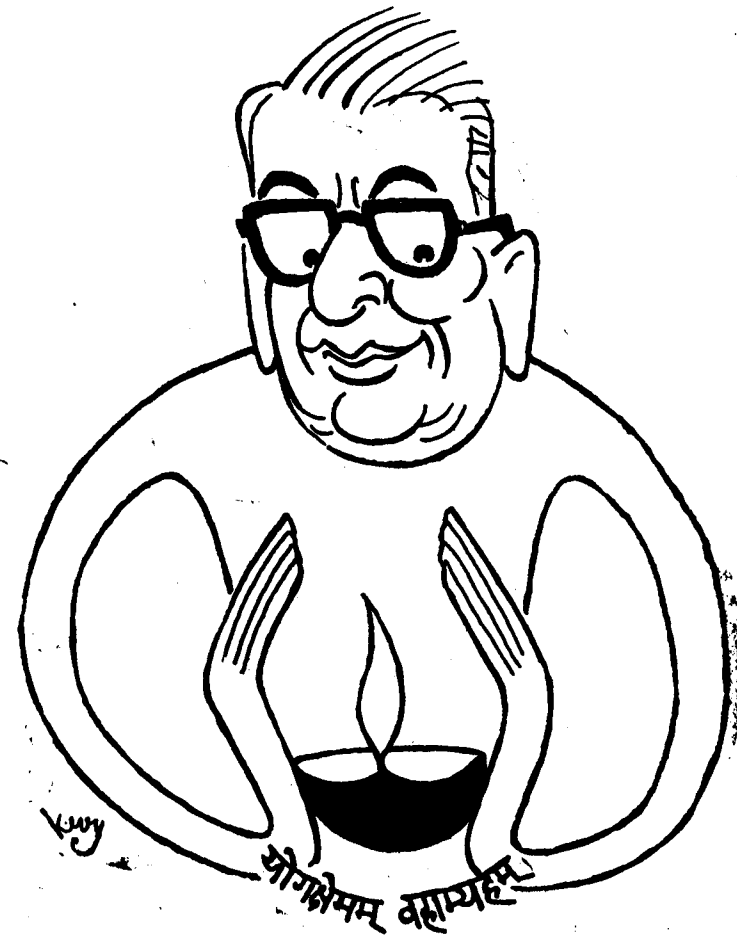
The tenor of the discussion on the working of Air-India showed unanimity in the judgment of the House on its operational and financial efficiency. It earned an operational profit of Rs. 77 lakhs in 1961-62 and of Rs. 117 lakhs in 1962-63. Mr. Raj Bahadur had no difficulty in disposing of two points of lesser importance that were raised in criticism of

Air-India's working. He explained to the House that in the highly competitive market of international aviation, publicity was of great importance and in the light of the traffic attracted by Air-India it was justified. He pointed out that expenditure of this Corporation on publicity was being reduced. From 6 per cent of the total expenditure in 1961-62 it was brought down to 5.3 per cent in 1962-63. He explained that purchase of spares and components in the United States through the agency of Tatas was to the advantage of Air-India. In any case it was an interim arrangement until a State agency could be set up. As it is the commission of 2.5 per cent paid to Tatas in this behalf was only 2.5 per cent on the average, which was the lowest in any part of the world.

MIG Manufacture

In the Lok Sabha the Minister of Defence Production, Mr. K. Raghuramiah, gave some broad facts about the project of manufacture of MIG-21's in India. This project envisages the establishment of two factories — one for air-frames in Maharashtra and the other for engines in Orissa. The Governments of the two States will take preliminary steps soon to expedite the work of civilian construction. But the major issue of real interest evinced by the House was centred in the agreement with the Soviet Union and the military aspects of the deal. Mr. Raghuramiah went only so far as to say that the manufacture of MIG's would start by about 1965. He made the general statement that the question of introducing some technical improvements in the MIG-21's to be manufactured in this country was under consideration between the two Governments concerned.

At this stage the Prime Minister had to make intervention and explain that the Government was not keen on maintaining strict secrecy on all the aspects of the agreement. But



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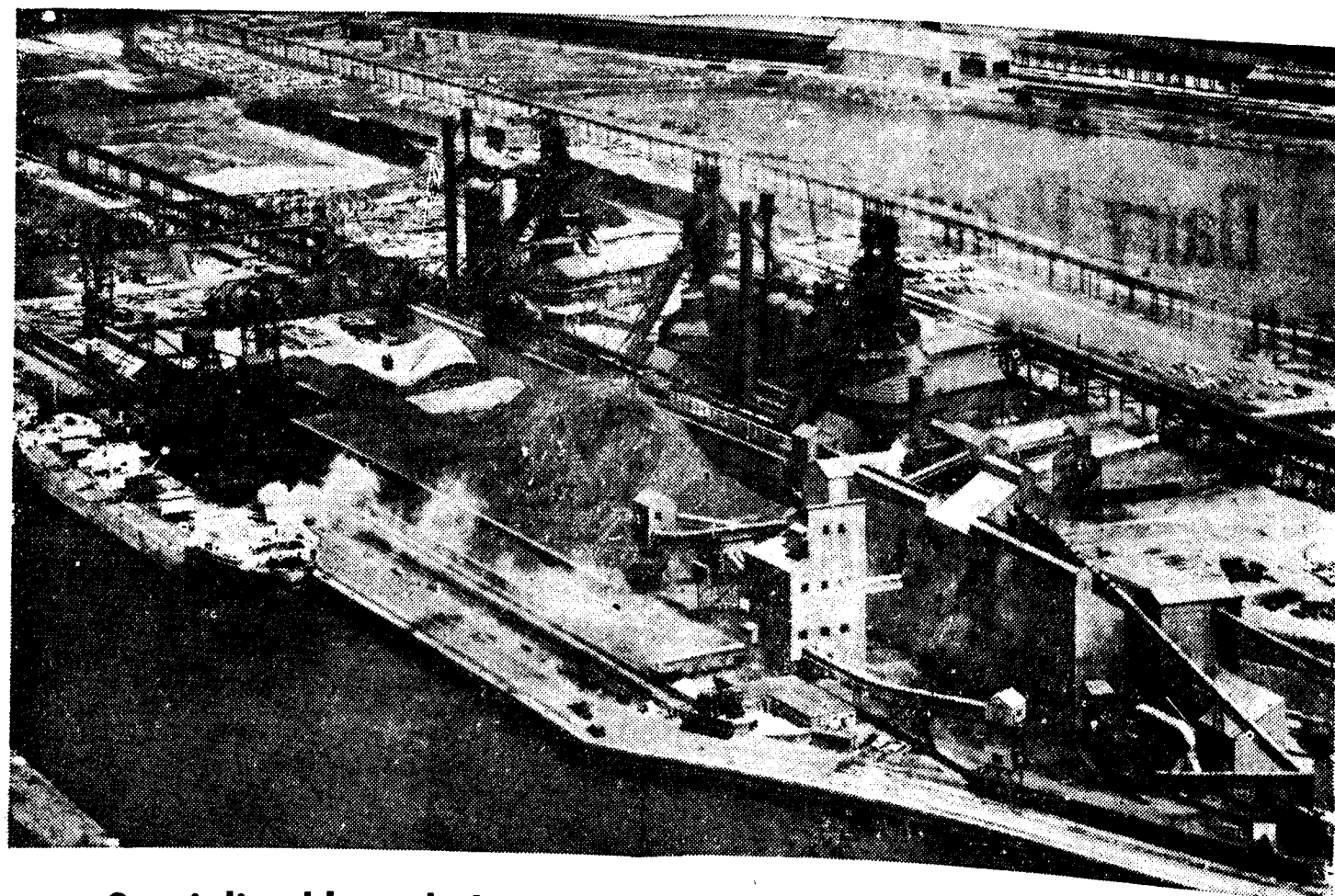
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Moscow was equally vitally concerned with the terms of the agreement and any disclosure of those conditions might cause embarrassment to it. One fact, however, was made clear beyond doubt. When the supplementaries were directed towards the MIG's to be imported from Russia, the Prime Minister categorically told the House that no conditions were imposed preventing India from using the MIG's for fighting purposes. Up to now, as the Minister of Defence Production stated, seven MIG's were received from Russia. So far seven pilots of the IAF had been given complete training in the Soviet Union on the MIG's. Besides, another batch of 12 pilots and 84 other ranks were undergoing training on the MIG's.

Sugar Export

Mr. A. M. Thomas, Deputy Minister of Food, stated that during this year it would not be necessary to subsidise the export of sugar. This was because international prices were ruling high. In the U.S. they were Rs. 632 per metric ton, in Canada Rs. 630, in Japan Rs. 700 and in Malaya Rs. 750. In India the cost of production was around Rs. 700 per metric ton. The Minister expressed the hope that next year India would export 300,000 tonnes of sugar.

Excise Revenue from Sugar

The Finance Minister gave details, statewide, of the excise duty on sugar received from the various States by the Central Government from 1947-48 to June 12, 1963. A specific question was put whether the excise duty received upto now during the current financial year was low and what was likely to be received during the rest of the period would be much lower than in the previous years. He qualified his reply by stating that while firm estimates cannot be made of the trends in the last three quarters of the current year on the basis of the collections of the first quarter, it might be that the total excise duty during 1963-64 would be lower than what was realized last year. The aggregate excise duty on sugar in the whole of India is tabulated below:

		(Rs. in crores)	
Year	Amount	Year	Amount
1947-48	4.43	1956-57	20.80
1948-49	6.31	1957-58	43.26
1949-50	7.10	1958-59	60.36
1950-51	6.58	1959-60	59.55
1951-52	8.49	1960-61	54.65
1952-53	9.91	1961-62	59.48
1953-54	14.36	1962-63	75.56
1954-55	8.10	1963-64	
1955-56	18.69	(April-June)	16.53

Fuels

Lubricants Plant: Mr. O. V. Alagesan, Minister of Mines and Fuel, informed the Lok Sabha that Government had finalized the project to set up a plant for lubricants in collaboration with Esso. A new Indian company will be established for the production of the lubricants and the plant will have a capacity of about 145,000 tons per year. Its cost is estimated to be Rs. 7.1 crores which is exclusive of the working capital. The Government of India and Esso will hold equal shares in the capital of this company.

Oil Research: The Minister of Mines and Fuel stated in the Lower House that the Training Research Wing of the Oil and Natural Gas Commission (Institute for Petroleum Exploration) had been established at Dehra Dun and had got off to a start with selected problems of applied research for investigation. The training classes are of three months' dura-

tion. A beginning was made in August 1963, for imparting training to Geophysicists, Well Site Geologists and Mud-Chemists. The Project Manager in-charge of the Wing is Prof. N. A. Kremenko who joined the Institute in December 1962. Six Indian experts and eight foreign experts are to be posted in this Institute. Procurement of equipment is under progress.

Manganese Ore: Mr. O. V. Alagesan disclosed in the Lok Sabha that there had been a small decline in the production of manganese ore in Bihar and Orissa in the first half of 1963 as compared to the same period of 1962. This was due to the stoppage of mining operations in some of the mines due to the non-renewal of their leases by the State Governments. Also, the depression in this industry had its adverse effect on output. But he emphasized that incentives were being provided for manganese export. These incentives were concessions on freights and permission to utilise 5 per cent of the foreign exchange earned by exporters for importing mining equipment and machinery for modernization. The foreign exchange entitlement was, of course, linked with cash sales. A Special Committee is studying the problems of this industry.

Mineral Industry in Goa

Mr. O. V. Alagesan gave the Lower House the broad particulars of measures for stimulating the mineral industry in Goa State which possesses potential resources. The Government of Goa, Daman and Diu had agreed to extend the Mines and Minerals (Regulation and Development) Act, 1957, for a systematic development of minerals on a scientific basis. The different sets of rules framed under this Act would also be applied to the Goa region. The Central Government had given its approval for a scheme to set up a palletisation plant in Goa for the iron ore situated there. It is already a widely publicised fact that the feasibility of establishing a steel plant in the Goa-Hospet region with a capacity of 1.5 million tons of steel ingots is under active investigation. The Government Mining Department in Goa is being thoroughly reorganized to cope with the new responsibilities. The Geological Survey of India is conducting an intensive survey in this region to assess the availability of various minerals. Power supply, roads and port facilities in Goa are being rationalized under a priority plan of development in this State.

Subsidy for Coal Shipping: The Minister of Mines and Fuel disclosed in the Lok Sabha that during the financial year 1962-63 subsidy to the tune of Rs. 3.56 crores was made by the Central Government as a measure to meet the higher cost of transport of coal by coastal shipping.

Compensation to Coal Industry: Replying to a series of questions about financial encouragement to the coal industry Mr. O. V. Alagesan stated in the Lok Sabha that it was Government's policy to provide financial aids and incentives, within reasonable limits, to the coal industry for its expansion and modernisation. The import duty on selected items of machinery and equipment has already been reduced. Government proposed to increase the development rebate admissible for the purpose of assessment of income-tax in respect of new plant or machinery for mining coal purchased between April 1, 1963 to March 31, 1966. The rate of the rebate is to be increased from 20 per cent as at present to 25 per cent of the cost of the machinery and equipment. The Income Tax Act would soon be amended for this purpose. The obligation to earmark 75 per cent of the development rebate for future expansion will apply to this industry as in the case of other beneficiaries of the rebate. The industry is pressing its claim for an increase in the price of coal on various grounds, particularly those of rising production costs; but so far Government has not accepted this request.

Produce or Perish

By R. G. HARDIKAR

HUMAN BEINGS fall into two distinctive groups, not as male and female, but as advanced or backward. The Bagias in Hazaribagh district in Bihar are good iron-smelters. Their products compare well with Sheffield steel. But the bellows they use are primitive. Those that use leather bellows belong to one caste; others who manipulate bellows made out of leaves to another. The fishing boats made on the east coast of Madras are good so far as their hydrodynamics is concerned. But when a boat capsizes it is buried on the beach nearby. It is believed to be possessed by the devil. To appease evil spirits and obtain better crops certain of our aboriginals sacrifice human beings even today. To them this is no murder. Increased productivity is the incentive.

Civilized persons adopt different methods. They rely on scientific technique, not on supernatural prowess for increased output, be it agricultural or industrial.

In the biological evolution, it was "survival of the fittest". In modern times it is mass production for mass consumption at progressively diminishing costs. "Produce or perish" is the war cry. It first began to be appreciated in the New World that high wages were not detrimental to economic progress. "Mr. Jones' employees are Mr. Smith's customers." High wages promote domestic consumption of manufactured goods. Automatic machinery and costly labour-saving equipment, on the other hand, lower production costs. Only, workers must put in optimum effort to make the enterprise a success. This realization ushered in healthier human relations all the world over. In progressively lowering production costs the management and personnel have identical interests in their undertaking. As the motive behind such a co-ordinated effort is both utilitarian and humanitarian the contemporary worker must function at maximum efficiency to give his best. The factory worker no longer deals with a proprietor blessed with any divine rights. Not profits but mass production for mass consumption is the new goal to be reached, by management and personnel jointly.

At the end of the first World War trade unions in Europe took to training their members so that employers would find hiring them gainful. The employees, on their part, looked upon such training as insurance against periodic unemployment which became a regular feature in most industries everywhere. Search for more and still more output during and after the last World War brought to light the pressing need for the employer to undertake training of his employees himself at his own cost. To train, it was soon discovered, was cheaper than not to train. Success in an enterprise could not be achieved merely by installing costly and intricate plant and equipment.

Just as the fighting forces in a modern war must know what they are fighting for so must the personnel in every concern realise what each one is striving after. Our industrial workers are not necessarily slovenly trouble-makers. They too have the universal urge to be respected by their neighbours. Will they not, therefore, whole-heartedly co-operate in the fulfilment of that universal human desire to see that their offspring have better times than they themselves have had or are having? True, our workers, especially after the end of the second World War, are wanting to earn more and more but work less and less for it. The responsibility of

educating them rests squarely and equally on managements and trade unions.

Our industrial personnel is recruited from three classes. Artisan, agricultural and never-did-well-at-school sons of white collar workers. Factories over 500 strong are generally multi-lingual. The personnel of larger ones even belongs to different religions and ethnic groups. The union leaders, however, seldom hail from these ranks. They are almost always rank outsiders, hunting for political careers. Often they are opportunists and have proved themselves turn-coats. Their deliberations and wrangles are for 'demands' or against 'exploitation'. The workers too are known to join a union only when they are in trouble, often an alleged theft, breach of safety rules or some other gross misconduct. Seldom does one hear of an attempt either on the part of the unions or on the part of the employers to tell the workers that those who eat least sleep most is true. But then the converse of the proposition is also equally true. Those who sleep most eat least. Naturally. Americans are known to slog hard. They eat more than most other nationals and wash it down with plenty of good milk. Nearer home, people from Punjab consume a lot of good milk. They work harder than others elsewhere in India. They have a higher standard of physical fitness too. The necessity of working hard was stressed very aptly by Mr. Khrushchev when he said that "labour productivity must always be one jump ahead of the growth of wages."

I can think of no country other than Switzerland which has benefited the most by hard work. Traditionally the Swiss are frugal craftsmen. It is by exporting the products of her small labour force that Switzerland has succeeded, even after the last war, in acquiring enough foreign exchange to attain an average standard of living which is perhaps the highest in the world today.

To my mind the best way to educate our factory staff is to tell them how their opposite numbers in other parts of the world live and work. Unlike in India, the Swiss factory hands are not given to gossiping. The Swiss work hard. "Work sweetens life", they say. The Swiss worker looks upon supervisory mate, a sirdar or a mukadam verily as a parasite. Nor does he ask for and depend on a helper to rig his tool box about. He does not want a semi-skilled practices are wasteful and injurious to his own interests. They betray class-consciousness. The Swiss industrial worker is a first rate artist with his file, be he an electrician, turner, machinist or even a cable jointer. During his spare moments he attends to his machine and tools; he does not while away time, waiting for a fresh job.

GROW MORE

SAVE MORE

WORK MORE

WINDOW ON THE WORLD

Home Truths for the US

By PAUL BAREAU

LONDON:

AT LAST the United States has come to realise that it might be possible to improve the international payments system which over the past few years has come to lean so heavily on the U.S. dollar. Gone is the connatent self-assurance with which President Kennedy told us just about a year ago by the device of the new 'relistar communications satellite that the dollar was "as good as gold." Gone, too, is the mood which, with a touch of arrogance, dismissed the initiative taken by Britain's Chancellor of the Exchequer, Mr. Maudling, to make some improvement in the International Monetary Fund mechanism.

Since that plan was rebuffed at the I.M.F. meeting last year a great deal has happened. To begin with, the U.S. balance of payments deficit which was scheduled to be removed and replaced by a surplus by 1964, has proved ominously resistant to the measures applied for its removal. Secondly, a number of supplementary defences have had to be erected to defend the dollar. Interest rates in the United States have been increased. The United States has swallowed the excessive dignity which has in the past prevented her from seeking assistance from the I.M.F. and has in fact established a standby credit of \$500 million. Last and by no means least, the basic principles of complete convertibility of the dollar and freedom of the American capital market have been slightly tampered with by the proposal to impose a selective tax on foreign issue in the New York market and on the purchase of foreign securities by American residents.

Changed Approach

Beyond these developments, and of much greater importance, has come a growing realisation in the United States that their duty to the world is not necessarily the same as that their duty to themselves. In the past Washington has tended their duty to themselves. In the past Washington has tended to argue, "let us solve our balance of payments problem and the world can only benefit from the consequent strengthening of the dollar." A very different sentiment emerged from the message on the balance of payments which President Kennedy sent recently to the United States Congress. In this he said that the United States was bent on solving its balance of payments problem but he added that the United States would also continue to study and discuss with other countries measures which might be taken for a further strengthening of the international monetary system over the longer ening of the international monetary system over the longer run; and he explained why adequate provision must now be made for the growth of international liquidity to finance expanding world trade: it was that "new sources of liquidity may well be needed because as we close our payments gap we will cut down our provision of dollars to the rest of the world."

These sentiments open up a new vista for the impending I.M.F. meeting. It now looks as though the fundamental problems of international payments and of the adequacy of international reserves will be considered. The attitude which international reserves will be considered. The attitude which will be taken up by the United States has been spelt out with some precision in the report on the U.S. balance of payments drawn up by the Brookings Institution of Washington. This is a semi-official organisation of the highest stand-

ing, which was wisely used for this purpose, precisely because it is not wholly official and because its suggestions can be regarded as a basis for discussion and not as the expression of official opinion. This report, having set out the ways by which the U.S. balance of payments deficit might be removed and tentatively given 1968 as the date by which this objective might be achieved, then went on to discuss what the repercussions of this might be for world liquidity and reserves, assuming other things to remain equal.

The reasoning is one which is by no means unfamiliar but which has previously failed to receive any serious official hearing in the United States. It is that the U.S. balance of payments deficit has over the past decade done a great deal of good by stealth. It has provided the rest of the world with dollars which have over this period constituted the truly dynamic element in the expansion of world reserves. The process may have been fraught with difficulties. Central banks have in recent times shown increasing reluctance about holding these dollars and not converting them into gold. All kinds of devices have had to be improvised, mutual credits, swap arrangements, and the like, in order to overcome this reluctance. But the fact remains that had it not been for this expansion of international reserves, the world over the past ten years would have been hard put to it to find the wherewithal, in terms of international liquidity, to finance international trade and the movement of capital.

Revamping IMF

If, therefore, this deficit disappears and is converted into a surplus, a contractionist force on world reserves will immediately become operative and the world may well meet a crisis of liquidity. That great truth has now dawned on official American consciousness and this, in its turn, has awakened interest in the improvement of the international payments system. The Brookings Institution makes two suggestions. The first is for a revamping of the I.M.F. or the establishment of a new international institution which would act as a genuine international central bank able to create or cancel international credit by its own operations. This would be following a trail which has been blazed by many authorities beginning with Lord Keynes's Clearing Union of 1943, the much later proposals sponsored by Professor Triffin and more recently the tentative plan that was put forward by Mr. Reginald Maudling.

A second proposal to be considered if the first fails, is that the currencies of the free world should be divided into two blocs, one of them centred around the two reserve currencies, dollars and sterling, and the other around the currencies of continental Europe. Within each bloc there would be exchange stability but as between the two a regime of flexible exchange rates. This would help to take the pressure off the reserve currencies by allowing them to depreciate in terms of those which now hold the main creditor position. But, it would undermine the whole I.M.F. system, remove what was left of the reserve functions of the dollar and sterling and thus call for some version of the first remedial formula, namely, a complete readjustment of the international payments system, including the I.M.F.

Since the debate on this issue will be reopened in earnest

at the I.M.F. meeting it is almost certain that we shall once again hear the familiar pleas for an increase in the world price of gold. This would increase liquidity, it would bring out of hoards a vast amount of gold which has in recent years been withheld from the central banks, and it would encourage additional production of gold and thus provide a sustained contribution to the growth of world reserves.

The case for a higher gold price has in the past been

persistently shot down by the United States with the argument that this would give undue and unmerited benefit to the Soviet Union. Now that the test ban treaty has been signed and the champagne glasses are clinking between Washington and Moscow, even this argument may have lost a little of its force,—though let it be added that another and even bigger beneficiary, South Africa, is now well and truly in the American dog-house.

Geneva Talks Resume

From Our Special Correspondent

PARIS:

ON SEPT. 18 in Geneva discussion will be resumed in the three sub-committees appointed by GATT at the end of June to clear the ground for the Kennedy Round, i.e. the tariff reductions between (in the first instance) the Common Market and the USA, as suggested in the Trade Expansion Act. The progress of these important negotiations has been overshadowed by the fortunes of the "chicken war": overshadowed in the public mind because the poultry opera is much simpler to follow, but overshadowed in the official mind too, because the terms of settlement in the fowlyard battle will decisively influence the atmosphere in which the Geneva talks are resumed. At the present moment, it appears that the chicken war is evolving toward an armistice; this will not be finally signed by Sept 18 but the parties will have ceased rattling the sabre of tariff reprisals, so conditions in Geneva should be more serene.

Compromise Solution

Writing before the event, one can say that the likely shot of the squabble about import duties on American chickens will be that West Germany's partners will convince her of the necessity to accept the solution all along proposed by the ECM Commission: a small reduction in those duties, which will then remain high enough to bring down US sales in the Common Market from last year's \$52.6 million but will not shut out American birds altogether. German poultry farmers are still saying that any such concession will be disastrous, but the Commission thinks that it will be possible to leave the Americans a modest share of the European poultry market without compromising the development of the local industry. In any event, the Americans will lose something of the quite abnormal gains they made in the European market in the last few years, and will demand compensation in other fields. This will give rise to a considerable amount of haggling. Washington said that, if duties stay where they are now, US losses would be \$46 million a year, whereas Brussels calculated that the loss would be \$19 million. Similar discrepancies will emerge in reckonings of the cost of whatever compromise formula is adopted. Even when a figure is settled upon, the Six will have to agree on the equivalent compensations to offer the USA. All this is very complicated and will take time, but we are a long way from the showdown that was looming up when Washington menaced to resort to tariff reprisals.

Nevertheless, it was the threat of reprisals that led the West Germans to surrender on this issue, and it is important to note this fact as the Geneva talks get going again. Tempers will be cooler next week on Lake Lemman than they would have been if two days before the meeting Washington had published an arbitrary list of punitive imposts on selected Common Market exports. But everyone will know that, though a head-on clash was avoided this time, the menace of ruthless

trade war is behind all the diplomatic formulas that will be exchanged in Geneva. The Americans might have the idea that, even when they have a very poor case (as over poultry), they can still have their way by thumping on the table and seeking to split the united front of the Six by means of penalty tariffs doled out according to how "co-operative" each capital shows itself. Indeed, those tactics worked in the chicken affair but one should note that in this case the ECM Commission was from the start in favour of concessions to the USA and that Bonn, the least capable of resisting American pressure, was the only capital opposed to them. Similar tactics would not necessarily work on an issue where the ECM Commission (which has confirmed itself as the conscience of the Six)



Mr. J. L. Bhatti, Minister in charge of the Department of Supply and the Department of Technical Development will be temporarily Minister in the Ministry of Labour and Employment.

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advised governments to resist, and where Paris took the lead of the opposition.

That will be the case in many of the questions that the GATT sub-committees have to debate. Two of those groups have not even met yet, those concerned with agriculture and with non-tariff obstacles to trade (meaning disguised American protectionism). The one that has held meetings has made what diplomats call progress, i.e. made starker the points of total opposition. It is concerned with defining "notable disparities" in tariffs charged by the USA, on the one hand, and by the Common Market in its common external duty wall, on the other. It will be remembered that the Americans innocently suggested across-the-board cuts of 50 per cent in all tariffs. The Six agreed that this would serve as a general rule but pointed out that there were many cases where American duties were so much higher than European that it would not serve to halve both, but "special rules" would have to be applied to eliminate disparities. Specifically, the Six insisted on the circumstance that only one in a hundred of their common duties was higher than 30 per cent ad valorem, whereas 22 out of a hundred American duties were so. This disproportion would have to go before a simple halving of duties could be regarded as fair.

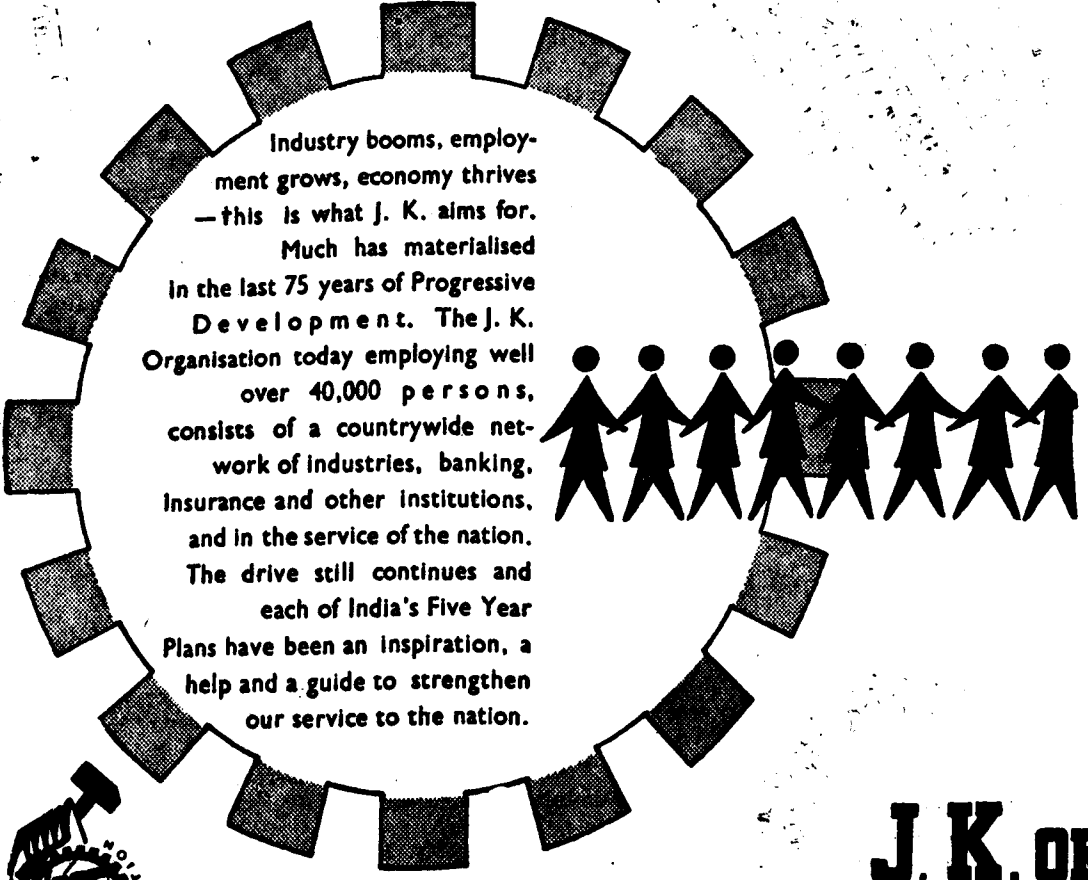
After first denying that there was any problem here, the Americans agreed that really outrageous discrepancies would have to be removed. They suggested that wherever their duty was more than one-and-four-fifths of the corresponding European tariff, the case should be declared one of "notable disparity" and some special rules worked out to deal with it. The Six have replied that this would still leave too much advantage on the American side; they are arguing that any

American duty that exceeds 40 or 50 per cent ad valorem (no matter what the corresponding European tariff may be) should be declared a special case, and moreover wherever an American tariff is one-and-one-third of the corresponding European duty this should be regarded as a notable disparity.

Limited Accord

That is as far as matters have gone, and you will agree that it is not very far — because not only cannot the experts settle on what constitutes a notable disparity, but they have not even discussed yet what should be done about such exaggerated differences where they plainly exist. That is, in a case where the European duty on a chemical product was 20 per cent and the American tariff on the same product was 80 per cent (and such cases exist), everyone would presumably consent that this is a special case where it will not do just to halve both duties, but there is no agreement about what "special rules" should then be applied. The Europeans have in mind that the US duty should be cut heavily, but supposing the American negotiators in Geneva thought so too they would have to convince their chemical industry — and Congress, which has empowered the President to make only concessions that are matched by equivalent concessions in Europe.

Discussion of these delicate questions will not be made any easier by the bearing of teeth that went on during the brief chicken war, but nor is it assisted by the contradictory evolution of the USA's external accounts: a growing payments deficit combined with a growing trade surplus in commerce with the Common Market. On the one hand, the disappointing results achieved by President Kennedy's July series of



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dollar-defence measures (especially after Canada had been exempted from the equalisation tax on loans) mean that more and more emphasis will have to be placed on increasing the trade surplus. Since the Geneva talks seem, from Washington, to be the readiest means of doing this, the Americans will be more determined than ever to force concessions from the Common Market.

On the other hand, the continued deterioration of their trade accounts with the USA must incline the Six to refuse such concessions because their trans-Atlantic deficit is beginning to assume alarming proportions even before they have agreed to lower duties on American goods. This deterioration has gathered pace since the Kennedy Plan was first mooted, and the latest figures, those for July, reveal that the Common Market's dollar deficit has increased further. The reason is not far to seek: wholesale prices have risen 6 per cent in several Common Market countries in the same period that they fell by one per cent in the USA.

The table opposite shows the average monthly deficit of the Common Market countries in their trade with the USA (in millions of dollars).

These are monthly figures; the annual deficit of the Six is obviously very large for the simple reason that they have increased their purchases in the USA by 30 per cent in three years while the Americans have bought only 6 per cent more in the Common Market. With figures like these in hand, it

should be easy for the Six to argue that the Americans have chosen an unsuitable moment to accuse them of protectionism and to present a tariff-reduction scheme of which the main object is to boost US sales in Europe "in return" for a negligible and uncertain increase in European sales in the USA. It should be easy, but the argument did not impress the Americans during the chicken war: a loss of \$30 million in poultry sales annually would have represented only one hundred-and-fiftieth part of US sales in Europe and only one-thirtieth of the Common Market's deficit, and yet we have seen with what determination the USA refused to accept the new poultry tariff. If their attitude is the same in Geneva, the talks that resume next week promise to be stormy.

	All ECM	France	West Germany	Italy	Holland	Belgium-Luxemburg
1960	132	29	44	24	33	3
1961	152	26	54	40	31	Nil
1962	167	30	65	36	34	3
1963 to date	212	43	85	47	34	3

Australian Budget: 1963-64

By HYLDA A. ROLFE

THE FEDERAL Budget brought down on August 13 provides some stimulus to the economy, but after a year of expansion coupled with a fair degree of stability, hopes for tax relief remain unfulfilled.

A major move was the increase of 1963-64 immigration target to 135,000, an increase of 10,000 over the target for last year. This should result in a net increase of some 100,000 new settlers, with special emphasis on attracting professional people and skilled tradesmen. In order to meet the resultant increased demand for public utilities, housing, education facilities, and transport, the Government borrowing programme is to be increased by £17 million to a record total of £272 million. Savings banks' contributions to housing will also be increased, by about £110 million this year, by raising from 30% to 35% the proportion of current balances of savings depositors which may be invested in housing.

Primary industry came in for some major concessions, in keeping with the Government's emphasis on the continuing importance of the rural sector in Australia's overseas trading. A bounty of superphosphate fertilizer at the rate of £3 per ton is a measure designed to improve productivity of farm lands and pastures; in addition to the existing 20% special depreciation allowance for primary producers on plant and structural improvements, the Budget proposed an investment allowance of 20% on new plant and equipment other than road vehicles. Thus, primary producers will be able to claim in the year in which eligible new plant and equipment is first installed, investment and depreciation allowances totalling 40% of the cost of the asset.

A further boost to the primary industry sector is an increase of £5 million in the capital of the Commonwealth Development Bank, which provides finance to assist primary production, or to establish or develop smaller industrial undertakings, in cases where it would not otherwise be

available on reasonable or appropriate terms.

Other major changes of the Budget were increases in some pensions; the removal of sales tax on all food for human consumption except confectionery, beverages and cordials; an increase of more than £30 million to £251.7 million in defence spending, and an increase of some £5 million in Government spending on special developmental projects, such as the Blowering Dam in New South Wales for irrigation in the Murrumbidgee Valley.

The Budget makes no change in company tax rates, but introduces a new, alternative basis for valuing trading stock and permits the deduction of certain small business expenses. Retention allowances on income (other than property income) of private companies are increased. Minimum taxable income was increased from £105 to £209 for individual taxpayers and non-profit companies.

Overall reaction to the Budget by the business community was mild. There was some disappointment at the omission of tax cuts on the personal and company levels, but generally it was felt that, in a year which is expected to show further improvements in employment and output generated by the activity of 1962-63, sweeping tax cuts were not warranted. The Budget was framed in a context of an 8% increase in gross national product in 1962-63 over the preceding year, and with some uncertainty concerning the possibilities of overseas loan raisings in terms of the proposed interest Equalization Tax on new issues of foreign securities recently announced by the U.S. Administration.

The Treasurer (Mr. Holt) sees the Budget as having a strong expansive effect through increased expenditure on goods and services, and through proportionally increased reliance on borrowings to finance these expenditures.

LISTENING POSTS

Jute Mission Succeeds

By Our Special Correspondent

NEW DELHI:

THE OFFICIAL delegation of the representatives of the jute industry led by Mr. M. P. Birla, which recently visited the Soviet Union and the East European countries to explore possibilities of promoting further our trade in jute goods in those parts of the world, seems to have returned in a hopeful mood. The hopefulness is warranted by the fact that the Soviet Union has offered to double its offtake of jute goods of various descriptions immediately and accommodate more of our jute goods export to the Soviet Union, which is now at an annual rate of about Rs. 7 crores, should be stepped up to Rs. 14 crores next year and up to Rs. 20 crores over the next four years.

As regards other East European countries, their interest in our jute manufactures was found to be quite active and large. It is believed that these countries will be willing to import jute goods on an increasing scale, once bilateral trade agreements, which are due to be renewed shortly, are completed. Incidentally, with Indo-Soviet trade having already reached a high level and promising to expand rapidly in the coming years, a great deal of interest is shown in business circles in this country in the question of setting up an Indo-Soviet Chamber of Trade which will enable Indian businessmen to study the Soviet market more continuously and extensively, besides helping representatives of both sides to build up trade contacts. It is believed that such a move, when initiated, will be looked upon with favour by the Soviet authorities.

To meet the shortage of pig iron, a seven-point plan has been drawn up. Included in this programme are the following:

The schemes of Andhra Pradesh, Punjab and Gujarat to set up pig iron plants; two large furnaces at Bhilai and Durgapur anticipating the fourth Plan steel expansion; small furnaces in the three steelworks using nut coke as fuel; imports; and diversion of some pig iron from spun pipe manufacture to general foundry use.

The current assessment of demand of pig iron is placed at 1.5 million tons. Availability is about a million tons. The National Council of Applied Economic Research recently estimated that the demand for pig iron in 1965-66 would be 2.1 million tons and would increase to 3.7 million tons in 1970-71.

The main producers of pig iron today are three, namely, Bhilai and Durgapur steel mills each producing 350,000 tons annually and Indian Iron at Burnpur having a capacity of about 250,000 tons. (Burnpur mainly feeds Kulti.) The relatively smaller producers are: Rourkela Steel Mill (about 80,000 tons last year); Mysore Steel Works (mainly used in own foundries); Barabil (25,000 tons); and Acme (15,000 tons). But by 1965-66, Rourkela will have no surplus pig iron for sale. Mysore is today self-sufficient, but when its steel expansion is complete in 1964, Mysore will become dependent on outside pig iron to the extent of about 50,000 - 55,000 tons to keep its foundries going. The prospects, therefore, are that if the demand estimates are right, India shall have a pig iron deficit of a million tons in 1965-66 and 2.7 million tons in 1970-71.

How to meet this demand is the problem. It should be conceded that parts of the 7-point programme, like the diversion of pig iron from spun pipe manufacture to general foundry use, setting up a large furnace in Bhilai in anticipation of the steel expansion programme, and imports, are, in every sense, short-term solutions.

For example, the large furnaces at Durgapur and Bhilai, when set up (by 1965-66, at best), can fill only part of the deficit for three years at most.

Import of relatively small tonnages — 100,000 - 200,000 — is certainly possible. But India cannot import a million tons or more because even if money were available it would be difficult to buy pig iron at a reasonable price.

The long-term solution clearly, therefore, is to plan additional production. With large reserves of iron ore and limestone, it will be unwise to import pig iron except as a temporary measure. Coal will no doubt be a problem. But it is a problem to be faced and solved. If Indian coal were not available, it will have to be imported. The following are the licensed or approved schemes the progress of which has been painfully slow:

The schemes licensed are: The expansion of the Barabil plant by 85,000 tons; Kamani Industrial Corporation, Udaipur; Birla Gwalior, Chanda; Kalinga Industries, Khammam; Andhra Cements in Andhra Pradesh.

Of the schemes, Orissa Industrial Development Corporation (formerly Kalingas) have placed orders for plant and equipment. For Kamanis, import has been cleared under the Yugoslav credit. The Birla Gwalior scheme is in trouble about the Lohara iron ore deposits which are under litigation. Even if this problem were resolved, there is no nut coke. In the case of Kalinga scheme at Khammam and the Andhra Cement scheme progress has been slow. Kalingas have been talking to Koppers for a long time. They have time till the end of August 1963 to submit firm proposals. In the case of Andhra Cements, negotiations are yet to begin. In the result, only two schemes (Barabil and Kamanis) with a total capacity of about 200,000 tons are likely to come up.

Besides the schemes licensed, there are a number of applications under consideration. These are:

Scheme	Capacity tons
1. Andhra Pradesh Industrial Development Corporation, Kothagudem	100,000
2. Dempo, Goa	100,000
3. Punjab Iron and Steel Works, Mohinder-garh	100,000
4. Vummidiars, Madras	20,000
5. V. Ramakrishna, Tiruvottiyur	20,000
6. Krishna Industrial Corporation, Howrah	50,000
7. Chowgule, Ratnagiri	240,000
8. Mysore	120,000

It is too early to say which of these will materialise. If coke imports are permitted, Chowgule and Dempo are near-certainties. So is Mysore, if 40,000 tons of coke were found. Vummidiars and V. Ramakrishna also might come up. Andhra and Punjab are only now beginning to show a certain degree of seriousness.

One has to accept the fact that Steel is as important as pig iron and therefore new locations for pig iron production have to be investigated. Recently the following locations were indicated: Visakhapatnam, Goa, Paradip, Bellary, Hospet, Bailadilla, Talcher, Rowghat and Bonai.

The Ministry of Mines and Fuel have recently estimated the availability of clean coal at 720-900 million tons. Even accepting the higher figure, the reserves, on a steel production target of 18 million tons, will last only 30 years. The steel

complex inland can be, at the end of the fifth Plan, 18-20 million tons. It is relatively more economic to use imported coals at coastal plants and stretch our own coal reserves for use in inland plants.

Production based on imported coal/coke is not necessarily uneconomic. The Japanese example is before us all.

Import of coal in the long-term, therefore, appears inevitable.

The possible locations are surveyed as under:

i. Visakhapatnam:

From a first look, it would seem that Visakhapatnam will not have enough water to sustain a large steel plant. But it may have for a pig iron plant. This will be based on Bailadilla ore.

ii. Paradip:

The port at Paradip is being developed to export 2 million tons of iron ore. It is a possible site for a small steelworks. Iron ore and limestone are available nearby. A plant at Paradip can be developed in two stages for pig iron production first and later for steelmaking. Even at the second stage, we can deliberately leave surplus iron capacity.

iii. Goa:

Goa can, it would seem, sustain a medium size steelworks. Land is a problem. But there might be sufficient land available for a small steelworks and a pig iron plant. The Dempo scheme is for 100,000 tons pig iron plant. This can be made larger and economic.

iv. Ratnagiri:

The Chowgule scheme for 240,000 tons can be revised to produce 300,000 tons or so.

v. Cuddalore:

An iron plant at Cuddalore can be based on Bellary-Hospet ores which flow out for export through the port.

vi. Barajamda:

The Barajamda area is the centre of numerous small iron ore mines. There is a slump in ore mining in the area. Coal can be brought in by wagons which now come empty.

vii. Rowghat:

The area is yet to be developed but the same conditions will apply as for Barajamda.

viii. Mohindergarh:

Demand-wise, this is an excellent location. But coke is the problem. Possibly this can be supplied from Durgapur.

Significant Factors

The further problem that arises is whether the new plants should be Government-owned or left to the private entrepreneur. Here, two factors have significance. The first is site; and the second, price. These are inter-linked.

To take size first. Government, in 1956 or 1957 with the Industrial Policy Resolution in view, restricted size of pig iron plants in the private sector to 15,000 tons. The size was later increased to 100,000 tons. Recently, in the case of Chowgule, the Government has accepted, in principle, an even larger size. It is now established that a large furnace, in every sense, will be more economic than a small one. In a planned economy, Government can always ensure that it has sufficient control over the production, the distribution and the price of the product. In this view, Government could permit the private entrepreneur, wherever he is willing to set up pig iron capacity irrespective of size.

The plea for putting up large merchant furnaces in preference to smaller ones is actuated by many reasons. Firstly, the product is cheaper. Secondly, small furnaces will have to be based on nut/pearl coke of which India have little or nothing to spare. The success of furnaces, small or big, will depend on sufficient additional coking capacity being provided.

ed. The large furnaces can have their own coke ovens. India can also consider the setting up of one or two large central coke oven plants for supply/sale of coke to furnaces, whether big as in Ratnagiri or small as in Mohindergarh. The Ministry of Mines and Fuel are already considering this problem.

The Prime Minister declared in the Lok Sabha early this week that the private oil refineries would not be allowed to expand if the public sector was in a position to fully meet the country's requirements of petroleum products. No departure was being effected in the oil policy pursued by the former Mines and Fuel Minister, Mr. K. D. Malaviya, he added.

This in no way contradicted the cautiously worded statement the Mines and Fuel Minister, Mr. O. V. Alagesan, made earlier on the issue. That apparently did not preclude all possibilities of allowing expansion in the private sector refineries of the Planning Commission and of the Indian Refineries Ltd., (which are seized of the problem in consultation with the Institute of Petroleum), in regard to surpluses/deficits in petroleum products that might arise in various regions up to 1966 and thereafter up to 1971. The whole question of augmenting the oil refining capacity in the country, through expanding the private refineries or establishing two new ones at Madras and Calcutta in the public sector with minority participation by some foreign oil companies, will be reviewed towards the end of this year in the light of the above mentioned studies.

The Government of India is planning to set up a limited liability company to construct, own and operate oil pipelines in India. The original idea was to include amongst its shareholders, Indian Railways and Public Sector refineries and the State-owned Indian Oil Company. The Government, however, has an open mind and may be persuaded to permit the three refineries and distribution companies in the private sector.

A beginning in the laying of pipelines has already been made. There is already a pipeline connecting Assam Oilfields with Nunmati refinery 260 miles and Barauni refinery 720 miles. Contracts were recently signed with the Italian firm, ENI for the construction of a dual — for crude and product — pipeline connecting Haldia, Calcutta with Barauni. By another contract it is proposed to construct a product pipeline connecting Barauni with Kanpur. There are proposals to connect by product pipeline Bombay with Poona, and Koyali with Ahmedabad and some other places in Gujarat. Similar net work of pipelines is envisaged in Kerala after Cochin refinery goes into production. As India is already manufacturing pipes at Rourkela Steel Mill, the main problem is that of planning and construction of pipelines. A decision is expected at an early date.

Incidentally, the original project estimates of Haldia-Barauni Pipeline were Rs. 29.07 crores. They were reduced to Rs. 26.42 crores. The final contract signed was for Rs. 11.33 crores or Rs. 17.74 crores less than the original estimates.

The Estimates Committee, earlier this year had recommended the amalgamation of Indian Refineries Limited and Government's distributing company, Indian Oil Company Limited, into one unit.

As a beginning, the Government has decided to have a common Chairman for both the organisations.

The former Chief Whip of the Congress Party, Sardar Jogindra Singh, has been the Chairman of Indian Refineries Limited. As a result of this reorganisation, he has resigned. The Chairman of the Indian Oil Company Limited, Mr. Gopal Krishna, it is expected, will become the common Chairman of both the organisations.

The new target dates for the commissioning of the Barauni

Refinery are now available. The first stage, comprising one million ton distillation capacity, the coke unit and the first stream of the kerosene refining unit is expected to be commissioned by April 1964. The second stage comprising the second million ton distillation capacity and second stream of the kerosene refining unit is expected to go into operation in June-July of 1964. The lubricating plant is expected to go on stream by August 1964.

The refinery, originally was to be completed progressively from the end of June 1963 to April 1964. Although one million ton capacity crude distillation unit is expected to be ready by the end of November 1962, it is not regarded advisable to commission the refinery till the kerosene unit was ready. It cannot be commissioned earlier than April 1964. The Government has had the bitter experience of Nunmati Refinery which was started in a hurry and where the kerosene unit has been the cause of major anxiety. It was started in May last but had to be shut down soon after. Its compressor has been giving non-stop trouble because its blades had been corroded and the behaviour of lubricant was unsatisfactory. At one stage the Government intended to consult independent oil companies, like Phillips Petroleum or Burmah Shell. Meanwhile a team of Rumanians has arrived and is examining the Plant.

Expansion of Nunmati Refinery

The Government of India, it will be recalled, has decided to expand Nunmati refinery up to 1.25 million tons and Barauni to 3 million tons.

So far the expansion of Nunmati refinery was concerned, it was suggested that the design work should be undertaken at Gauhati through a group of Rumanian specialists deputed to India to guide Indian engineers. Negotiations with Rumanians are in progress.

Apropos Barauni Refinery the USSR has already signed a protocol under which it will provide economic and technical assistance to India. The delivery of the Russian equipment and plant for the expansion scheme will commence in 1964 and should be completed by 1965 to enable the commissioning of the expanded unit complete by 1966.

The Government of the USSR has also agreed to finance a coke calcination project at Barauni out of the savings from the overall credit granted for Barauni refinery in 1959. The state-owned TIAJ promexport of Moscow has entered into an agreement with Indian Refineries Limited under which it will render technical assistance to the company in collecting the initial data for designing the plant.

Indian Refineries Limited, has entered into an agreement with Associated Industries of Assam for the supply of liquid sulphur dioxide to Gauhati and Barauni refineries, their combined rate of consumption being ten tons a day.

Phillips Petroleum which, in collaboration, among others

Capital Market Needs a Tonic

From Our Correspondent

BOMBAY:

A LEADING firm of finance and market experts, Messrs. Premchand Roychand and Sons, have, in their Annual Market Review, 1962, which has just been issued, described the outlook for the Indian economy as having "become uncertain" look for the Indian economy as having "become uncertain" and as being "fraught with disquieting possibilities". This view is strikingly brought out by the fact that the stock exchanges of this country seem to have stuck in a morass of depression and anxiety. It is a significant fact that whereas stock exchanges in other countries have been showing a constructive trend, the capital market here has been stubbornly bearish.

with Government, is putting up a two million ton refinery at Cochin, has asked the permission of the Government of India to start also a tanker company.

The Government of India has recently agreed to increase the ratio of foreign participation in the equity capital of a Shipping Company from 25 per cent to 40 per cent. No change however has been made in the requirements of the Shipping Act in respect of the composition of the managerial personnel of the company, which remain as under:

1. That, not less than three-fourths of the total number or Directors of the company shall be citizens of India;
2. That, the Chairman of the Board of Directors and the Managing Director, if any, shall also be the citizen of India, and
3. That, the Managing Agents, if any, of the company, likewise shall be citizens of India or in any case, where a company were the Managing Agent, such company shall also satisfy the prescribed requirements.

The main point under discussion, however, is in regard to cargo. Phillips Petroleum, it appears, will like to have a guarantee that all the crude imports of the Government of India would be entrusted to the proposed company. In practice, such a proposition is possible. By and large, the Government will like to import crude through a company flying the Indian flag. But the Government, in principle, is opposed to giving the guarantee, which Phillips Petroleum seeks since it is possible that its own Shipping Corporation may acquire tankers.

The United States Agency for International Development (USAID) has announced that it has \$51 million (Rs. 24 crores) available for loans to qualified businesses in India. The amount is available in rupees and is for use in India.

American firms operating in the countries receiving Public Law 480 supplies or local (Indian) firms having an affiliation with an American firm are eligible for these loans. Also eligible are entirely Indian owned firms with no American affiliation which are facilitating the disposal of American agricultural products such as local private warehouses storing grain or flour mills.

USAID also announced that Cooley loans are available in the following six countries of the Near East and South Asia: Iran (\$1.5 million), Israel (\$8.2 million), Pakistan (\$11.4 million), Syria (\$3.6 million), Turkey (\$16.5 million) and the United Arab Republic (\$27.2 million).

General inquiries about the Cooley programme should be addressed to the Private Enterprise Division, Agency for International Development Washington 25, D.C. Loan applications should be submitted to the appropriate regional bureau of AID, Washington. In India applications may also be submitted to the USAID Mission, Faridkot House, Lytton Road, New Delhi.

The following comparison of the variable index figures of New York, London and Bombay stock exchanges is quite revealing:

	Lowest touched during June 1962	September 1963
New York (Dow Jones) ..	535	730
London	87	103
Bombay (Reserve Bank) ..	189	161

The investors in India have suffered heavily and they shy at investing their savings any further in industrial ex-

September 13, 1963

pansion under the present conditions. As the Premchand Roychand Annual Market Review points out, the two unorthodox measures introduced in the last Budget, namely, the Compulsory Deposit Scheme and the Super Profits Tax have begun to result in a diversion of private savings away from the capital market. The Review also is apprehensive that the diversion of funds from the capital market to durable goods and commodities, a process encouraged also by the Gold Control measures, might accentuate the present inflation. It is pointed out that the real effect of the restrictions on gold may be known only after the current harvest season when the farmer may be discouraged from parting freely with his marketable surpluses. In a different way, however, the effect of these restrictions is being already reflected in a sharp decline in the annual average rural credit provided by the scheduled, non-scheduled, and co-operative banks to farmers. Since the introduction of gold control, off-take of this credit has fallen from Rs. 60 crores to Rs. 25 crores, as was disclosed the other day, in the Lok Sabha, by Mr. B. R. Bhagat, Deputy Minister in the Finance Ministry.

According to the Premchand Review, the most disquieting feature in the present situation is that the new issue market for even reputable business houses with attractive investment propositions has turned out to be extremely hesitant. The problem is not merely confined to raising resources for new issues thus, but to financing of working capital as well. According to them, there is today such a shortage of funds for working capital for trade and industries that many large business houses have started accepting long-term deposits from the public at fairly high rates of interest to meet their needs of current finance. It is not surprising, therefore, that commercial banks have become apprehensive of this new trend which does inhibit, to some extent, the rate of growth of bank deposits. This difficulty of finding resources, it is feared, will affect not only Indian investment but also foreign investment. For, so long as there is a lack of rupee resources to match foreign investment in India, foreign private capital may not be freely forthcoming. It is suggested that the only way in which the problem can be effectively tackled is to take such immediate action as would increase the liquidity of the banking system, augment resources for long-term industrial financing and infuse vigour in the capital market.

★★

The problems faced by the cotton textile industry in the sphere of export promotion were comprehensively reviewed by Mr. Neville N. Wadia when he addressed the ninth annual general meeting of the Cotton Textiles Export Promotion Council. There was a sharp setback in India's export performance of cotton textiles last year (1962). The exports declined from 574.3 million yards in 1961 to 508.3 million yards in 1962—a fall of 11.5 per cent. The price realisation was 79 nP. per yard in 1962 as against 80 nP. per yard in 1961. The foreign exchange earnings in 1962 therefore turned out to be Rs. 39.9 crores as against Rs. 46.1 crores in 1961. In an otherwise depressing export performance, India managed to increase her exports to Australia, USA, Canada, New Zealand and to some extent Eastern Europe.

In contrast, the trend of exports in the first part of 1963 was more encouraging. In the first six months of 1963, exports of cotton textiles amounted to 268.6 million yards compared to 244.5 million yards in the corresponding period of last year. It was encouraging to note that an increase in shipments to some of the traditional markets such as East Africa, Malaya and Singapore contributed to the rise. It is against this background that the various issues discussed by Mr. Wadia should be seen. Mr. Wadia deplored the rigid application of the 'market disruption' clause by some of the importing countries because it would stand in the way of India finding new markets. For instance, the USA has been taking measures to

restrict the Indian exports of twills and jeans on the ground that India had exceeded the quota during the twelve months ending June 30, 1961. Actually what had happened was that the USA imported less than 2 million yards during that period as against the annual consumption of over 800 million yards and it was difficult to understand how this could disrupt the American textile industry. 'If this is the spirit in which the Agreement is going to be operated', remarked Mr. Wadia, 'the chances of renewal at the end of the five years would be extremely slight and continuation would be totally unacceptable to industries like ours (those in India).'

Tariff Stability

Referring to the forthcoming discussions in London between Mr. Kasturbhai Lalbhai and the UK Cotton Board on the categorisation of exports, Mr. Wadia gave the assurance that Indian exporters had no intention of wasting the quota on very low priced goods if they can earn more by shipping higher qualities. He stressed the need to maintain stability of tariff rates in importing countries. As an example, Mr. Wadia cited the instance of Australia where the Tariff Board was scheduled to make an enquiry on the imports of cloth required for pillows and sheets. This was the fourth or fifth inquiry in the last ten years and this caused hardships to exporters and importers. The efforts to obtain larger quotas from France and West Germany and Austria met with success and in Western Europe, the Council decided to set up a Consortium of exporters to Western Europe who will co-operate in all fields of exports, including the textile industries in European countries. A bright spot in 1962 was an increase in the export of **made-up garments**. There appears to be tremendous scope for expansion in this particular field.

In the sphere of domestic matters, the main difficulty related to the ever-increasing cost of manufacture. The increase of **Rs. 125 per candy last year** in the ceiling prices of cotton now puts our raw material above world parity. In the problem. Dyes and chemicals too were expensive and in some States **extra taxes had been levied on electricity**. In all, Mr. Neville Wadia painted bright prospects for India's textile exports notwithstanding the spirit in which the Geneva Agreement on cotton textiles was sought to be operated by some of the importing countries and the growing monetary burden on domestic industry.

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Mr. Raj Bahadur, Union Minister for Shipping, inaugurated the first annual general meeting of the Western India Shippers' Association in Bombay. He referred to the system of deferred rebates, followed by the Conference Lines, and said that it operated as a dead weight on the neck of shippers and the latter were unable to extricate themselves for fear of losing large sums of money locked up with the Conference. Mr. Raj Bahadur assured shippers that every possible effort would be made by the Government to safeguard their interests.

According to the Minister, the problem of dependence on foreign shipping could be solved through the development of our own merchant fleet. The Government was considering increased facilities to companies to operate vessels as tramps on the condition that they would not join any liner services. The tramp and bulk carrier fleet comprised the weakest link in our merchant navy and recently certain steps had been taken to develop these, subject to the limitation of resources and foreign exchange. This would act incidentally as a check on the monopolistic hold of the Conferences. As a result of the development in recent years the share of our shipping in our total foreign trade had risen from 9 per cent earlier to over 12 per cent now; 30 per cent of the liner cargoes was

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already being carried by our shipping, the figure having touched 50 per cent on certain routes. He defended the decision to raise the shipping target from 2 million tons fixed in 1947 to 4 million tons subsequently in view of the doubling up of the volume of trade from 20 million tons to 40 million tons. The Minister expressed confidence that the Western

Waiting for a TTK Deal

From Our Correspondent

CALCUTTA:

EXCEPT FOR profit taking at the higher levels, Lyons Range continues to be cheerful in the hope that Mr. T. T. Krishnamachari will soon initiate measures that will put the economy back on the road to accelerated progress. The economy back on the road to accelerated progress. The speeches he has made since he took over from Mr. Morarji Desai appear to confirm the belief that TTK is not likely to harp on his once familiar tone of the private sector being full of undesirables, at least for some time. Of course it was not expected that Government would concede to the demand for the nationalisation of banks but it should have been pleasant to the private sector to read Mr. Krishnamachari's statement in reply to the debate in Parliament last week. He has shown why nationalisation of banks is neither necessary nor feasible. He has utilised the occasion to indicate what the economy is stagnating and the "paramount need of the day is that of stimulating the rate of its growth". The Minister has pointed out that "the rate of growth of the economy as it is now organised has to depend to a very large extent on the performance of the private sector". It follows therefore that efforts are to be directed towards improving the performance of the private sector.

The hopeful mood of the stock exchange fraternity is also sustained by other factors besides what is expected of the Finance Minister in the direction of revitalising the capital market. Prospects of increasing maintenance imports have improved with the encouraging performance on the export front and there have been indications in the past few days, now that it has become almost certain that U.S. will not participate in the building of the Bokaro steel plant, that a larger quantum of the U.S. aid for the third year of the third Plan will be made available for maintenance imports. All this will go sizably to reduce the idle capacity in industry. The absence of adverse developments on the northern borders and the continued flow of encouraging corporate news in the shape of higher dividends and proposals for the issue of bonus shares are the other helpful factors in the investment situation. Even so, it is difficult to believe that equity values could scale new heights till such time that concrete evidence is available to show that steps are being taken to remove the obstacles that are stifling the economy.

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A steady trend continues to characterise trading in the gunny market notwithstanding the fact that there have not been many foreign enquiries during the past week. Of the two main sections, sacking is getting the bulk of the attention. Hessian too is steady but it would appear that such gain as has been possible is largely in sympathy with sacking. The outlook for hessian exports is rather obscure as its principal customers are yet to show sustained interest. On the other hand the heavy goods section is favoured for the better export performance expected of it. Already a number of foreign countries have placed orders with India and more orders are believed to be in the offing. It is clear that at least for some months to come foreign buyers have to come to India for their requirements during that period as Pakistan will not be able to fulfill any order which has a delivery date before the end of the current year. Much interest has also been aroused by a rumour that Pakistan has entered into an

India Shippers' Association would play an important role in the promotion of our foreign trade and in securing adequate protection and safeguards to serve the interests of exporters. He welcomed particularly the proposal of the Association to undertake a study of the freight structure and the export potentiality of individual commodities.

agreement with China for the supply of about one lakh tons of heavy goods to the latter country. It is argued that if Pakistan is to take up such a large commitment it will have little left to place on the free world markets. That will leave India to meet the requirements of other consumers. As it is, it is the current and prospective business that Indian sacking is likely to secure that seems to have entered into the calculations of the marketmen.

Over and above the foreign orders that may come their way, Indian mills have to meet the steadily increasing needs of the Indian Government which has been buying over the past several months sizable quantities of sacking. Far from being worried over the disposal of its sacking production even at the current full level of working, the industry may already be faced with the problem of meeting the demand for sacking in full. It is even said that before long the industry may have to take steps to increase its monthly output of heavy goods in preference to hessian. The raw jute market too is in good shape having been able to maintain prices at or around the minimum levels. This achievement of the market is attributed to the timely action taken by the Jute Commissioner in allotting progressively increasing compulsory purchase quotas to the mills right from the very commencement of the new jute season in July. It is said that this has greatly helped mop up the supplies as and when they arrive. Indications are that the compulsory quotas in coming months will be fixed so that mills offtake equals the arrivals.

Buffer Stock

Considering that jute production in the current season is expected to be large enough to leave a substantial surplus, there will be need for support from other agencies besides the jute mills especially since the next two or three months will be the peak period for raw jute arrivals. One of the agencies that may have to enter the market will be the Jute Buffer Stock Association. The JBSA has so far built up a stock of 6½ lakh bales of jute and the Vice-president of the association, Mr. R. H. Morrison, indicated at its first annual general meeting held in Calcutta last week that "it is the intention that this stock should be further augmented during the current season to give additional security for the future". Since its inception in November 1961 the JBSA has been supporting the market in a modest way and there is no gainsaying its usefulness as a stabilising factor. Though the stock held by it may appear to be small compared to the total quantity of jute that had to be satisfactorily accounted for last year, operating a buffer stock even on this modest scale is not an easy matter. This will be evident from the extent of credit that the JBSA has had to seek from the State Bank to finance its operations during the past twenty or twenty-one months. As at the 31st March this year the credit accommodation from the State Bank was of the order of Rs. 5½ crores and at present stands at over Rs. 8 crores. Earlier apprehensions about the JBSA becoming a useful agency have now yielded place to the optimism that while playing an important role in stabilising the jute market, the JBSA will also go a long way towards freeing the industry from the recurring anxiety as to the inadequacy of supplies of raw jute from one year to another. It goes to the credit to the jute industry that it has shown the way for other industries how to minimise

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the uncertainty caused by the vagaries of the weather. Of course a scheme such as the JBSA operated by the industry itself cannot function without an organisation and attendant expenditure. Referring to the additional financial burden to the industry, Mr. Morrison, while giving an assurance, that efforts will be made to keep the costs down to the minimum has reminded the industry that the JBSA also ultimately serves the interests of the jute manufacturing industry itself in so far as it affords a measure of security against fluctuations in the supply of raw jute and hence it must be prepared to pay a price for such security. An important problem confronting the JBSA however remains unresolved yet and that is the evolving of a suitable arrangement for the turnover of the buffer stock. As stored jute deteriorates its "turnover" is "quite fundamental to the success of the buffer stock scheme" as otherwise mills will have to incur losses due to deterioration.

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Addressing a press conference last week in Calcutta Mr. K. Agarwala, Chairman, Indian Foundry Association has referred to the extremely difficult position in which the foundry industry is placed today. Acute shortage of pig iron is prevailing for the past two years and the situation has further worsened this year as production in pig iron in the country continues to lag far behind demand. Even according to the revised estimate of the Iron and Steel Controller, the demand for pig iron is about 2 million tons, though the industry's estimate puts it at approximately 2.5 million tons. But the availability is not even half of the demand, having been placed only at 1.1 million tons. But the bulk of the available quantity is earmarked for specific purposes with the result that the commercial foundries are getting material only to the tune of about 10 to 12 per cent of their assessed capacity. It is not surprising to hear therefore that most of the foundries are on the verge of closing down. In fixing the entitlements, the Iron and Steel Control pays little attention to the type of work done by some of the foundries. An instance in point is the unenviable position in which foundries

executing the Railway Board's orders for cast iron sleepers are placed. The Railway Board is placing orders for sleepers on the basis of 100 per cent pig iron whereas the Iron and Steel Control is planning their indents only for 50 per cent of the material. It appears to be no one's concern now the foundries will execute the orders in time and avoid coming under the mischief of the damage clause.

It is inconceivable that at a time when higher and higher production is of the utmost importance, an industry of the importance of the foundry industry is made to keep for no fault of its own by far the major portion of its capacity idle. This industry serves a wide variety of industries and its inability to cater even to part of their needs will inevitably tell on their production too. In this view it is for the Government to ensure that the foundries do not suffer hardship faced by the industry. It is high time that the authorities bestowed serious attention to the critical position in the foundry industry and initiated expeditious remedial measures. There is need for affording the foundries relief in the near as well as the long term. Mr. Agarwala has suggested a number of steps for realising this objective. Re-assessment of the requirements of the special demands as well as the production trend should be made with a view to find out if more pig iron could be diverted to the commercial foundries. He also pointed out that one million tons of pig iron should be imported on an urgent basis to meet the present shortage. Mr. Agarwala has also suggested that steps should be taken even now to augment supplies of pig iron during the next plan period. In assessing the availability of their calculations a quantity of about 350,000 tons of pig iron from Bokaro. But this steel plant is yet to take a concrete shape and it is almost certain now that the U.S. is not to participate in its building, the plant will not be ready during the fourth Plan. Mr. Agarwala's suggestion that urgent steps to set up low shaft blast furnaces and not blast furnaces merits the serious attention of the authorities.

Break-Through in Transport?

From Our Correspondent

MADRAS :

GREATER ATTENTION is being paid in Madras State to the development of road and rail transport facilities. The opening of the small stretch of railway track between Virudhunagar and Aruppukottai in the Southern part of the State provided the opportunity for the Chief Minister to stress the need for larger railway expenditure on the opening of new routes and even the conversion of some sections of the metre gauge system into broad gauge. On account of the difficulty involved in transshipment of bulk and heavy cargo, the development of heavy industries has so far been concentrated in the Madras, Salem and Coimbatore areas. It is feared that there cannot be any dispersal of heavy industries in the Southern districts without direct access to selected centres through the broad gauge system. The Heavy Boiler Factory in Tiruchirapalli has no special disadvantage in this respect. But it is felt that there will have to be a new broad gauge line from Karur in Tiruchirapalli District to Tuticorin if the large limestone deposits available in the area have to be effectively exploited and other heavy engineering units also have to be promoted. In fact, there is a feeling in some quarters that even Neyveli should be connected to Salem by a broad gauge and through a reticulated track to Madras so that the facilities provided by the industrial belt in the Neyveli-Salem area can be effectively exploited. As at present planned the new metre gauge link will be extended from Aruppukottai to Manamadurai so that

the major port that is proposed to be constructed at Tuticorin can have a vast hinterland. It is not known what exactly will be the reaction of the Railway Board as the arrangements are still being made in terms of extending the metre gauge system and only between Bangalore and Salem the alignment of the track has been carried out in such a way that it can be converted into broad gauge when the need arises.

Some idea of the congestion in traffic can be had from the fact that additional passenger trains cannot be run in the existing metre gauge sections, without electrification or dieselisation, while it is feared that an additional train cannot be run between Madras and Calcutta even though there is the required volume of traffic because of other bottlenecks at various points. No doubt, a heavy doubling programme is being executed and the position might improve significantly by the end of next year. All the same, the existing Godavari railway bridge will not permit a free flow of traffic until the new bridge is completed by 1968. This bridge is a major venture and will have to be completed in several working seasons involving huge capital expenditure. There can, however, be free flow of traffic to the Northern side and upto the Godavari bridge. It is only to be expected that sectional working will be carried out in an intelligent manner and the needs of the Southern States will be more carefully looked into. There has naturally been a demand that the Mangalore-Hassan line should be completed as early as possible as with the dieselisation of certain sections of the metre gauge

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system and the construction of the Mangalore Port there can be a big jump in exports of iron-ore and other minerals from this part of the country.

While it is not known when the work of construction on the Mangalore Port will gain momentum, there are now indications that the Tuticorin Port may be developed in a short period. Construction work of the new port at Hare island will be taken up shortly. The port will be connected to Tuticorin town by an embankment which will be protected by breakwaters and which can be used for both road and rail transport.

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The development of lorry and bus services in the Southern States has taken place in an impressive manner in the past few years and there is keen competition between the railways and road transport operators for available freight traffic. The cost of operation has increased sharply in recent months on account of the stiff tax levied by the Madras Government and the imposition of heavy excise duties on petrol, diesel oil and various other items which are consumed by road transport operators. As it is not possible to operate the various services on a profitable basis, there has been an increase in freight rates. Also, it has been proposed by the State Transport Authority that bus charges should be revised and in order to prevent abuses ceilings should be fixed. It has been suggested that in urban areas, where there are town services, a fare not exceeding 30 nP can be charged for a distance of not less than 12 kilometres. The State Transport Authority can fix up rates of fares within the maximum rates having regard to the profitability of certain routes, condition of roads etc. The minimum charge will, however, be 10 nP for the first stage. With regard to mofussil service, 3 nP per one kilometre on routes in the plains can be levied and 5 nP per kilometre on ghat sections. Express State carriages can charge 50 nP over and above the rates for ordinary State carriages. It is expected that the new tariff rates, with any modification that might be proposed in the light of objections or suggestions from various quarters, will come into effect shortly. The inflationary impact of the last General Budget is, therefore, being felt in many directions.

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In his presidential address, Mr U. K. Lakshman Gowda, at the 17th Annual General Meeting of the United Planters' Association of Southern India, stated that in 1947-48 the total earnings from all plantation and hill crops was Rs. 64.24 crores. In 1962-63 these crops earned Rs. 166.61 crores. In 1947 South India alone produced 44.5 million kgs. of tea, 16,054 tonnes of coffee and 16,712 tonnes of rubber. Last year Southern India's production was 82.2 million kgs. of tea, about 55,000 tonnes of coffee and 31,357 tonnes of rubber. Mr. Gowda pointed out that although South India has been able to produce from each acre 61 per cent more tea in 1960 than in 1950, cost of production per acre has increased by 140 per cent. Gross realisation from the sale of produce per acre increased by 113 per cent but most of it was absorbed by taxation and labour cost. The industry, Mr Gowda stressed, stands in need of vigorous rehabilitation programme which involves modernisation, removal of obsolescence and expansion of productive areas and processing facilities.

The industry is starved of finance through being taxed without allowing for self-generation of resources. Past reserves where they are free and liquid are now fully pressed into service as working capital and are not available for long term investment in development. Planting companies have suffered the greatest fall in profits after tax as a percentage of net worth since 1950. In 1961, the profit after tax as a percentage of net worth of 149 companies was 6.1 per cent against 10 per cent fall for all industries. The tea companies could only retain 2.9 per cent of the profit after tax, coffee

had to draw from the reserves to pay a minimum return and rubber could retain only 5.7 per cent as against 36.4 per cent for all industries covered by a recent Reserve Bank study of company performance. The industry needs a new deal if it is to play its leading role as the country's major earner.

Although plantations are supposed to enjoy an exemption from the ceiling provisions of the respective State Legislation, all that is achieved by the exemption is to protect the existing units from fragmentation. Future expansion or replacement of planting from exhausted soil is barred except for marginal extension. The Madras Land Reforms Act is an exception but even here the effect of applying the provisions of the Preservation of Private Forests Acts has had the same result as a restrictive ceiling. The proposed 17th amendment to the Constitution is designed primarily to protect some 122 Land Acts from judicial review. In the context of an expanding demand for plantation produce within the country and the importance of this industry to export promotion in the years to come, there is obvious contradiction in the application of ceiling legislation to plantations. This contradiction, Mr. Gowda urges, must be resolved without delay.

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The expansion plans of Mysore Paper Mills are fast being implemented. The construction of buildings for housing the new plant and machinery is progressing according to schedule while it is expected that shipments of machinery from U.K. and West Germany will start arriving regularly after sometime. The arrangements concluded with the Commonwealth Development Finance Company and Industrial Credit and Investment Corporation for securing the necessary foreign exchange have been helpful and it is felt that an integrated plant having a capacity of 18,000 tons annually will be functioning by this time next year.

Another large paper mill at Erode, in Madras State, belonging to Seshasayee Paper and Boards Limited has been functioning for sometime past. This rupees seven-crore project has been constructed in a very short period in collaboration with Parsons and Whitemore of the U.S.A. The paper machines have been in operation since December last while the pulp making plant was commissioned into production recently. Paper is now being manufactured out of bamboo pulp from the company's own sources. It is expected that pulp from bagasse also will be manufactured later in the year when supplies of this raw material begin to be available from the Pugalur factory of Deccan Sugar and Abkhari Company Limited in the Parry group.

Other companies, too, have been progressing well and it is expected that, on account of the likelihood of a liberal policy being pursued with regard to imports of raw materials and components, the automobile and other engineering industries will be able to utilise their capacity more effectively. The automobile producers particularly are making serious efforts to raise the indigenous content in cars and trucks so that the allotted foreign exchange can be utilised to service a larger volume of production. Ashok Leyland has been making impressive progress latterly and it has been announced that additional capital of Rs. 55.25 lakhs will be raised in equity shares of Rs. 5 each at par. Out of this issue, the foreign participants, Leyland of U.K., will be taking up shares for Rs. 33.15 lakhs and a balance of Rs. 22.10 lakhs will be offered for subscription to the existing shareholders. Thus, all the existing shareholders will be given the opportunity to subscribe for the new shares in the proportion of one share for every nine shares held. The funds are required for implementing the programme of increasing the output of Comet truck chassis to 5,000 units annually. Besides, the capacity for manufacturing spare parts is to be increased appreciably. The output of industrial engines will be 1,200 units annually.

The moving finger writes

THAT THERE is a strong block of opinion among Congress M.P.s which favours profound changes in the Gold Control and the Compulsory Deposit policies and at least a minority opinion which demands their total abandonment has been made clear in the last few days through discussions first at the meeting of the Executive of the Congress Parliamentary Party last Saturday and later on, on Tuesday, at a general session of the party itself. It is no doubt true that some Congress M.P.s had felt that major decisions taken so recently should not be reversed except for compelling reasons—a point of view which the Prime Minister seems to share—but at the same time, Mr. Nehru seems to have been more or less persuaded that these measures as they stand at present are difficult to administer and are likely to have adverse political consequences for the ruling party.

As for the new Finance Minister, he has apparently adopted an attitude of the utmost circumspection which is certainly a most appropriate one. The problems (arising or likely to arise in the course of the implementation of these policies) are being examined by a committee of senior officials of the Finance Ministry with whom the Cabinet Secretary has been associated. While the findings of this Committee will assist the Finance Minister in making up his mind on the modifications, if any, which will have to be effected, he is likely, in the main, to be guided by the views not only of the Congress Parliamentary Party but also by the reactions of the State Governments, some of which do seem to hold very definite views on the wisdom of some aspects of the Gold Control and Compulsory Deposit measures.

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The Rajya Sabha had to adjourn for ten minutes on Wednesday last week because no Minister was present when the House met after the lunch recess. Mr. Humayun Kabir had to apologise to the Chair when the House resumed business because a Bill (for upgrading the College of Engineering Technology in Delhi to the status of an institution of national importance) which he was piloting happened to be under discussion at the time. The apology sounded rather odd. He said that there was some difference in the time showed by his watch and the Rajya Sabha clock. Whether this statement was offered as an excuse or intended as an explanation, it was clearly inadequate since no information was given on what was surely the relevant point, namely, which of the two timekeepers was showing the correct time.

Talking of erring clocks or watches, I must mention the New Delhi Town Hall clock which frequently disagrees with the Lok Sabha clock. Since the Lok Sabha and the Town Hall are more or less on the same longitude, I must conclude that both timekeepers cannot be right and Parliament being sovereign, I would readily concede that it must be the Town Hall clock which is failing in its duty—a verdict which would seem to apply also to Mr. Humayun Kabir's watch.

★★

It is not only in our bazars that the metric system of weights, measures and values seems to be causing confusion. A senior official in the Central Water and Power Commission, I understand, recently blundered sadly when he was confronted with a file relating to an application for a licence to import a certain number of metres of high-tension cables. Taking "metres" to mean "meters" this official reportedly wrote that the application should be rejected since electricity meters were being manufactured in this country. Fortunately, the mistake was corrected when a higher official to whom it was sent with

the noting that he might also see really did use his eyes and saw.

★★

Elsewhere in this issue Mr. Hardikar has pleaded eloquently for a new attitude to work in this country. In the course of his argument he has referred to the working habits of the German and the Swiss and while there is undoubtedly much substance in his plea that the Indian worker would do well to emulate his counterparts in the industrially advanced countries, I would like to share with my readers the following observations by the Institute of German Industry which purport to give the low-down on the German worker:

In recent years clichés and generalizations about whole groups of people or nations have been going out of fashion. Yet some stereotyped attitudes still persist—for a prime example, in regard to alleged national working habits.

Thus the Spaniard is popularly supposed when confronted with work to say "Manana"—that is, he'll do the job tomorrow; and the Italian is often said to be an expert at "dolce far niente"—the sweet art of doing nothing. Anybody who has travelled in the two Latin lands, however (or who has seen Italian and Spanish guest workers on the job in German factories) knows that the facts don't fit the stereotypes.

When it comes to Germans, the cliché is on the other foot: The Germans are popularly imagined to be almost fanatically hard workers. Germans seem content to let the label stick; they sometimes refer to themselves as "Arbeitstiere": work-horses. Is it so?

The figures are the answer. The average West German industrial worker now puts in some 300 fewer working hours per year than in 1950. Working time per worker has decreased by 15 per cent. Both shorter work weeks and longer vacations have contributed to this change.

International comparison shows that while the total per-capita working hours in W-Germany fell off 3 per cent from 1960 to 1962, last year the French, Belgians and Italians were remaining on the job longer than in 1960.

As for vacation, not long ago 12 working days off was the general allowance in Germany; but now the average vacation is 15 to 18 working days, with many collective-bargaining contracts granting much longer vacations. Quite a few branches of the economy provide for vacations of three weeks for older employees. Some vacations go as high as 30 working days.

Another version of the cliché about work habits is that in the sunny southern lands people spend much of the time celebrating fiesta. Yet in fact there is hardly a country anywhere with more nationally observed holidays than the Federal Republic of Germany. This year there are 12 such days off. The Italians have a few more holidays than that, but the Italian work week (44-48 hours) is longer than the W-German. But compared with the 12 individual days off (aside from vacations) in the German year, France has 5 (with some collective agreements providing for more), Holland 6 to 10, Great Britain 6 and the United States 7.

As a combined result of vacations and other days off, in 1963 many W-Germans will put in 234 days on the job for 131 free days. A nation many of whose residents call more than one day in three a holiday is not necessarily lazy—German productivity indicates the contrary—but neither is it exactly a community of "work-horses".

V.B.

Trade Winds

INDO-PAK TRADE AGREEMENT

THE RECENTLY signed Indo-Pakistan trade agreement makes a significant departure from the previous one as the payments will have to be made in sterling and not in rupees. The agreement will be valid for two years, but will be extended thereafter by one year if neither party gives notice of termination three months before the date of its expiry. At the time of signing the new agreement, India had a favourable balance of trade of Rs. 1.50 crores under the special rupee payment arrangement although the overall balance of trade was adverse. The special rupee payment arrangement was agreed upon in 1960 to bring about movement of certain commodities required by the two countries. The switchover to sterling now is because of the reason that the crop that was considered necessary to bring about the movement of certain commodities under the special rupee payment arrangement is no longer required, contacts having been established between exporters and importers in respect of these commodities. Since Pakistan imported more under the rupee payment agreement from India, the latter was able to accumulate Rs. 1.50 crores which will now be utilized for the purchase of fertilizers and industrial alcohol.

Pakistan's major imports have been chemicals, drugs and medicines, machinery of all kinds, iron and steel and manufactures thereof, coal, building materials, spices, glassware, art silk, cotton piecegoods, textiles manufactures, dyeing and tanning materials, etc. While the trade between the two countries was to the tune of nearly Rs. 35.52 crores in 1955-56, it declined to about Rs. 16 crores in 1959-60. From then onwards it had been picking up and reached Rs. 26 crores in 1962-63. The table below in this context is self-explanatory.

	(Rs. crores)				
	1955-56	1959-60	1960-61	1961-62	1962-63
India's					
Imports	27.11	8.59	14.01	13.86	16.66
Exports	8.41	7.24	10.26	9.55	9.45
Balance of Trade	-18.70	-1.35	-3.75	-4.31	-7.21

As in the previous agreement, the protocol attached to the new agreement provides for the supply by India of 1,35,000 tons of coal per month and 50,000 tons of stone boulders annually. Pakistan will export raw jute, including jute cuttings, and cotton according to India's requirements. Expansion of trade envisaged in the agreement is reflected in the large number of items included in the schedules of exportable goods from either country. India's export list includes industrial goods and machinery. All of India's exports to Pakistan including the traditional items such as coal are effected by the changes occurring in the economy of Pakistan. Pakistan's request for diversion from West Pakistan and an increase in the export quota of coal to East Pakistan is a case in point. The discovery of large deposits of natural gas has provided cheap source of power to West Pakistan, thus relieving the necessity of imported coal to this Wing. A substantial foreign investment in consumer industry has already occurred in West Pakistan and more is likely. This development indicates that practically speaking there is greater scope for export of con-

sumer goods to East Pakistan than to West Pakistan. It might be noted that substantial amounts of tied loans are being offered by Japan and the U.S.A. to Pakistan which restricts her freedom to import from sources other than the prescribed ones. The fall in India's exports of art silk and mixed fabrics to Pakistan is a direct consequence of increased imports from Japan under tied loans.

MICA MALADIES

The difficulties of the mica industry are more the result of the disorganised state of the trade than of any adverse conditions in overseas markets. This is the impression one gains from deliberations at the annual general meeting of the Mica Export Promotion Council held in Calcutta recently. There are good reasons why Indian mica should sell well overseas. Firstly, our mica is generally of a high quality and secondly, India has a near monopoly of this important mineral. With the rapid progress of the electronic industry all over the world the demand for natural mica is expanding and, as a matter of fact, our mica exports rose in 1962-63 to 34.4 million kg. from the previous level of 28.5 million kg. But earnings from exports have declined from Rs. 10.66 crores to Rs. 10.54 crores. The obvious conclusion is that the price realised for our mica has declined disastrously over the past year. The repercussions are already evident in the large number of closed mines—it is said that 30 per cent of the mines have gone out of operation. It is said that the ridiculously low prices paid to our mica is due to the fact that foreign buyers are able to take undue advantage of our exporters who because of lack of quality control measures are obliged to accept what the purchaser determines to be grade of their consignments. The remedy therefore lies in our hands and it is gratifying that, notwithstanding the apprehension about a fall in exports expressed by some quarters, the Central Government has accepted the majority plea of the industry for banning exports of mica on consignment basis. For this to yield the desired result, there should be evolved without loss of time a satisfactory system for quality control and pre-shipment inspection. It is equally important that exporters in their own collective interest should desist from unhealthy competition because such practices are partly responsible for depressing mica prices overseas.

STUDYING EXPORT TECHNIQUES

In order to study export techniques, a study team consisting of officials and non-officials sponsored by the National Productivity Council, left New Delhi last week on a tour of West Germany, U.S.A. and Japan. An important aspect that will be studied by the team is the institutional set-up in the countries it visits including the organisation of Government agencies in the country and abroad, the structure of trade and industrial organisations and individual trading houses. Other fields of study include the role of trade agreements in the promotion of trade, the development of export markets through market research, commercial publicity and commercial intelligence and fiscal and other promotional measures adopted for the encouragement of exports. The export orientation achieved in individual industries will be examined with special reference to their plans and programmes for export and export pricing. The study team will also examine the facilities available for export finance and credit insurance, the arrangements that exist for the processing of buyers' complaints and for the settlement of claims arising in the course of foreign trade and the organisation of free trade

zones and similar arrangements. The team proposes to make case studies of a few of their typical exporting industries.

The team consists of Dr. D. Banerjee, Director-Technical Adviser of National Rubber Manufacturers Ltd., Calcutta, (Leader); Shri B. S. Bhatnagar, Manager of Commercial & Industrial Exports Ltd., Bombay; Shri C. V. Mariwala, Managing Director of Bombay Oil Industries (P) Ltd., Bombay; Shri W. A. Wadud, Commodities Manager of Tata Oil Mills Company Ltd., Bombay; Dr. S. P. Chablani, Managing Director of Export Risks Insurance Corporation; Shri B. B. Gujral, Joint Chief Controller of Imports and Exports; Shri I. P. Gupta, Director of Incentives and Shri C. R. Krishnaswamy Rao Sahib, Joint Director (Export Promotion).

EXPORT OF ENGINEERING GOODS

To step up exports of engineering goods to East European countries, the Government of India has decided to sponsor a trade delegation as was done in the case of West European countries early this year. A spokesman of the Engineering Goods Export Promotion Council stated recently that export of engineering goods from the country had gone up after the council was formed in 1955 from about Rs. 4 crores annually to Rs. 8.5 crores in 1961 and to Rs. 10.50 crores in 1962. About Rs. 4.85 crores worth of goods were exported in six months ended June this year. The main items of exports from the Southern region, where an office was opened in December last, were centrifugal pumps, bicycle rims, stainless steel utensils, household utensils, steel furniture, hospital equipment and machine tools. Recently some of the manufacturing machinery was exported to Ceylon. Bicycle chains worth about Rs. 2,000 were exported to the United States as samples. Singapore, Malaya, Ceylon, East African and Persian Gulf countries, New Zealand and Canada, were the main importing countries.

SUPER PROFITS TAX RULES

The Central Board of Revenue has framed rules relating to super profits tax in exercise of the powers conferred on it by section 26 of the Super Profits Tax Act, 1963. These rules, named as the Super Profits Tax Rules, 1963, have been published in Part II, Section 3, sub-section (ii) of the Gazette of India Extraordinary dated August 23, 1963.

These rules, inter alia, prescribe the various statutory forms to be used in connection with proceedings under the Super Profits Tax Act, e.g., forms of return of chargeable profits, notice of provisional assessment, notice of demand, appeals to the Appellate Assistant Commissioner and Appellate Tribunal etc. The rules also prescribe the necessary modifications to various sections of the Income-tax Act, 1961 which have been applied to the super profits tax e.g., provisions relating to the power to call for information and evidence, issue of refunds, procedure for assessing non-residents through their agents, recovery of arrear tax dues, references to High Courts and appeals to the Supreme Court etc.

WORLD RICE PRODUCTION

The monthly rice report of the Commonwealth Economic Committee published recently, states that world production of rice in 1962-63 continued the upward trend that had been interrupted in the previous season and reached the record level of approximately 153 million tons of paddy. The crops in India and Pakistan were reduced, but output elsewhere in Asia particularly in the exporting countries was at a high level. Prospects for 1963-64 season are as yet uncertain. Drought appears to have been widespread during the earlier growth of the crops. Exports so far recorded in 1963 are

somewhat below the comparable figure for last year, although this is mainly the result of the rephasing of shipments from Thailand and the slower rates of export from Burma. Consignments from the United States are however, at a high level, and world trade in rice for the full year is expected to exceed that in 1962 despite the reduction so far recorded. Dealing with India, the publication says that reports early in June indicated that the rains missed many interior parts of India and the success of the autumn seeding campaign depended on increased rain. Arrivals of rice at Indian ports during the second quarter of 1962 totalled 2,40,000 tons, bringing the total for the first half of the year up to 3,55,100 tons — a rather higher figure than a year earlier. Most of the rice under the contract with Burma for 1,50,000 tons from the 1963 crop had been received by the end of June, while imports from the U.S. already exceeded those during the whole of 1962.

BHILAI STEEL FOR SUDAN

At a press conference recently in Raipur Mr. Inderjit Singh, General Manager of the Bhilai Steel Works stated that Bhilai had undertaken to supply 12,500 tons of rolled steel to Sudan. The General Manager pointed out that Bhilai was now in a position to produce quality steel. It successfully met recently two small orders of quality steel used for welding. India, he said, was importing twenty to thirty thousand tons of such steel. The steel works would certainly produce such steel if an order was placed with the management.

SEWING MACHINE FOR GERMANY

The Minister of International Trade, Mr. Manubhai Shah, stated in the Lok Sabha that an Indian firm (Jay Engineering) had concluded a contract with a West German firm for the export from India to West Germany of Usha Sewing machines at a rate of 1,500 machines per month or 18,000 machines during the financial year 1963-64; 2,000 machines per month or 24,000 machines during 1964-65 and 2,500 machines per month or 30,000 machines during 1965-66. Thus, during the three years of the duration of the contract, 72,000 Indian sewing machines would be exported to West Germany.

BRITAIN'S GOLD RESERVES

Britain's gold and convertible currency reserves fell by £7 million to £969 million at the end of August. The fall was mainly due to a £10 million payment to Germany in respect of bilateral debts arising from the winding up of the now defunct organisation for European Economic Co-operation, was wound up at the end of 1958, the whole of Britain's debt to Germany arising from trading transactions amounted to £95.7 million to be repaid over a period of 12½ years. Taking into account the annual payment towards the debt made in August, the reserves can be said to show a true gain of £3 million for the month. This is much the same as the position in August 1962, when there was a true gain of £4 million.

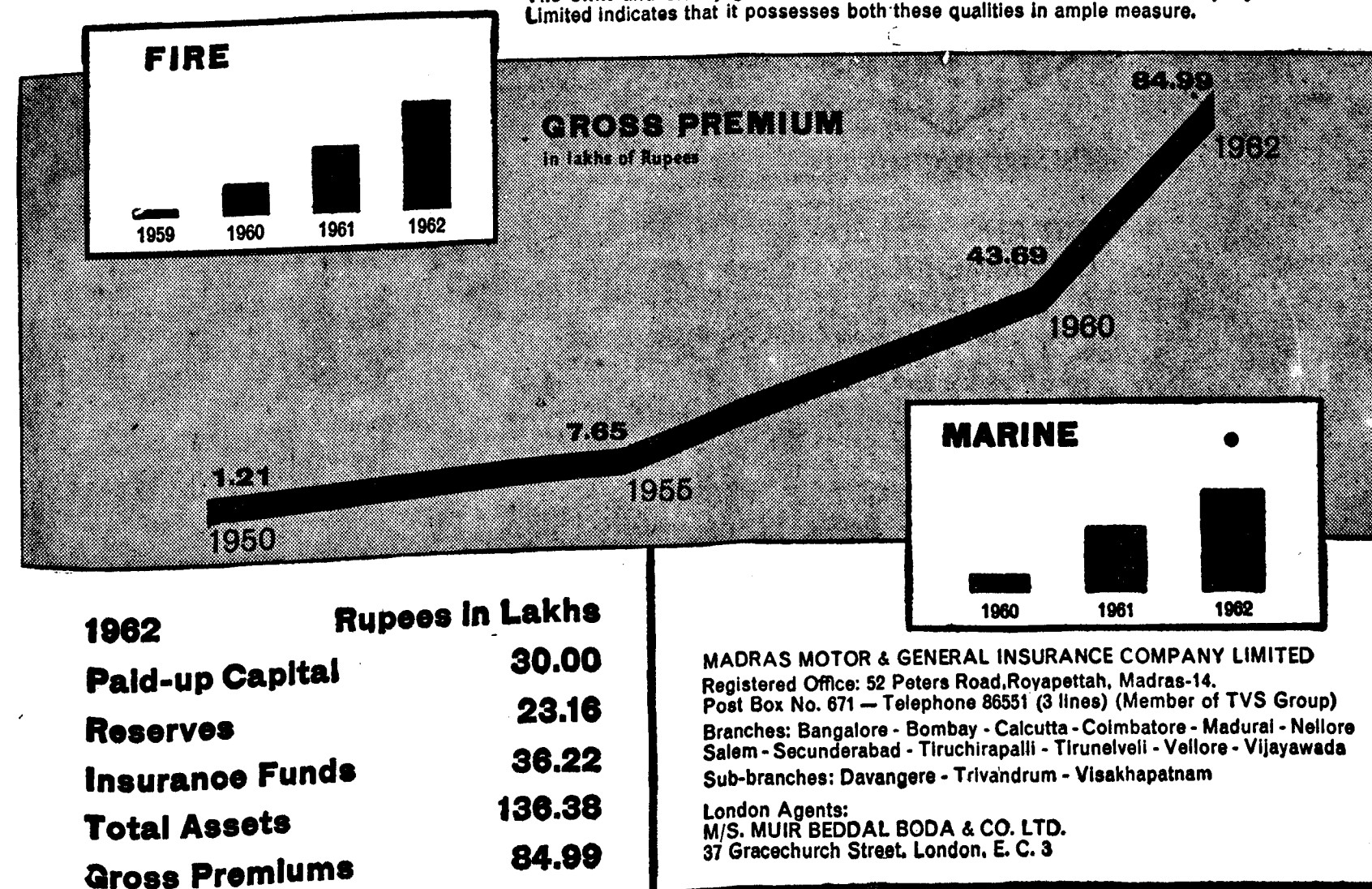
MAIZE IMPORT FROM U.S.

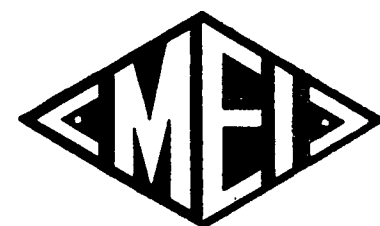
An agreement between India and the U.S. was signed recently providing for the import of about 110,000 tons of maize by India valued at Rs. 3.70 crores under P.L. 480. So far, the two countries have entered into aid agreements under P.L. 480 covering agricultural commodities valued at Rs. 1,161 crores. The consignment will be processed as starch for the textile and other industries. It will be paid for in rupees but the U.S. Government will make over to India 85 per cent of the sale proceeds to finance development projects.

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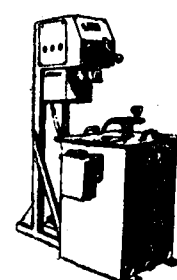
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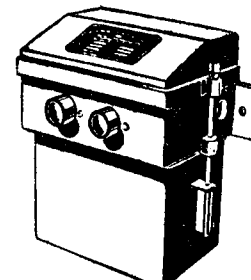
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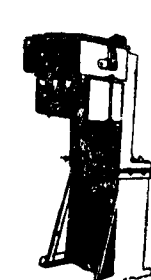
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I.A.E.C. (Madras) Pvt. Ltd. 'Dinroze Estate', 2/17- G, Mount Rd., Madras 2. I.A.E.C. (Mysore)
Pvt. Ltd. 54-55, Silver Jubilee Park Road, Bangalore City. I.A.E.C. (Hyderabad) Pvt. Ltd.
Barman Bldg., Gunfoundry, Hyderabad. I.A.E.C. (Calcutta) Pvt. Ltd. 5, Mission Row, Calcutta 1.



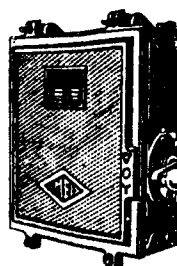
Oil-immersed
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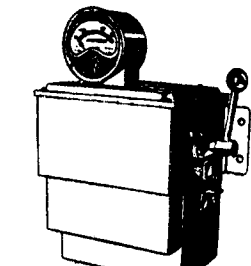
Oil-immersed
direct-on-line
Starter.



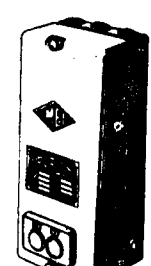
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ME-20A

Company Affairs

IISCO EXPANSION

SIR BIREN MOOKERJI, Chairman, the Indian Iron and Steel Company Ltd., stated at the forty-sixth annual general meeting of the company in Calcutta on September 3, 1963, that further progress had been made in regard to the expansion schemes of the company subsequent to his earlier statement (reported in Eastern Economist dated August 16, 1963, page 322). The Chasnalla Project being the key to the expansion scheme and involving substantial expenditure, the company had put forward to the Government two suggestions. The first asked the Government to agree to a deferment until after 1967 of further recoveries against the present loan balance of Rs. 4.61 crores. The second related to an increase in the company's borrowing limit from banks by way of cash credit on overdraft facilities against the security of stocks, stores and spares, over the current amount of Rs. 5 crores. The chairman further said that the Government had indicated its acceptance of these proposals and the company had now approached the World Bank. As soon as the consent of the World Bank was received, the company would push further the implementation of the scheme.

In the meanwhile, the consulting engineers were busy finalising planning details. The company had been assured by the World Bank that official appraisal of the first phase of expansion programme would be taken up as soon as the Chasnalla Project was submitted. In view of this assurance, the Directors of the company had decided to hasten the installation of the two re-heating furnaces which would cost around Rs. 66 lakhs. Previously it had been arranged that these furnaces would be put up along with phase I of the programme. The acceleration of the expansion programme in this way is also likely to hurry up phase II of the expansion programme. Sir Biren stressed the fact that the expansion programme would make a heavy call on the resources of the company and it was essential to conserve all its available resources so that the company might be able to play its role in the development of the steel industry in the country.

MYSORE PAPER

Addressing the twenty-eighth ordinary general meeting of Mysore Paper Mills Ltd. at Bangalore on September 5, 1963, Mr M. D. Shivananjappa, Chairman and Managing Director, drew attention to the rising cost of paper manufacture which necessitated an immediate revision in the facture which necessitated an immediate revision in the controlled prices of various varieties of paper. The last revision had taken place in June, 1962, and since then the emergency had "brought in new legislative measures" which had further added to the costs. He also stated that the industry had taken up the question of revision of prices with the Government of India and hoped that the Government would take a liberal view in this regard if the third five-year Plan target of 820,000 tons was to be achieved. He was of the opinion that only a price policy which ensured a reasonable and fair return on capital would act as an incentive for the implementation of expansion schemes.

The company had been able to show good working results despite the pressure of rising costs due to a judicious check on expenditure. The company did not attract Super Profits Tax because a large increase in equity capital had taken place recently consequent to a rights issue and reserves built over the years. During the current year a sum of Rs. 1,00,000 has been reserved for fluctuations in the value of stores and raw materials and another sum of Rs. 5,50,000 has been appropriated to rehabilitation reserve. The general reserve was raised to Rs. 36,00,000 for the year ended March 31, 1963, by the appropriation of Rs. 4,50,000

from the provision for repairs and replacements which is no longer required for that purpose. The company has declared a dividend of 12 per cent, subject to tax, absorbing Rs. 3,00,000 in case of fully paid shares and also a dividend of 12 per cent, subject to tax, on partly paid shares which would absorb Rs. 3,75,000. It had made arrangements to secure equipment necessary to raise production to 18,000 tonnes. Contracts have been signed with the suppliers of plant and machinery in Germany and the United Kingdom. For purposes of development finance, arrangements with the three lending institutions, namely, the Commonwealth Development Finance Co. Ltd., London, the Industrial Credit and Investment Corporation of India, Bombay, and the Industrial Finance Corporation, New Delhi, have been completed. From the Commonwealth Development Finance Co. Ltd a sum of £5,25,000 have been drawn. From the Financial Corporation of India, a sum of Rs. 55,00,000 in foreign currencies have been drawn for foreign purchases. For indigenous purchases and local expenditure, a sum of Rs. 35,00,000 has been drawn from the Industrial Finance Corporation of India.

KESORAM

The broad details of the auditor's statement of accounts for the year ended March 31, 1963 of Kesoram Industries and Cotton Mill Ltd., were discussed in "Eastern Economist" dated 23rd August, 1963 (page no. 374) on the basis of a preliminary report. The complete report of the directors to the shareholders has now been made available. The gross profit for the year under review was Rs. 2.01 crores. The allocations included Rs. 82.49 lakhs for depreciation, Rs. 39.21 lakhs for development rebate reserve, Rs. 8.00 lakhs for taxation, Rs. 8.39 lakhs for managing agents' commission and Rs. 29,676 as tax paid against old liabilities. Net profit after making all these provisions came to Rs. 59.91 lakhs to which were added (a) amount brought forward from previous year at Rs. 43,454 and (b) directors' commission provided in the past, now written back being disallowed by the Central Government at Rs. 1.92 lakhs. The net amount available for disposal was Rs. 62.27 lakhs.

The directors have recommended a transfer of Rs. 40 lakhs to dividend reserve and Rs. 22 lakhs to general reserve while a sum of Rs. 26,969 is proposed to be carried forward to the next year's accounts. The directors have also proposed for the consideration of the shareholders at the Annual General Meeting to be held on September 24, 1963 the payment of dividends (subject to deduction of tax) from the dividend reserve. The details of the dividend suggested are: (a) Cumulative Preference Shares at the rate of 10 per cent (gross) per annum, absorbing Rs. 2 lakhs, (b) Redeemable Cumulative Second Preference Shares at the rate of 7.85 per cent (gross) per annum, absorbing Rs. 7.84 lakhs and (c) Ordinary shares at the rate of 13 per cent (gross) absorbing Rs. 25.99 lakhs. Provision for dividend on ordinary shares, pending allotment, would absorb Rs. 738 only. The company is making an application to the Income-tax Department to determine the quantum of the profit of the year ended under review which is examined under Sections 85 and 101(2) of the Income-tax Act, 1961. If the decision of the department is received in time, the deduction of tax from the dividend recommended will be made accordingly.

The directors have also reported that the ceiling prices of cotton, the basic raw material for the textile industry, was raised by Rs. 125 per candy during the current season which did not receive any compensation by way of increase in cloth prices. The prices of other raw materials such as stores, dyes, chemicals, coal, power rates and packing items also increased, affecting adversely the economics of the industry. Other additional burdens on the industry were the Emergency Risks

Insurance premia and the increasing rates of Inter State Sales Tax. Again excise levies and customs duties in the case of a large number of commodities essential to the industry were also increased.

JAIPUR UDYOG

Mr. S. P. Jain, Chairman of Jaipur Udyog Ltd., brought into sharp focus the basic problem of the rising cost in cement manufacture at the annual general meeting of the shareholders on August 21, 1963 at Sawaimadhopur. He described the last price fixation which came into effect on June 1, 1963 as "disheartening"; Jaipur Udyog received a price increase of Rs. 2.75 per tonne which was inadequate in view of the rises in cost which had taken place since the previous fixation of price. He recommended an automatic escalation system whereby the rise in costs under the major heads such as fuel, power, transport, etc. was automatically communicated to the industry so that it might not be made to suffer for the Government's delayed actions. He rightly said that without an appropriate price policy, the development of industry would not take place and the problem of the continuing scarcity of cement would not be solved.

He also drew attention to the Government's unrealistic stand in making factories use 50 per cent of old bags. In the official fixation of prices, the old bags were priced at 65 per cent of the price of the new bags, but the manufacturers had to pay as much as 85 per cent of the price of new bags. Again, he highlighted the peculiar situation in which the Sawaimadhopur unit found itself in the matter of raw material transport. Whereas the distribution of cement is covered by the pooling of freight, there is no similar formula for freight on raw materials. Since the quarries of the factory were at a distance of 15 miles from the plant, the freight on limestone worked at Rs. 4.40 per tonne. Including other raw materials, the total incidence of freight on the cost of cement was Rs 7 per tonne. This was an additional cost which the Sawaimadhopur unit had to bear in relation to those units which were situated very near the quarries.

Disclosing the working results of the factory, Mr. Jain indicated that it had achieved an all-time record in production at 823,238 tonnes as compared to 742,298 tonnes in the previous year. This was reflected in the substantial rise in the net profit after depreciation which stood at Rs. 87.12 lakhs as against Rs. 65.02 lakhs in the last year. The Directors have therefore, proposed an increased dividend at 10 per cent against 8.30 per cent in the previous year. The proposed dividend, it is computed, will amount to a net payment of 8.752 per cent after deduction of income-tax on a part of the distributed profits.

BIRLA COTTON

The working results of the Birla Cotton Spinning & Weaving Mills Ltd., were discussed, on the basis of a preliminary report, in "Eastern Economist" dated August 30, 1963, on page 424. The Directors' report, now made available gives reasons for the decline in profits for the year ended March 31, 1963 and also gives the details regarding the construction of the new factories being set up at Kathua and Khurja. It is indicated that there was a further increase in the cost of production in the textile industry due to a rise in the price of cotton, stores, dyes and spare parts. Increase in dearness allowance also raised the bill for salaries and wages. The full impact of the levy on cotton consumption which was paid to the Indian Cotton Mills Federation (imposed towards the end of the previous year) was reflected in the accounts of the year under report. Again, a substantial compensation had to be paid to workers who left on their own accord under the Tribunal's Award. The Company added some more machines in the processing and finishing departments in its programme to rehabilitate them. The tent factory worked to full capacity

to meet the needs of the defence forces and also produced satisfactory results. The gunning and pressing factories at Maiout and Kesrisinghpur had also reported a good performance. The Chenab Textile Mills at Kathua was progressing very well and the erection of machinery was expected to commence very soon. According to present indications, the mill might go into production at the beginning of 1964. Steps have also been taken to acquire land for setting up a textile mill at Khurja; orders for plant and machinery have also been placed.

INDIAN CABLE

The annual report of the Indian Cable Company Limited for the year ended 31st March 1963 showed, after making provisions for depreciation and taxation, a net profit of Rs. 3.85 lakhs. Taking into account the balance brought forward from the previous year at Rs. 50.15 lakhs and transferring Rs. 19.56 lakhs from the "provision for retiring gratuities" and Rs. 10 lakhs from the "provision for taxation", the total sum available for distribution was Rs. 143.56 lakhs. The Directors have recommended a transfer of Rs. 3.45 lakhs to the "debenture redemption sinking fund", Rs. 45,000 to "development rebate reserve", Rs. 18 lakhs to "reserve for retiring gratuities", Rs. 5.00 lakhs to "reserve for replacement of fixed assets" and Rs. 60.50 lakhs to "general reserve", leaving a balance of Rs. 56.16 lakhs for disposal. The Directors have also proposed payment of a dividend on ordinary shares at Rs. 2.25 per share (subject to deduction of income-tax and super profits tax), absorbing Rs. 55.95 lakhs while the balance of Rs. 21,521 is proposed to be carried forward to the next year.

There has been an increase in the total sales of the company from Rs. 10.04 crores in the previous year to Rs. 10.48 crores in the year under report. There was also an improvement in the profit for the year after providing for depreciation at Rs. 1.57 crores compared to Rs. 1.38 crores in the previous year, but the increase was wiped out by the increased provision required for taxation, particularly as a result of the imposition of super profits tax. The company had filed a claim to the Central Board of Revenue for tax relief in respect of the profits of the Paper Insulated Power Cables Factory; the favourable decision of the Board enabled the release of Rs. 10 lakhs, indicated above, from the provision for taxation. The company is making earnest efforts to earn foreign exchange by exporting cables. In South-East Asia particularly, the company has a very high reputation. During the first half of the current year, the export figure for the whole of the past year had been exceeded. The volume of exports could be extended further if the company were in a position to accept foreign orders for paper insulated cables which are urgently needed in this country for priority requirements.

CAPITAL ISSUES

The Controller of Capital Issues has authorised eleven companies, including a State Government undertaking, to raise fresh capital amounting to Rs. 2.79 crores. Three companies are issuing bonus shares, three cumulative redeemable preference shares and the rest equities. The consent for all, except one, is valid for 12 months.

Burn and Company Limited, Calcutta, is to offer bonus shares of the value of Rs. 84 lakhs in 84,000 bonus shares of Rs. 100/- each in the ratio of one bonus share for every share held.

Jay Shree Tea and Industries Limited, Calcutta, is to raise capital of Rs. 21,86,666/-. These will be offered as 2,18,666 equity shares of Rs. 10/- each as fully paid-up bonus shares on capitalisation of reserves to a like extent.

National Planning and Construction Limited, Calcutta, is to issue 352 equity shares of Rs. 100/- each, as fully paid-

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AUTHORISED CAPITAL	..	..	..	Rs.	8,00,00,000
SUBSCRIBED CAPITAL	..	..	..	Rs.	5,60,00,000
PAID-UP CAPITAL	..	..	..	Rs.	2,77,75,037
RESERVE FUND AND OTHER RESERVES	..	..	..	Rs.	3,03,00,000
DEPOSITS & BILLS PAYABLE (31-12-'62)	..	..	..	Rs.	1,08,22,75,015

BRANCHES:

IN INDIA	: In all Cities and Towns of Commercial and Industrial importance.
IN PAKISTAN	: Karachi
IN MALAYA	: Penang, Kuala Lumpur, Klang
IN SINGAPORE	: Raffles Place, Serangoon Road
IN UNITED KINGDOM	: London
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The Bank receives deposits, gives advances against approved securities, purchases bills, sells drafts and telegraphic transfers and transacts all types of Foreign Exchange business. Through its internal net-work of branches and world-wide business arrangements it provides every kind of banking service.

S. T. SADASIVAN,
General Manager.

UCO 3

4¾ PER CENT MADRAS STATE ELECTRICITY BOARD BONDS, 1975 FOR Rs. 400 LAKHS

(PAYMENT OF INTEREST AND REPAYMENT OF PRINCIPAL, GUARANTEED BY THE GOVERNMENT OF MADRAS).

The bonds 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.

ISSUE PRICE RS 99.75 PER CENT
REDEEMABLE AT PAR ON THE 23RD SEPTEMBER, 1975

Subscriptions will be received in cash or cheques from the 23rd September, 1963. But the lists will be closed without notice as soon as the total subscriptions amount to approximately Rs. 400 lakhs and in any case not later than the close of business on the 28th September, 1963.

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.

up bonus shares on capitalisation of the company's reserves to the extent of Rs. 35,200/-.

Amar Dye-Chem. Limited, Bombay, is to issue capital of Rs. 30 lakhs, divided into 30,000 equity shares of Rs. 100/- each for cash at a premium of Rs. 5/- per share. The shares are to be issued to the existing share-holders in the proportion of one share for every three shares held. The proceeds are to be used for the company's expansion programme. The consent is valid till February 29, 1964.

The Premier Cable Company Limited, Delhi, is issuing capital of Rs. 70 lakhs (including Rs. 9,80,070 already issued and subscribed). These will be divided into 5,50,000 equity shares of Rs. 10/- each, and 15,000 cumulative redeemable preference shares of Rs. 100/- each carrying dividend at 9.3 per cent free of company's income-tax but subject to deduction of tax at source at the prescribed rates, for cash at par. The proceeds of the issue are required for financing the proposed manufacture of plastic insulated power cables.

Orissa Construction Corporation Limited, Bhubaneswar, a State Government undertaking, is raising capital of Rs. 10 lakhs in 1,000 equity shares of Rs. 1,000/- each. The money will be utilised for the construction of bridges on the State express way.

G.S. Mandi Dip Paper Private Limited, Bhopal, a company recently incorporated for the manufacture of paper, is to issue capital of Rs. 30 lakhs divided into 30,000 equity shares of Rs. 100/- each, for cash at par. The capital will be used for financing the proposed paper project.

Associated Pulp and Paper Mills Limited, Ahmedabad, is to raise further capital of Rs. 12,50,000/-. These will be divided into 12,500 cumulative redeemable preference shares of Rs. 100/- each for cash at par carrying dividend of Rs. 9.5 per share. These will be free of company's tax but subject to deduction of taxes at source. The capital is required for the acquisition of land and machinery etc.

Sundaram Textile Mills Limited, Madurai, is to issue capital of Rs. 10,00,000/-. This will be divided into 5,000 equity shares of Rs. 100/- each and 5,000 redeemable preference shares of Rs. 100/- each carrying a dividend of 9.5 per cent (free of company's tax but subject to deduction of taxes at source at prescribed rates) to be issued privately for cash at par. The proceeds are needed for the expansion of the existing textile mills.

Madras Motor and General Insurance Company Limited, is issuing capital of Rs. 10 lakhs in 10,000 equity shares of Rs. 100/- each. The proceeds are required for the purpose of expanding the business of the company.

South Indian Insurance Company Limited, Bombay, has been given consent to issue capital of Rs. 27,920/- in 2,792 equity shares of Rs. 10/- each. This will be allotted to New India Assurance Company Limited for cash at a premium of Rs. 14.75 per share. The object of the issue is to streamline and simplify the company's capital structure.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951, during the week ending 31st August, 1963. The list contains the names and the addresses of the licensees, articles of manufacture and annual installed capacity.

IRON & STEEL CASTINGS AND FORGINGS

The Shalimar Works Ltd., 1, Foreshore Road, Shibpore, Howrah (West Bengal) — Ferrous castings (C.I. castings) - capacity to be assessed. Bhartiya Electric Steel Co. Ltd., 8, Swinhoe Street, Ballygunge, Calcutta (West Bengal) — Steel Ingots and steel castings 3,600 tons per annum.

COAL, LIGNITE, COKE

Bhowra Kankanee Collieries Ltd., 25, Brabourne Road, Calcutta-1 (P.O. Bhowri-Distt. Dhanbad, Bihar) — Coal & coke-

1,07,040 tonnes per annum. Bhowra Kankanee Collieries Ltd., 25, Brabourne Road, Calcutta-1 (P.O. Bansjora, Distt. Dhanbad, Bihar) — Coal and Coke - 1,86,200 tonnes per annum. Bhowra Kankanee Collieries Ltd., 25, Brabourne Road, Calcutta-1 (P.O. Kusunda Distt. Dhanbad, Bihar) — Coal and Coke - 1,10,000 tonnes per annum.

RADIO RECEIVERS

Harsh Engineering Industries, Nawalgarh House, Jaipur (Jaipur, Rajasthan) — Tubular papers capacitors 5 million Nos. per annum, Hermetically sealed paper capacitors 1 million Nos. per annum.

MACHINE TOOLS

Tak Machinery Ltd., Janambhoomi Bhavan, Ghona Street, Fort, Bombay-1 (Maharashtra) — Hydraulic Presses 60 Nos. per annum.

HAND TOOLS, SMALL TOOLS AND THE LIKE

New India Tool Mfg. Co. 48, Gariahat Road, Calcutta-19 (West Bengal) — (1) Reamers 24,000 pieces per annum, (2) Cutter and other precision small tools 3,000 pieces per annum, (3) Tool bits including carbide tipped tools 50,000 pieces per annum, (4) Twist Drills 10 lakhs pieces per annum.

SYNTHETIC RESINS & PLASTICS

Dr. Beck & Co. (India) Ltd., Bombay-Poona Rd., Pimpri, Poona (Maharashtra) — Synthetic resins of Phenolic, Alkyd, Polyester, Hydroxy Polyester, unsaturated Polyester etc. specially formulated for the electrical industry - 600 tonnes per annum.

DRUGS AND PHARMACEUTICALS

Sandoz (India) Ltd., 3, Wittet Road, Ballard Estate, Bombay-1 (Maharashtra) — Manufacture of active principles of podophyllum, Glycoside fraction 24,000 kgs. per annum, Aglycone fraction 30,000 kgs. per annum. Raptakas Bret & Co. Private Ltd., Annie Beasant Road, Worli, Bombay-18 (Thana, Maharashtra) — Catoxyl Gel 13,000 bottles of 360 ml. each per annum (shifting from Madras to Thana).

TEXTILES

Cheviot Mills Co. Ltd., 8, Clive Row, P.B. No. 150, Calcutta (West Bengal) — Wide Hessian (Carpet Backing cloth) 40 Broad looms for producing 4,200 tonnes per annum.

CHANGES IN NAMES

Owner or Undertaking

(During the week ending August 31, 1963)
From M/s. Devidayal Tube Industries Private Ltd., New Delhi to M/s. Devidayal Tube Industries Ltd., New Delhi.
From M/s. Kesoram Cotton Mills Ltd., New Delhi to M/s. Kesoram Industries and Cotton Mills Ltd., New Delhi.

LICENCES REVOKED

(During the week ending August 31, 1963)
M/s. Kalinga Industries Ltd., Calcutta — Pig iron. M/s. Walchandnagar Industries Ltd., Bombay — Solven extraction plants. M/s. D. C. Dhiman and Bros. Private Ltd., Calcutta — Railway wagons. M/s. Window Glass Ltd., Calcutta — Sheet glass.

EVEREST ADVERTISERS

Everest Advertising Private Limited has instituted a full term scholarship in advertising at the Bharatiya Vidya Bhavan's College of Journalism, Advertising and Printing. The scholarship will be given to a meritorious candidate deserving aid, who is unemployed and is interested in taking advertising as his career.

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1788
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1963

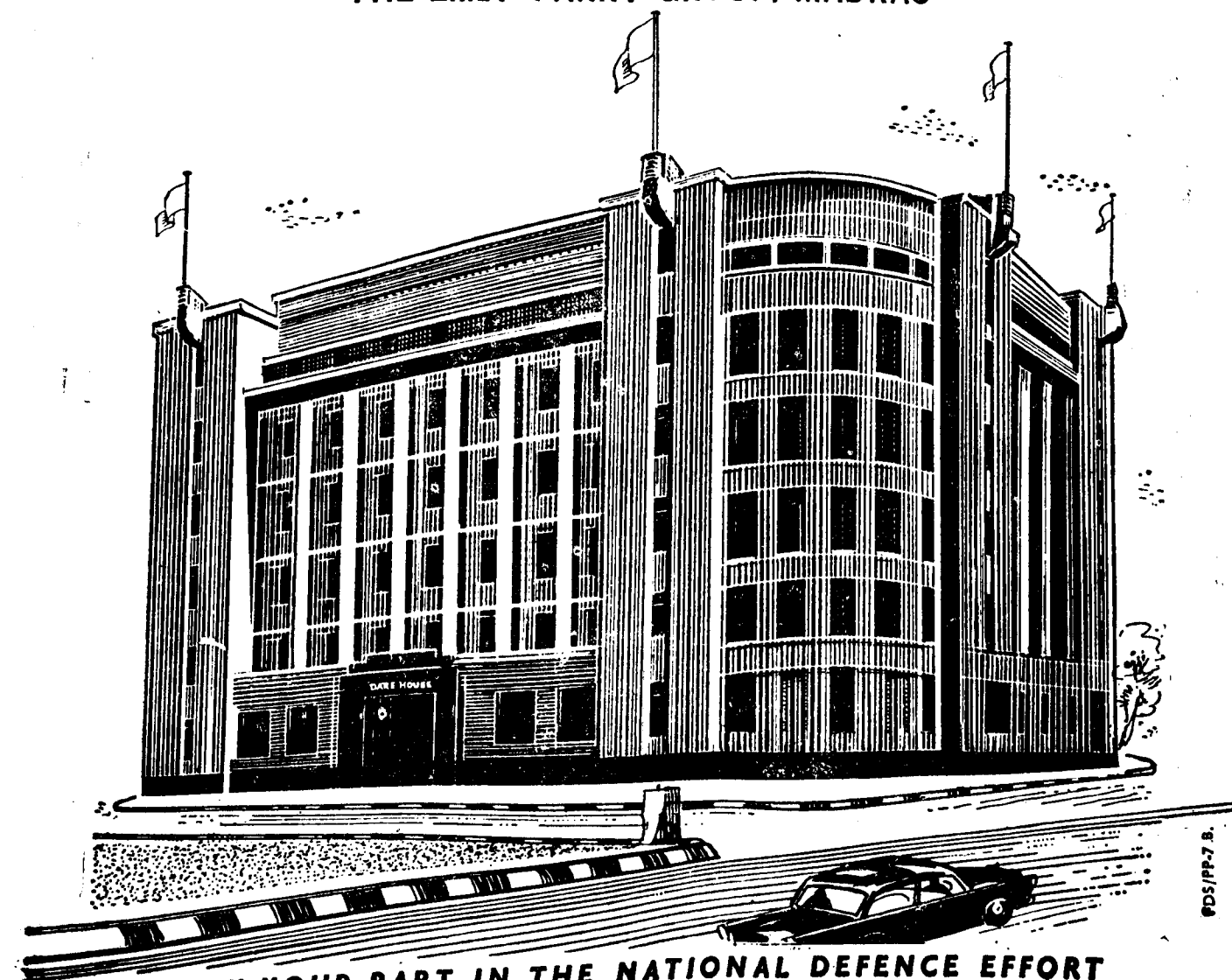
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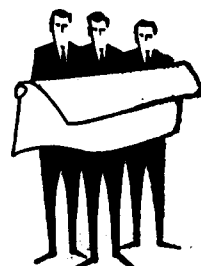
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BOOKS BRIEFLY

Factors In Economic Development: By Professor A. K. Cairncross; Allen & Unwin; 35sh.

The British Economy In The 1950's: A symposium of seventeen essays; Oxf. Univ. Press; 50 sh.

Abstract of British Historical Statistics: By B. R. Mitchell and Phyllis Deane; Camb. Univ. Press; 52sh. 6d.

British Economic Growth 1688-1959: By Phyllis Deane and W. A. Cole; Camb. Univ. Press; 60sh.

American and British Technology In The 19th Century: By H. J. Habakkuk; Camb. Univ. Press; 32sh. 6d.

Reviewed by JOSSLEYN HENNESSY

THE U.K. worries because her postwar growth rate averages only 2.6 per cent p.a. Yet throughout the 19th century, when she led the world in industry, her growth rate averaged 2.75 per cent, i.e., only 1.5 per cent faster. Why then, worry?

As long as U.K. labour was content to take a more or less unvarying share of the cake, it did not matter so much that the cake grew more slowly than it could. Between 1860 and 1914, wages and salaries averaged 48.6 per cent, and profits 38.9 per cent of the cake, but in 1920-29, the share of wages rose to 59.7 per cent and profits fell to 33.7 per cent, while by 1950-59, wages were claiming 72.4 per cent and profits only 22.7 per cent. This transformation suggests that re-distribution of the existing cake not only in wages, but also in social benefits, can go no further, so that the only way to get bigger shares is to make the size of the cake grow faster. How?

Outstanding among the spate of recent books, which try to answer this question, are the studies which are reviewed here. One clear impression from pondering these authorities is that rising profits are essential to growth and that among the biggest obstacles to growth is the social disapproval that now surrounds "excessive" profit-making or, indeed, profit-making at all. The opposite of profit-making is subsistence-making. Before capitalism, agriculture was for subsistence, not for profit, as it still is in underdeveloped countries—and that is precisely why they are backward. Deane and Cole point out that long before the mid-eighteenth century saw the initiation of the Industrial Revolution, British agriculture was carried out for profit. The typical farmer was not a peasant toiling for his own subsistence.

Urge for Innovation

All these authorities emphasise that shortage of savings is rarely an impediment to growth: if there is an opportunity to make big profits, the capital will be forthcoming. What is important is an environment in which men gain experience in sizing up opportunities for profit. Thus, Cairncross says: "There has to be throughout the whole industrial system, a power to innovate, a built-in incentive to make further improvements, a linking of personal advantage with these improvements, and a readiness to look for opportunities of making them". Without the incentive of profits, growth cannot become self-sustaining.

Good as the U.K.'s average growth rate of 2.9 per cent p.a. was between 1800-1850, Habakkuk, looking at the rates achieved in Europe today, asks why it was not even faster. Among his several explanations is that although between 1819-1829, for example, handlooms fell from 240,000 to 225,000, the output per handloom rose by 30 per cent and the prices of their products fell, because the weavers, instead of moving into other employment, persisted in trying to compete with the factories. The weavers thus kept themselves on subsistence rates and, by causing the price of cloth to fall more rapidly, they lowered the profits of the factories and so reduced the ability, and the incentive, of the factory owners

Profits and Growth

to install more power looms. The lesson of this example is the importance for growth or encouraging the immediate adoption of new technologies. The slower the pace of adoption, the greater the possibility of resistance by the vested interests of capital and labour, the more long drawn out, and painful, the process of adaptation, the less economical the use of resources, and the slower the growth.

Habakkuk's observation that the U.K.'s slow growth rate in the 19th century affected the performance of her entrepreneurs applies equally today. Generals reveal their greatness not in peace but in war, and great entrepreneurs do not emerge in non-expanding industries. When profits are squeezed, risks are greater, initiative at a discount. Entrepreneurs are slower to try new methods, launch new products or start new firms. Because the market was growing slowly, risks were much greater in the U.K. than in Germany and the U.S.A., as was shown by the fate of those who showed enterprise in the electrical industry in the 1880's and came croppers as a result. On the other hand, when profit prospects favour expansion, British businessmen are as enterprising and successful as any in the world.

The authors of "The British Economy" argue that what the U.K. needs is an expanding, highly competitive, domestic market, because this encourages (a) the installation of productivity-raising equipment, dependent on large scale production, and (b) the search for additional profits in markets abroad.

Consumption-Oriented Economy

In the 19th century, growth sprang from the entrepreneur's drive for profits. He invested in new techniques because he saw the possibilities of new markets. Demand followed his investment. The economy was production-orientated. In today's welfare states, investment responds to rising demand following expansionary government policies: investment is cautious and non-speculative. The economy is consumption-oriented. In the 19th century, innovational investment, like the railways, lowered prices and created new buyers' markets, not only at home but abroad, and so helped the balance of payments. Today's entrepreneur shrinks from investment in innovations, which risk labour unrest from redundancy or restrictive practices. He prefers to play safe by merely increasing capacity in response to demand. Consumers, investors, and the government make rising demands on national product. Sellers' markets predominate. The incentives of capital and labour are blurred because rewards and penalties are not tied directly to economic performance. Expanded consumption rises as fast as output. Bang goes the balance of payments. Up goes bank rate to restrict demand and damp enterprise.

Of all the factors which caused growth in the 19th century—including industrialisation, education, free trade, capital accumulation, population growth—Cairncross goes so far as to assert that the only major one operative today is technical progress. Germany's postwar growth was launched by "profiteers" seizing every opportunity for technical change, which pushed exports out along with high rates of investment. Slow growth and balance of payment difficulties in the U.S.A. and the U.K. originate in protecting too many existing jobs, in postponing technical change, in too great reliance on domestic investment and on artificially stimulated domestic demand. At the moment, it looks as though Germany may be headed in the same direction. Erhard proposes but welfarism disposes.

The moral that seems to emerge from these authorities is that growth is fastest in an enterprising production-orientated economy, subject to rapid technological changes, fast rising productivity, and "excessive" dividends. Any comment from New Delhi's planners?

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Literature and technical advice from Sole Selling Agents in India: **KILICK, NIXON & CO., LTD.**, 31, Marzban Road, P.O. Box 109, Bombay.

Readers' Roundtable

KAMARAJ PLAN

Sir, — The "Kamaraj Plan" of ministers taking up party work and its first instalment of implementation has created considerable interest. But it is doubtful whether the Plan would serve its objective.

The Plan overlooks the fact that the party has fallen considerably in public grace because of Governmental policies and action. A Government which can maintain a stable price level by giving up ideological planning in favour of realistic planning; ensure supply of adequate foodgrains and consumer goods at reasonable prices; provide a simple and fair administration which touches the life of the people at as few points as possible; disband monopolistic organisations like IAC and LIC which provide indifferent service to consumers; stop the growth of a wasteful and inefficient Public Sector; and create preconditions for steadily enlarging economic opportunities can command the support of the bulk of the people.

"ARISTIDES"

Bombay

LIC FILMS

Sir,—I have just read in "Eastern Economist" of August 16 (p. 317) an interesting review of the special show of films held at the Rashtrapati Bhavan. I was glad that "The Moving Finger Writes" took note of this show.

It will interest you to know that all except four films have already been shown in over 5,000 theatres, through nearly 250 Mobile Vans—some belonging to the LIC and others to the Central and State Governments — as well as through a number of projection Units of the Corporation. Our programme envisages release of two to three shorts every year.

Your comments regarding the rural film are also interesting especially as this particular film has special background. It is not meant for theatre release and is to be shown only to the rural audiences under what is known as the "Integrated Publicity Programme" which enables the rural audiences to be reached through mobile vans of different authorities. In the rural areas, people like the story to unfold gradually. In fact, in small country theatres longer Indian feature films attract better audience than shorter ones and as there is hardly any consciousness about life insurance, we have taken to this technique which may not and need not appeal to the urban audiences.

We have been in touch with the manner in which commercial enterprises are doing their work and you may be surprised to learn that this particular film is having very favourable comments from these enterprises especially as it has background for rural approach which they have not tried. In fact, I am planning another documentary of the same length dealing with the use of child labour and lack of education particularly in the rural areas linking up with the harvest festivals of Pongal, Onam, Makara Sankranti etc. in the South.

I agree that a point has to be made pointedly but as we deal with different aspects you would have noticed that our approach varies and we cannot sell the idea of life insurance to these audiences by making a film star appear on the screen for a few minutes. I am sure, in view of the trouble you have taken to view the films and as your review is highly appreciated, this background will also give an idea as to why

we go in for different kinds of approaches. In publicity and promotional work, there can never be a single approach.

P. U. OZA
 (Public Relations Officer,
 Life Insurance Corporation of India)

Bombay

PAPER PLANT

Sir,—I would like to draw your kind attention to the matter appearing on page 361 (lines 13 and 14, right hand side column) of "Eastern Economist", dated August 23, 1963. The matter relating to Greater Mysore Rayon Grade Pulp and Paper Mills Ltd., has been erroneously reported by your special correspondent.

No doubt your interpretation will depend on the connotation you attach to the word "progress". The company, as I see it from my angle and could authoritatively testify to it, is making remarkable progress; more than what you could normally expect of rising concerns, especially in the difficult context of the emergency.

H. V. RAMANI

Bangalore

*Here with a loaf of
 Bread beneath the bough,
 a bottle of Gold Coin,
 a book of verse and thou,
 Beside me singing in
 the wilderness—and wilder-
 ness is Paradise enow.*

- with apologies to 'Omar Khayyam'

This fruit-ful
 drink is delicious,
 refreshing and so
 nourishing. It is
 really good for
 health and beauty.

Gold Coin

Real
APPLE JUICE

Non-Alcoholic
**SPARKLING &
 NON-SPARKLING**



DYER MEAKIN BREWERIES LTD.

COMPANY MEETING

THE MYSORE PAPER MILLS, LIMITED

Bangalore-9

Speech delivered by Sri M. D. SHIVANANJAPPA, I.A.S., Chairman and Managing Director, The Mysore Paper Mills, Limited, at the Twenty-eighth Ordinary General Meeting of the Company held at Bangalore on Thursday the 5th September, 1963.

Ladies and Gentlemen,

I consider it a privilege and a pleasure to welcome you to the 28th Annual General Meeting of the Shareholders and to present the Report of the Directors and Accounts for the year ended 31st March, 1963, along with the Report of the Auditors of the Company thereon. These have been circulated already and have been with you for sometime and with your permission, I shall take them as read and proceed to refer to a few salient features of the year's operations.

It is a matter of great satisfaction for me to report that there has been an all round progress during the year under review; production of paper has increased by 212 tonnes over the previous year and the turnover has shown an increase by Rs. 3.69 lakhs over last year. Though the production and sales of paper and turnover have been slightly higher, yet the profits are slightly lower than the previous year and this is accounted for by higher working expenses. It has been reported to you previously that the Government of India had referred the question of paper prices to the Tariff Commission as early as 1958 and the Tariff Commission after elaborate investigation fixed prices which the Government of India accepted and announced in 1960. Prices recommended by the Tariff Commission and accepted by the Government of India were disappointing. The representatives of the Paper Industry made repeated representations to the Government of India for a suitable increase and it was only in June 1962 that the Government of India sanctioned a small increase. As stated in your Directors' Report, this increase is much too inadequate when compared with the increase in prices of raw materials, chemicals, coal and labour costs. Besides these increases, the emergency created by the Chinese invasion of our land has brought in new Legislative measures which have further added to our costs. The Paper Industry has taken up again the question of revision of prices with the Government of India and I am not without hope that the Government of India will not only afford immediate relief but also will see their way to set up suitable machinery to revise prices promptly at least to absorb such increases in costs over which the Industry has no control. In this context, it should be noted that under the third five-year Plan, the target of 8,20,000 tons is planned to be achieved by expanding the capacity of the existing Mills and by starting New Mills, large and small. I have no hesitation to say that it is only a price policy which would ensure a reasonable and fair return on capital that would act as an incentive for expeditious implementation of expansion scheme of the existing units and for starting new units. It is also to be remembered in this context, that India is still low down in the list of paper producing and consuming countries with low per capita consumption and nothing should be done to retard the growth of this Industry, so vital to the Nation.

Turning to the Balance Sheet, I have to say that depreciation on fixed assets calculated in accordance with the rates allowed for normal depreciation and extra shift allowance as per Income Tax Act amounting to Rs. 6,03,908 has been provided. A sum of Rs. 22,800 has been provided towards Deve-

lopment Rebate in accordance with the Finance Act. Provision of Rs. 6 lakhs has been made to meet the tax liability. Luckily, we do not attract Super Profit Tax because of large increase of equity capital by the recent Rights Issue and reserves built over the years.

Your Directors have considered it appropriate to transfer the following Reserves to the General Reserve:

Reserve for fluctuation in the value of Stores and Raw materials	Rs. 1,00,000
Rehabilitation Reserve	5,50,000

and have also decided to appropriate Rs. 4,50,000 available in provision for repairs and replacements which is no longer required to General Reserve Account, thus bringing the General Reserve to Rs. 36 lakhs.

In regard to distributable profits, as indicated in your Directors' Report, the net Profit for the year together with the balance of carry forward of Rs. 38,113 and Rs. 37,500 proposed to be drawn from Dividend Equalisation Reserve will amount to Rs. 6,90,100 which your Directors have proposed to appropriate as follows:

(i) To declare a dividend of 12 per cent subject to tax or at the rate of Rs. 1.20 (taxable) per Share of Rs. 10 fully paid absorbing	Rs. 3,00,000
(ii) To declare a dividend of 12 per cent subject to tax on partly paid Shares for proportionate period absorbing about	Rs. 3,75,000
(iii) To carry forward	Rs. 6,75,000
	Rs. 15,100

In making these proposals for distribution of surplus, your Directors have followed the sound policy of conserving Company's resources for development consistent with the interest of Shareholders and it is this consideration that weighed with your Directors to recommend declaration of 12 per cent dividend subject to tax absorbing Rs. 6.75 lakhs as against Rs. 5.5 lakhs last year, and I hope you will agree to this. I am glad to inform you that the Industrial Finance Corporation of India have communicated their approval to our declaration of 12 per cent dividend subject to tax in terms of the Agreement said before regarding mounting production costs on the one hand over which we have no control and controlled prices of finished products on the other, you will consider the working results of the year quite satisfactory and I should like to point out that the pleasing results now presented are mainly due to continued vigilance and prudence exercised by the Management in all directions.

I am happy to inform you that the Labour-Management relations continue to be cordial. The Five-Year Industrial Peace Agreement concluded between the Management and

labour in May 1958 expired in May 1963. All reasonable demands of Labour are sympathetically considered by your Directors. Your Directors have sanctioned financial relief involving an annual expenditure of Rs. 3 lakhs to staff and labour. Further bonus of three months' salary or wages and one more month's salary or wages as ex-gratia for having reached the highest production, have been sanctioned and disbursed to all our employees. It will be of interest for you to hear that a good number of our employees have become Shareholders of the Company by acquiring new Shares, thus identifying themselves with the interests of the Concern.

You will naturally expect me to say a word or two on the progress made in the implementation of the Scheme of expansion since we met last. I informed you last year about this time that arrangements had been completed to secure the complete range of equipments necessary to step up production to 18,000 tonnes and contracts concluded with the Suppliers of Plant and Machinery in Germany and United Kingdom. Messrs. J. M. Voith of Germany in execution of the Contract for supply of Pulp Plant have despatched practically the entire equipment and a portion thereof has already reached the factory site. Messrs. Escherwyss of Ravensburg, Germany and Messrs. Millspaugh of Sheffield, England, with whom orders have been placed for Paper Machine, Stock and Chemical Preparation Plant and other Paper Machine equipments respectively have despatched the entire set of equipments and 50 per cent have been received at the Factory and the balance is expected to reach Madras Port shortly. Likewise, Messrs. Masson Scott and Co., with whom orders have been placed for the Duplex Super Cutter, have arranged for the despatch and the shipment is expected early. Boiler and Steam Distribution equipments and also the Black Liquor Recovery Unit ordered with Messrs. Babcock and Wilcox have all been received at the Factory site. I am glad to inform you that the erection of the Boiler has already been taken up and the erection of Pulp Plant and Paper Plant is expected to be taken up sometime in October-November this year.

On the side of the development Finance, you had been told that all agreements and arrangements with the three Lending Institutions, The Commonwealth Development Finance Co., Ltd., London, the Industrial Credit and Investment Corporation of India, Bombay, and the Industrial Finance Corporation of India, New Delhi had been completed. We have drawn £5,25,000 (sterling) from the Commonwealth Development Finance Company Limited, and Rs. 55,00,000 (in foreign currencies) from the Industrial Credit and Investment Corporation of India to pay for foreign purchases and Rs. 35,00,000 from the Industrial Finance Corporation of India for purposes of indigenous purchases and local expenditure.

I would like to avail myself of this opportunity to thank you, the members present here and other members who are not present here today not only for the satisfactory response made in subscribing to the Rights Issues and payment of calls, but also for the continued support you have been extending to me all along.

Necessary funds have been secured for the expansion scheme. Thanks to our Suppliers, good progress has been made in the acquisition of equipments from abroad. The Civil Engineering Works at the Factory site have made satisfactory progress. Unless there be any unforeseen or insurmountable difficulties, I expect the New Plant to go into production before we meet next and to be able to present you with the Complimentary Letter Pads containing samples of paper turned out of our new Paper Machine.

Your Directors have contributed a sum of Rs. 25,000 to

the National Defence Fund, and I trust you will appreciate and accord approval to the same.

A Special Resolution to amend Article 96 of our Articles of Association is being placed before you suggesting an increase in the Sitting Fee to your Directors. For reasons stated in the Explanatory Note, annexed to the Notice convening this Meeting, I hope the proposal would meet with your whole-hearted approval, and with your permission, I shall seek the approval of the Central Government to this enhancement of Sitting Fee and consequent amendment in due course.

On behalf of the Company, it is my pleasant duty to express my thanks to the authorities of the Commonwealth Development Finance Company Ltd., London, the Industrial Credit and Investment Corporation of India, Bombay and the Industrial Finance Corporation of India, New Delhi, State Bank of Mysore, State Bank of India, and the Canara Banking Corporation Ltd., for their support and assistance in the implementation of the Development Plans.

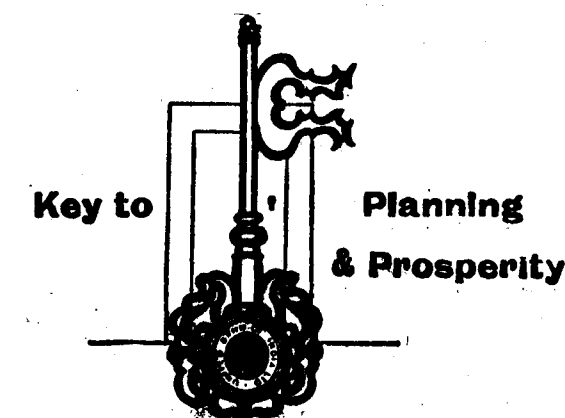
I would also like to express on behalf of the Directors and Shareholders, our grateful thanks to the Central and State Governments for the continued interest they are evincing in the progress of the Mills.

I am very grateful to my colleagues on the Board for their whole-hearted support and valuable guidance.

I wish also to express on behalf of the Directors and my own warm appreciation of the willing and efficient co-operation of all our employees.

Ladies and Gentlemen, with these observations, I now move that the Directors' Report and Audited Balance Sheet and Profit and Loss Account for the year ended 31-3-1963 be "APPROVED AND ADOPTED".

Note: 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.



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

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RECORDS AND STATISTICS

Recommendations of Agricultural Team

A NUMBER of Central Teams on Agricultural Production Programmes comprising the representatives of the Ministries of Food and Agriculture, Community Development and Co-operation and the Planning Commission visited the States between 15th April and 10th June, 1963 and have submitted their Reports. The purpose of these visits by Central Teams was not so much to find out the shortfalls in specific areas but to locate the main bottlenecks and organisational deficiencies retarding agricultural progress and suggest lines along which the programmes for 1963-64 should be undertaken. The Reports submitted by the Central Teams call for specific action both by the Government of India and the individual State Governments. The Planning Commission have already considered the recommendations regarding foreign exchange allocation, adequate supply of scarce key materials, such as, iron and steel, cement, etc. and additional financial outlays for accelerating the programmes of agricultural production, minor irrigation and soil conservation, and have made the following recommendations to the concerned Ministries for further action:

Foreign Exchange

- (i) **Fertilisers:** Foreign exchange amounting to Rs. 35 crores should be made available for the import of nitrogenous fertilisers during 1964-65 (October-September). Also, care would be taken to see that the requirement of potassic fertilisers would be met in full.
- (ii) **Minor Irrigation:** Essential requirements amounting to Rs. 1.8 crores for the import of boring equipment should be met.
- (iii) **Plant Protection:** Requirements of the order of Rs. 3 crores for pesticides should be met in full through the Ministry of Commerce and Industry. Also, a sum of Rs. 30 lakhs for plant protection equipment might be provided during the current year.

Scarce Key Materials

- (i) The State Governments would be requested by the Ministry of Food and Agriculture to work out the requirements of cement and unrelaxed categories of iron and steel on the basis of the Plan targets and financial provisions and earmark a specific quota for meeting these requirements;
- (ii) The requirements of agricultural programmes would be given an absolute priority over the requirements for others and if there was any cut or shortfall in the State quota, it should not affect agricultural programmes;
- (iii) An additional allocation of 10,000 tons of B.P. sheets would be placed at the disposal of the Ministry of Food and Agriculture by the Department of Heavy Industries during the current year; and
- (iv) The possibility of allocating an additional quota of 6,000 tons of G.P. sheets and 2,000 tons of G.C. sheets would be examined by the Department of Heavy Industries.

Additional Outlays

The Central Teams have recommended an additional outlay of Rs. 18.65 crores — Rs. 14 crores for minor irrigation, Rs. 2.89 crores for agricultural production and Rs. 1.76 crores for soil conservation. It was agreed in the meeting of the Planning Commission held on July 19, 1963 that the position should be

reviewed State-wise in the light of the assessment of the resources position of each State. Final decision on this subject is likely to be taken very shortly. Necessary instructions for earmarking of Central assistance for agricultural programmes are also under consideration and likely to issue shortly.

The observations and recommendations made by the Teams in respect of each State have been forwarded to the State Governments with a request that these may be processed quickly and given effect to. The important recommendations on the major agricultural programmes are as follows:

(i) **Minor Irrigation:** The implementation of programmes concerning power pumps, well-sinking, distribution of pump sets, deep-boring of wells, installation of 'rahats' and construction of tubewells on co-operative basis as suitable to different States should be accelerated. Energisation of tubewells in Bihar, Gujarat, Orissa and West Bengal should be done expeditiously. Old tanks in Andhra Pradesh, Madras, Orissa and West Bengal should be restored on a priority basis. Larger allocation of finance as also of key materials like cement, and provision of electric power for irrigation should be made by the State Governments.

(ii) **Soil Conservation:** Facilities for training of soil conservation personnel in Andhra Pradesh, Madras, Kerala and Jammu & Kashmir should be expanded. Need for enactment of soil conservation legislation in Bihar and of consolidated soil conservation act in Andhra Pradesh has been stressed. Contour bunding with the help of bullock power should be done in Madhya Pradesh. Requisite organisation for soil conservation work should be built up in Kerala. Soil conservation programme should not be left to Panchayats and staff in Madras.

(iii) **Fertilisers:** Any existing restrictions on the consumption and sale of fertiliser in Andhra Pradesh and Mysore should be withdrawn. More depots should be opened for supply of fertilisers in Bihar, Madhya Pradesh, Mysore, Rajasthan, West Bengal and Jammu and Kashmir. Additional credit facilities should be made available in the States of Andhra Pradesh, Kerala and Orissa and the rate of interest charged to co-operatives lowered in Punjab. The off-season rebate of Rs. 2.5 per ton per month on fertilisers stocked in the non-manuring season allowed by the Central Government should be passed to the distributing agencies as an incentive for purchase and stocking of fertiliser in advance.

(iv) **Improved Seeds:** Speedy action should be taken by States for ensuring adequate production of foundation seeds, set up and, if necessary, by opening additional farms targeted to be established under the third Plan. Improved agricultural practices should be adopted on the Seed Farms set up by the State Governments. Incentives might be given to efficient farm managers and other workers. Good quality land may be selected for future expansion of farms. Improvements have been suggested in the administrative and technical structure as also the distribution arrangements for improved seeds.

(v) **Rural compost and green manures:** The progress so far made in green-manuring in the States of Mysore, Bihar and Orissa might be assessed through sample surveys. Green-manuring crops may be exempted from the payment of water charges in Telangana region in Andhra Pradesh.

Programmes of selling seed packets and mixing green-manure seeds with all dry crops for raising seeds may be undertaken in Andhra Pradesh, Madras and Assam. Organic

manure prepared by composting the loppings of perennial plants should be used on dry lands in Punjab, Madras and Andhra Pradesh. Subsidy may be given by the Government of Gujarat for construction of pucca floors in cattle sheds.

(vi) **Plant Protection:** Effective campaigns should be undertaken to popularise plant protection measures. The existing pest acts in Kerala, Madras, Punjab and Andhra Pradesh should be amended. Plant protection organisation in Orissa, Madhya Pradesh and Gujarat should be strengthened. Plan allocation for plant protection in Maharashtra, Madhya Pradesh and Uttar Pradesh should be increased.

(vii) **Improved agricultural practices:** The quality of fertiliser demonstrations should be improved in Mysore, West Bengal and Maharashtra. More field demonstrations may be conducted with fertilisers like urea and calcium ammonium nitrate in Kerala and Jammu and Kashmir. The results of fertiliser demonstrations should be widely publicised among the cultivators in various States. Greater attention to construction of field channels, ridging of fields, marketing and processing be given with a view to extending areas under double-cropping.

(viii) **Improved agricultural implements:** Demonstrations of improved implements, provision of free implements to cultivators, hire purchase arrangements for sale, repairs and even manufacture and trial in the popularisation of improved types of implements are some of the recommendations.

(ix) **Administrative arrangements for co-ordination:** Co-ordinating machinery which has been recently created at the

Canadian Economy in 1962

THE CANADIAN economy experienced a good year in 1962, measured in terms of output. Gross National Product increased eight per cent in value and six per cent in physical volume, and real output per person rose significantly for the first time since 1956. Most of the increase in volume of production occurred in the first half of the year and price increases were stronger in the latter part of the year due in part to the depreciation of the Canadian dollar. The rise in activity was well diffused in terms of geographic location and variety of employment, and a very good wheat crop provided additional strength in the fall of the year.

The major stimulus in 1962 came from two sources, a very substantial rise in merchandise exports for the second year in a row and a large increase in purchases of goods and services by the provincial and municipal governments. At mid-year the strain of the foreign exchange crisis reached a peak and there was a levelling-out in consumer expenditures which, in turn, created some uneasiness regarding the business outlook. By the fourth quarter, however, personal expenditures were again rising strongly, particularly outlays for automobiles and household appliances. Private investment for plant and equipment appeared to be on a modest rising trend after declining briefly in the early part of the year and the favourable balance in foreign merchandise trade was showing an impressive increase. At the same time, business inventories were sharply reduced following the rapid build-up during the summer months. In the fourth quarter of 1962, the Gross National Product reached the new record of \$41.2 billion, seasonally adjusted annual rate. This was a rise of seven per cent over the fourth quarter of 1961, calculated at market prices.

While the production records established in 1962 were impressive, the functioning of the economy was not as satisfactory in other important respects. In the government sector, a very considerable volume of deficit financing was required to cover expenditures. It has been estimated that outlays for goods and services by all levels of government exceeded revenue by some \$770 million in the calendar year 1962. More

Cabinet and Secretariat levels should function more effectively. District Agricultural Officers should be vested with larger authority and powers and should be able to get the programmes of agricultural development effectively implemented through the agency of Block Development Officers. The Extension Officer for Agriculture, Animal Husbandry, Co-operation, Panchayati Raj and other Departments allied to Agriculture should be under the respective District Agricultural Officers and control on them might be exercised by the latter through the Block Development Officers. The Village Level Workers should work under the Extension Officers of Agriculture and allied departments.

(x) **Cotton Development:** Package schemes for cotton in Madras and Punjab may be expanded. Some of the waste lands in Kerala may be reclaimed for growing sea-island cotton. Cultivation of cotton should be encouraged in newly irrigated areas in Punjab. The Rajasthan Government may examine the question of preparing a definite programme under the Bhakra Irrigation System. In Gujarat suitable areas should be listed out and detailed plans prepared for the intensification of cotton programmes.

(xi) **Oilseed Development:** The good results obtained in package programme in South Arcot District should be widely publicised. Groundnut production might be taken up in selected areas of Orissa. Detailed plans should be drawn for intensification of oilseeds programme in Gujarat. Larger number of package units for intensification of oilseeds production might be taken up in Maharashtra. Extensive use of superphosphate should be made in Maharashtra and Kerala.

recently, the Federal Government has reported that the Federal budgetary deficit was \$709 million in the fiscal year ended March 31, 1963.

The increase in employment was not as strong as the increase in the tempo of economic activity. The seasonally adjusted rate of unemployment as a percentage of the labour force, as measured by the sampling method of the Labour Force Survey, was six per cent in January 1962; it declined to 5.6 per cent in May and increased again to six per cent by December 1962. It should be noted, however, that the estimates of unemployment are based on a sample survey of households. Hence the results do not precisely measure the level of unemployment. In addition, the estimates as now constructed include as "unemployed", persons who are on temporary lay-off up to thirty days and who, therefore, may not be seeking employment.

In international transactions, the current account deficit in 1962 was approximately \$850 million. This was an improvement compared with the record of the six preceding years but the financing of the balance of payments deficit was still a heavy commitment for Canada and, of necessity, an important consideration in the formulation of economic policy. The improvement in the balance on merchandise trade, which resulted in a surplus of over \$150 million for the second year in a row, and the marked improvement in the tourist account were developments achieved in part as the result of the measures taken by the Government at mid-year to shore-up the foreign exchange reserves which had been subjected to very strong downward pressures. At that time, import surcharges ranging from 5 to 15 per cent were levied on a wide range of items which made up approximately two-thirds of Canada's imports. In addition, tax-free import allowances for Canadians returning from other countries were sharply reduced. Earlier, on May 2, the Canadian dollar had been fixed at the exchange rate of 92.5 U.S. cents bringing to an end the long period of a floating exchange rate and the decline in the value of the Canadian dollar which amounted to 12 per cent from its peak rate 31 months earlier.

SELECTED ECONOMIC INDICATORS OF CANADIAN ECONOMY

Indicators/Unit	1953	1955	1956	1957	1958	1959	1960	1961	1962 (Preliminary)
Gross National Products (Millions of dollars)									
At market prices ..	25,020	27,132	30,585	31,909	32,894	34,915	36,254	37,421	40,401
At constant (1957) prices ..	27,525	29,018	31,508	31,909	32,284	33,398	34,144	35,023	37,195
Per Capita G.N.P. (Dollars)									
At market prices ..	1,685	1,728	1,902	1,921	1,926	1,997	2,029	2,052	2,176
At constant (1957) prices ..	1,854	1,849	1,959	1,921	1,890	1,910	1,911	1,920	2,003
Population and Employment (Thousands)									
Total population (June 1) ..	14,845	15,698	16,081	16,610	17,080	17,483	17,870	18,238	18,570
Civilian Labour Force (Annual average) ..	5,397	5,610	5,782	6,003	6,127	6,228	6,403	6,518	6,606
Employment (Annual average) ..	5,235	5,364	5,585	5,725	5,695	5,856	5,955	6,049	6,217
Industrial Production (Base: 1949 = 100)									
General Index ..	129	142	155	155	154	166	167	173	186
Manufacturing ..	126	135	145	143	141	150	149	153	165
Mining ..	142	185	212	228	227	251	253	267	286
Electricity and Gas ..	142	183	205	220	239	269	298	318	338
Foreign Trade (Millions of Dollars)									
Merchandise Exports ..	4,152	4,332	4,837	4,894	4,887	5,150	5,392	5,889	6,364
Merchandise Imports ..	4,210	4,543	5,565	5,488	5,066	5,572	5,540	5,716	6,209
Non-merchandise Receipts ..	1,339	1,518	1,627	1,621	1,550	1,642	1,718	1,845	1,984
Non-merchandise Payments	1,724	2,005	2,265	2,482	2,502	2,724	2,813	3,000	2,987
Foreign Investments in Canada (Million of Dollars)									
Government Bonds and Debentures									
Federal (excl. railways) ..	744	529	502	501	564	612	611	N.A.	N.A.
Provincial (excl. railways) ..	930	888	1,081	1,165	1,276	1,585	1,632	N.A.	N.A.
Municipal ..	413	452	552	660	781	915	1,026	N.A.	N.A.
Total ..	2,087	1,869	2,135	2,326	2,621	3,112	3,269	N.A.	N.A.
Corporate Bonds and Debentures (including all railways) ..	1,699	1,764	2,000	2,443	2,665	2,733	N.A.	N.A.	N.A.
All others ..	7,675	9,840	11,434	12,695	13,724	15,012	N.A.	N.A.	N.A.
Total Foreign investment in Canada (Million of dollars)	11,461	13,473	15,569	17,464	19,010	20,857	22,200	N.A.	N.A.
Canadian Long-term Investment Abroad (Millions of Dollars)									
..	4,132	4,318	4,462	4,650	4,738	4,911	5,193	N.A.	N.A.
Money Supply at Year End (Millions of Dollars)									
..	9,789	11,397	11,438	11,923	13,247	13,193	13,914	15,163	15,683
Prices (Base: 1935-39 = 100)									
General Wholesale Price Index ..	220.7	218.9	225.6	227.4	227.8	230.6	230.9	233.3	240.0
Consumer Price Index (Base: 1949 = 100) ..	115.5	116.4	118.1	121.9	125.1	126.5	128.0	129.2	130.7
Purchasing Power of the Canadian Dollars on the basis of changes in consumer Price Index (1949 = \$1.00) (Cents)									
..	86.6	85.9	84.7	82.0	79.9	79.1	78.1	77.4	76.5

WORLD TRADE: 1959-62

	Value f.o.b. (billion U.S. dollars)				Percentage change from preceding year			
	1959	1960	1961	1962	1959	1960	1961	1962
World exports*	100.1	112.2	117.7	123.7	6	12	5	5
Exports of manufacturing countries								
United States**	16.4	19.6	20.2	20.9	..	20	3	4
United Kingdom	9.7	10.3	10.8	11.1	4	7	4	3
Other EFTA countries (excl. Portugal)	7.1	8.0	8.5	9.1	3	13	7	7
EEC countries	25.2	29.7	32.3	34.9	11	18	9	6
Japan	3.5	4.1	4.2	4.9	20	17	5	16
TOTAL	61.9	71.7	76.0	80.2	7	16	6	6
Exports of Primary producing countries†	38.2	40.5	41.7	43.5	5	6	3	4
Trade between manufacturing countries and Sino-Soviet bloc								
Exports of manufacturing countries ..	1.7	2.3	2.3	2.5	-3	28	..	9
Exports of Sino-Soviet bloc ..	2.0	2.2	2.4	2.6	18	9	9	6

*Excludes Soviet Area and Mainland China and U.S. military aid.
†Countries exporting mainly primary products and semi-manufactures.

**Excluding military aid.

TRADE BETWEEN MANUFACTURING COUNTRIES

	Value (in billions of U.S. dollars)			Percentage change from preceding year	
	1960	1961	1962	1961	1962
Exports to United States from other countries ..	4.9	4.7	5.5	-3.9	16.7
Exports to Japan					
Exports from United States*†	1.4	1.8	1.5	30.0	-18.0
Exports from other countries	0.4	0.5	0.5	50.0	..
TOTAL	1.8	2.3	2.0	33.0	-14.0
Exports to EEC and EFTA countries					
Exports from United States*†	6.1	5.9	6.3	-3.0	7.0
Exports from other countries	24.6	27.7	30.8	12.6	10.8
To EEC	14.8	17.0	19.3	14.7	13.3
To EFTA††	9.8	10.8	11.5	9.5	6.7
TOTAL	30.7	33.7	37.1	9.7	9.9
Total trade between manufacturing countries**	7.5	7.7	7.8	2.5	1.4
Exports from United States*	29.9	33.0	36.8	10.4	11.5
Exports from other countries	37.4	40.7	44.6	8.9	9.6

†Partly estimated.
**Includes E.E.C., E.F.T.A., (except Portugal) Japan and United States.

††Excluding Portugal.

*Excluding military aid.

TRADE BETWEEN MANUFACTURING COUNTRIES AND PRIMARY PRODUCING COUNTRIES

	Value (in billion of U.S. dollars)			Percentage change from preceding year	
	1960	1961	1962	1961	1962
Exports to primary producing countries					
United States*	11.94	12.36	13.00	3.5	5.1
United Kingdom	6.31	6.37	6.13	0.8	-3.7
Other EFTA countries**	1.74	1.84	1.91	5.7	3.5
EEC countries	9.54	9.76	9.34	2.3	-4.3
Japan	2.48	2.62	2.71	5.6	3.6
TOTAL	32.02	32.95	33.09	2.9	0.4
Imports from primary producing countries (c.i.f.)					
United States	10.79	10.78	11.82	..	9.6
United Kingdom	7.46	7.20	7.36	-3.5	2.3
Other EFTA countries**	1.40	1.45	1.55	3.9	7.2
EEC countries	10.07	10.20	10.94	1.2	7.3
Japan	2.45	2.98	3.04	21.6	2.0
TOTAL	32.17	32.61	34.71	1.4	6.4

*Excluding military aid.

**Austria, Denmark, Norway, Sweden and Switzerland. Portugal is considered to be a primary producing country.

EXPORTS OF MANUFACTURED GOODS (SELECTED COUNTRIES)

Country	Exports f.o.b. (billion U.S. dollars)				Percentage change from preceding year			
	1959	1960	1961	1962	1959	1960	1961	1962
United States	11.31	13.00	12.87	13.88	-3	15	-1	8
United Kingdom	7.86	8.40	8.73	8.91	5	7	4	2
Germany, West	8.68	10.13	11.21	11.74	12	17	11	5
France	4.18	5.06	5.21	5.40	15	21	3	4
Belgium - Luxembourg	2.73	3.12	3.16	3.47	10	14	1	10
Italy	2.01	2.70	3.13	3.49	16	34	16	12
Netherlands	1.88	2.12	2.32	2.45	15	13	9	6
Total E.E.C.	19.48	23.13	25.03	26.55	13	19	8	6
Sweden	1.39	1.62	1.80	1.99	9	17	11	11
Japan	3.04	3.62	3.76	4.29	21	19	4	17
GRAND TOTAL	43.08	49.77	52.19	55.72	7	16	5	7

TRADE OF PRIMARY PRODUCING COUNTRIES

(In millions of US dollars)

	Exports f.o.b.			Imports c.i.f.		
	1961	1962	% Change	1961	1962	% Change
Countries exporting mainly coffee						
Brazil	1,403	1,214	-13	1,460	1,475	1
Colombia	435	463	6	557	540	-3
Others(a)	817	885	8	838	914	9
TOTAL	2,655	2,562	-4	2,855	2,929	3
Other tropical foods(b)						
Ceylon	364	380	4	358	349	-3
Nigeria	486	472	-3	622	568	-9
Philippines	500	556	11	721	692	-4
Others(c)	1,158	1,242	7	1,488	1,508	1
TOTAL	2,508	2,650	5	3,189	3,117	-2
Other agricultural products(d)						
Australia	2,324	2,344	1	2,394	2,551	7
Argentina	964	1,216	26	1,460	1,357	-7
New Zealand	793	798	1	901	753	-16
Thailand	477	461	-3	485	549	13
United Arab Republic	485	407	-16	700	759	8
Others(e)	2,392	2,572	8	3,725	4,043	9
TOTAL	7,435	7,798	5	9,665	10,012	4
Metals and rubber						
Chile	506	532	5	585	518	-11
Indonesia	784	674	-14	794	658	-17
Malaya	858	858	..	728	800	10
Rhodesia and Nyasaland	579	587	1	489	451	-8
Other(f)	540	467	-14	516	579	12
TOTAL	3,267	3,118	-5	3,112	3,006	-3

(In millions of US dollars)

	Exports f.o.b.			Imports c.i.f.		
	1961	1962	% Change	1961	1962	% Change
Petroleum						
Kuwait	1,010	1,130	12	249	200	-20
Saudi Arabia	980	1,070	9	275	290	5
Venezuela	2,413	2,594	8	1,178	1,306	11
Others(g)	3,200	3,408	7	2,816	2,766	-2
TOTAL	7,603	8,202	8	4,518	4,562	1
Other major exporters						
Canada	6,107	6,231	2	6,193	6,367	3
Finland	1,054	1,104	5	1,153	1,228	7
Hong Kong	688	768	12	1,045	1,165	11
India	1,386	1,409	2	2,264	2,315	2
Mexico	826	929	12	1,139	1,143	..
Morocco	343	348	1	452	434	-4
Peru	494	538	9	468	538	15
Singapore	1,081	1,116	3	1,295	1,367	6
South Africa	1,367	1,366	..	1,547	1,580	2
Spain	709	734	4	1,092	1,569	44
Yugoslavia	569	690	21	910	888	-2
TOTAL	14,624	15,233	4	17,558	18,546	6
All other countries	3,660	3,980	9	6,550	6,210	-5
Grand Total	41,750	43,540	4	47,450	48,380	2

- (a) Includes Angola, Costa Rica, El Salvador, Ethiopia, Guatemala, Haiti, Ivory Coast and Nicaragua.
 (b) Includes cocoa, tea, sugar (cane), bananas, oilseeds and vegetable oils.
 (c) Includes China (Taiwan), Dominican Republic, Ecuador, Ghana, Honduras, Jamaica, Panama and Senegal.
 (d) Grain, livestock products, textile fibres and tobacco.
 (e) Burma, Greece, Ireland, Kenya, Pakistan, Sudan, Syria, Arab Republic, Turkey, Uganda and Uruguay.
 (f) Bolivia, Congo (Leopoldville) and Viet Nam.
 (g) Bahrain, Brunei, Iran, Iraq, Kuwait (Neutral Zone), Libya, Netherlands Antilles, Qatar, Sarawak and Trinidad and Tobago.

Source: I. M. F. Annual Report

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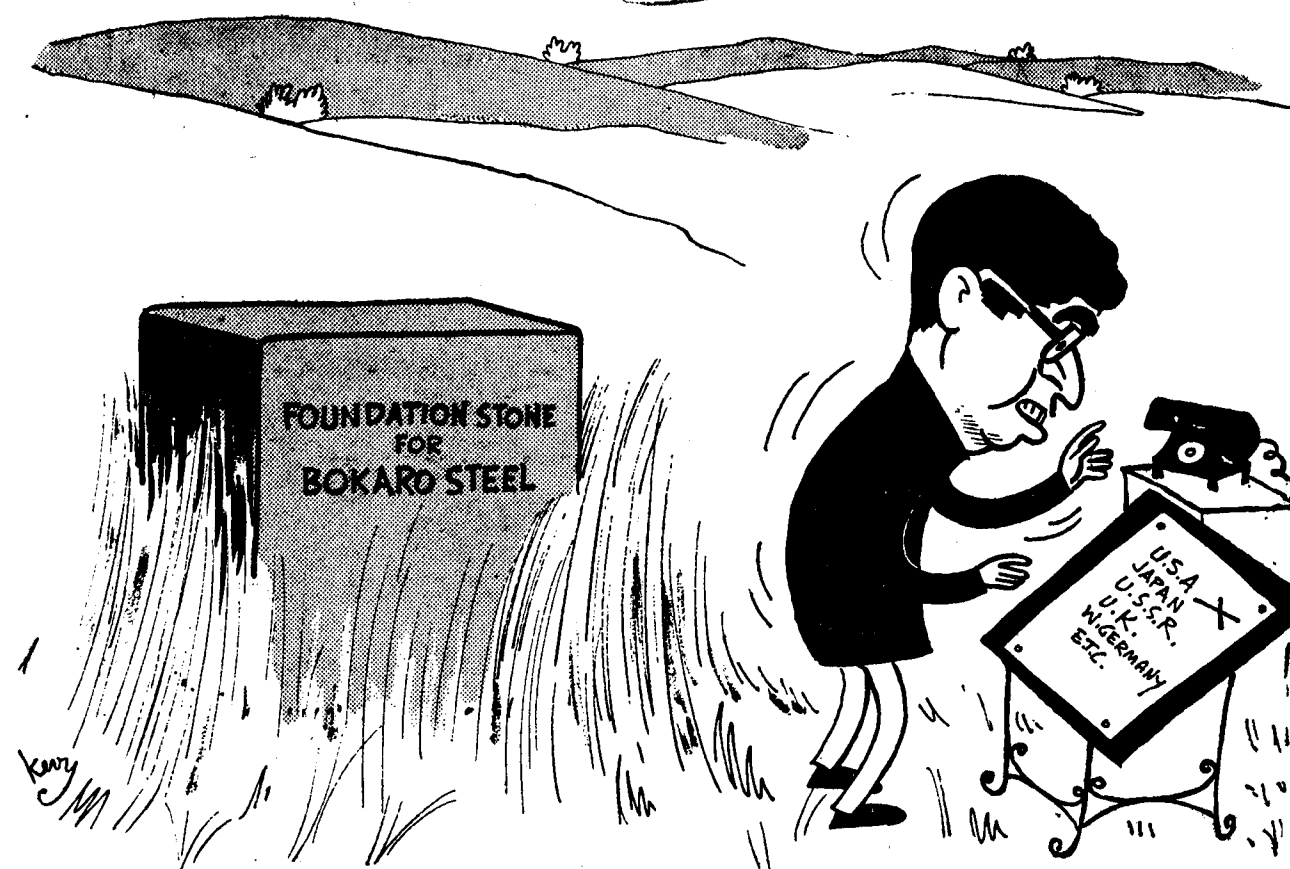
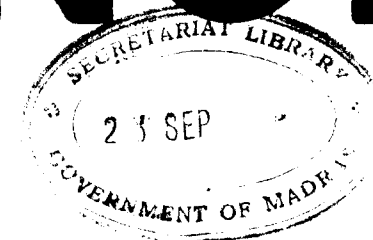
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Beyond Bokaro

THE ISSUE of US Government assistance to the Bokaro steel project has been allowed over a period to assume a significance which it does not really have. From this point of view, the statement made by Mr. C. Subramaniam, Minister for Steel and Heavy Industries, last week in Parliament had been drafted very well indeed, since it ought to help in restoring perspective. The Bokaro project is no doubt a major programme of development considering the investment that would be called for and the contribution that the plant should make to the industrialisation of the nation. But, at the same time, the question of US Government aid for this project cannot be permitted to become an obsession with us. As Mr. Subramaniam's statement points out, the President of the United States had fully backed this country's application for assistance. American public opinion, as reflected in the Congress, has however resisted this proposal. This apart, the question of American aid for Bokaro has to be viewed in the larger context of the vast assistance which that country has been providing for our development programmes over a long period of years. The Minister did well in emphasizing this aspect; he pointed out that, during the period 1959-63, the US has given us a total of nearly \$1.80 billion in assistance, both for the public and private sector projects. In the circumstances, when the Prime Minister recently wrote to the President of the United States offering to withdraw the Bokaro project from the list of schemes for which US assistance was being sought, he was clearly making a friendly gesture showing deep understanding of the generous co-operation with and basic support of this country's programmes of economic development which successive US Congresses and Administrations have been showing in the last 16 years.

Opposition in the US Congress to aid for Bokaro has been developing for a period and its recent decision to include in its foreign aid legislation a clause which, unless it undergoes further change, would shut out Bokaro for a year, cannot therefore have come as a surprise to any one in this country. Nevertheless, as supplementaries put to Mr. Subramaniam show, there seems to be a great deal of speculation regarding the 'whys' and 'wherefores' of the attitude adopted by the US Congress towards the Bokaro project. We, therefore, reproduce here extracts from an article in the issue dated September 9 of the *US News and World Report*, which seems to us to sum up frankly the workings of the US Congressional mind on the subject.

This article, which is captioned "Why Foreign Aid is in Trouble?", suggests that a mood is growing in the US Congress to bring foreign aid under control by cutting outlays and placing limits on dubious projects so that the burden on the American taxpayers may be eased. After referring to the main recommendations of the Clay Committee's report, the *US News and World Report* remarks that, looking around the world, more and more Congressmen are insisting that foreign aid has to be handled in hard-boiled terms as an investment and that many of them fail to see where the return justifies the continuance of foreign aid in past terms and in past volume. Proceeding, the article refers to this country and in particular to the Bokaro request for assistance and says:

"India offered an example that received much attention in Congress.

"Indian officials asked the US Government for help in building a big

new steel mill. Needed was a US commitment for about one billion dollars in loans.

"The mill was to be owned and operated by the Indian Government. Congress objected to that.

"Also a study revealed that ore to be processed would be low grade, coking coal would be inadequate, limestone and ore would involve a long haul, power would be short, and so would be trained personnel. Similar difficulties, it was pointed out, were causing all kinds of shortages and breakdowns in other steel mills built for India by foreigners. And the point was made that the Russian-built mill required only a loan of 136 million dollars from the Soviet Union, repayable in 12 years.

"These points, in themselves, raised a question in the minds of Congressmen of whether Americans should pour their hard-earned money into a project supposed to offset the showpiece value of the mill built by the Russians.

"Beyond the question of the steel mill, itself, was the feeling of many in Congress that the US is getting somewhat less out of its over-all aid to India than had been hoped for.

"Economically that country has made small gains, with the help of imported food, machinery and technical aid from America. Over the years, US aid to India has come to 3.5 billion dollars. Without that aid, it is widely agreed, India's population growth of seven to eight million people a year would have brought disaster. In last year's 'border war' between India and Red China, it was America that came to India's aid and is now bolstering its defences. That help stirred much resentment in neighbouring Pakistan—until then a firm ally of the US.

"Yet India continues to follow a 'neutralist' policy in foreign affairs. Suspicion of the US continues strong. Government planners who set India's economic course are building up costly State-owned industries at the expense of agriculture, power and transport."

It is possible that some of these observations may not make pleasant reading for many of us and it is indeed likely that the blocking by the US Congress of assistance to Bokaro may be attempted to be exploited in certain quarters in this country for creating feelings of disappointment and distress over Indo-American economic co-operation and friendly relations. While Mr. Subramaniam's statement should serve considerably to counter such propaganda, it is desirable to point out that prospects of financial and technical assistance from US sources for another steel mill in India have by no means been wiped out completely or finally. Apart from the possibility of US Congressional attitudes getting modified by about this time next year, it is obvious that, if this Government's intention is, as has

been stated by Mr. Subramaniam, to proceed with Bokaro project on the basis of global tenders and credits, there is scope obviously for American participation in some form or the other, at some stage or the other, to a greater or less extent in the construction of the plant. For one thing, since the Bokaro plant is planned to be a sophisticated unit producing flat products on a highly mechanized basis, it should be advantageous to get the American plant manufacturers to provide some of the more complex equipment such as, for instance, the rolling mills. We hope that the Minister for Steel and Heavy Industries is keeping this possibility in view and that intelligent thought is being given to the possibilities of American participation of this nature, if necessary, on the basis of private credits from American firms manufacturing or constructing steel plants.

Indeed, a more clear picture than has been provided in Mr. Subramaniam's statement of the real state of the Government's thinking on the subject of the Bokaro steel project seems to be called for. The Minister seems to have exaggerated the state of the Government's preparedness in respect of schemes alternative to the construction of the plant with US Government aid. He says that the Government in fact has been taking all the steps necessary for the project, short of placing orders for the equipment. This is like saying that the marriage has been arranged — only a groom is to be found. It should be understood very clearly that the



"Now, isn't silence golden?"

next big step in steel expansion will be a very difficult and complicated venture. Apart from the fact that there is already a current problem of considerably expanding, in fact roughly doubling, the capacities of the three plants already existing in the public sector, there has been much loose talk on behalf of the Government, to which Mr. Subramaniam himself has been contributing substantially, of a whole series of new State steel plants being started all over the country, in the north, the east, the south and the west. Simultaneously, there is also much brave talk of all these plants, particularly Bokaro, being built with local designing and constructional skills and local equipment to a great extent.

It is high time that the Government's mind on steel matters had been brought under some discipline. Mr. Subramaniam says that one of the reasons for deciding to explore sources other than the US Government for assistance to the Bokaro project is that the Government of India is keen on avoiding delay. We may tell him with reasonable conviction that any exaggerated reliance on the problematical availabilities of specialized engineering talent or steel plant equipment from domestic sources is bound not only to delay the construction of the plant but also create serious problems in such vital matters as the quality of the plant when finally constructed, proper co-ordination of the working of its constituent sections and the productivity of the pro-

ject as a whole. Already faith is evidently being placed to a greater degree than may be justified in the adequacy of domestic technical counselling. It would be a grievous mistake indeed if more realism and responsibility are not shown in thinking out the next stage in our steel development programme at this critical stage in its evolution.

Currently, there is some debate over the fourth Plan targets. While it is possible, as a recent study of the National Council of Applied Economic Research and other authoritative sources have indicated, that our estimated requirements of steel products may demand that the output of the domestic steel industry should be raised to 18 million tonnes of ingots in another seven years, we have also to ask ourselves very earnestly whether, considering the resources that may be available for steel development, it would not be both honest and prudent to fix our targets at a somewhat lower level. Mr. J. R. D. Tata and perhaps others seem to be of the view that a target of 15 million tonnes may be all that can be realised in practice by 1970-71. It would no doubt be an achievement if more ambitious planners could prove him wrong in the event, but it must certainly be said that an efficient steel development programme is not likely to be forthcoming so long as the complexity and the immensity of the task are not properly evaluated in time.

Detention During Emergency

THE CONFLICT of judicial pronouncements between different High Courts on the question of the validity of the detention of a citizen under the Defence of India Rules was set at rest by the judgment of the Supreme Court delivered recently in the appeals preferred by 26 detenus—nine from Punjab and 17 from Maharashtra—against the decisions of the Punjab and Bombay High Courts. This conflict arose out of the diametrically opposite rulings given by the Allahabad High Court on the one hand and the Bombay and Punjab High Courts on the other. In the appeals made to it by four detenus, the Allahabad High Court ordered their release on the ground that their detentions were invalid for various reasons and the detenus were competent to move the High Court under Section 491 (1) (b) of the Criminal Procedure Code. The Bombay and Punjab High Courts ruled that the detenus were incompetent to seek redress under Section 491 (1) (b) of the Cr.P.C. and they had indisputably no remedy available under the Constitution in view of the application of the provisions contained in Article 359. In dismissing the 26 appeals from Punjab and Maharashtra, the Supreme Court gave the final ruling that the order of detention issued by an Executive Government under the D.I.R. was not justiciable.

The contention raised by the applicants in the

Supreme Court was specifically based on the right of a detenu to move the High Court for redress against the infringement of his Fundamental Rights conferred by Part III of the Constitution. They contended that Sections 3 and 40 of the D.I.R. Act and Rule 30 under which they were detained were constitutionally invalid and, as such, could not be sustained. In rejecting this contention, the two High Courts gave the pronouncement that the President's order placing the Fundamental Rights under suspension under Article 359 of the Constitution created a bar against any legal remedy for the detenus and precluded them from moving the High Court under Section 491 (1) (b) of Cr.P.C. Article 359 deals with the situation of emergency and stipulates that when a Proclamation of Emergency issued by the President is in operation, the President may issue an order declaring the suspension of the right to move any court for the enforcement of all or certain specified rights conferred under Part III of the Constitution. The suspension of the remedy for the enforcement of the Fundamental Rights is to remain in operation during the duration of the Proclamation of Emergency or for a shorter period if so declared by him.

The reference to moving any court for the enforcement of the Fundamental Rights covers the two remedies with which a citizen is armed to seek redress.

Article 226 enables a citizen to move the High Court and under Article 32 he can move the Supreme Court to seek redress against the violation of any of his Fundamental Rights. These remedies, no doubt, constitute the supreme guarantee of the citizen's rights under Part III of the Constitution. But they can be held in abeyance during the duration of Emergency — a course which involves no violation of the Rule of Law on the universally accepted principle that such guarantees can be put out of operation in an emergency situation created by external aggression or, internally, by civil war. Article 359 of the Constitution empowers the President to put a blanket ban on the remedies to seek enforcement of Fundamental Rights. Its language is completely free from ambiguity and, therefore, its meaning and interpretation are quite plain and they do not admit of any multiplicity of interpretations. In plain terms, the rights are put under suspension and the remedy too is taken away during the duration of the Proclamation.

Nevertheless, the contention was raised on behalf of the detenus in the High Courts to assert their right under Section 491 (1) (b) of the Cr.P.C. to obtain a writ in the nature of *habeas corpus*. The Allahabad High Court accepted the plea of the four applicants, issued the writs of *habeas corpus* and set the detenus at liberty. The Bombay and Punjab High Courts, however, held the contrary view and ruled that the remedy normally open under Section 491 of the Cr.P.C. was also not available during the duration of the Proclamation of the Emergency. Which of the two views was correct? And can the position be maintained that the powers of suspension of the remedy to enforce Fundamental Rights, exercised by the President under Article 359, may be bypassed by invoking the remedy under Section 491 Cr.P.C.? In effect, can the contention be successfully made that Article 359 may be reduced virtually to an inoperative provision?

The majority of the six Judges of the Supreme Court held that Section 491 of the Cr.P.C. cannot be invoked by a detenu. But the remaining Judge on the Bench gave a dissenting judgment in which he expressed his disagreement with the view that the power of the High Court to issue a writ of *habeas corpus* under the Cr.P.C. was also held in abeyance. In fact, the real issue to be decided in the appeal to the Supreme Court boiled down to the determination of the question as to how far the bar created by the President's order issued under Article 359 operated also in regard to an application by a detenu under Section 491 of the Cr.P.C.

Mr. Justice Gajendragadkar, who delivered the judgment of the majority, dealt exhaustively with the full scope and effect of the President's order issued under Article 359. The most vital part of the judgment relates to the effect of the order on the remedy under the Cr.P.C. In view of the fact that the sus-

pension of the Fundamental Rights through suspension of the remedy for their enforcement as contained in Article 359 was beyond dispute, the majority judges approached the problem from the positive angle of determining the "substance" of the contention raised rather than the "form" in which the proceedings were moved. This was essential for making a decision whether the proceedings under the Cr.P.C. fell within the ambit of the President's order or not. Undoubtedly, Article 359 was comprehensive in its application inasmuch as it provides for a situation of emergency.

In so far as the form of the proceedings was concerned, there were two remedies open to a detenu—one, to move the High Court for the issue of a writ in the nature of *habeas corpus* under Article 226 or to move the Supreme Court for the same purpose under Article 32 and, the other, to move the High Court under Section 491 Cr. P.C. Mr. Justice Gajendragadkar emphatically stated the view of the majority that to keep the second remedy open for seeking redress at the hands of the High Court, while the first remedy was temporarily shut out, would be meaningless. It would be not only meaningless but would amount to a circumvention of Article 359 of the Constitution. In dealing with the question of the scope and full applicability of Article 359, Mr. Justice Gajendragadkar put the majority view succinctly thus: "It is clear that the content of the detenu's right to challenge the legality of his detention which was available to him under Section 491 prior to the Constitution has been enlarged

Eastern Economist 20 Years Ago
SEPTEMBER 17, 1943

Sir Chhotu Ram, Revenue Minister of the Punjab, in a statement says that "the belief that the purchasing power of the cultivator and the worker has seen an undue rise is a mere myth," and deprecates the present craze to "curtail the purchasing power of the masses". When so responsible a person as the Revenue Minister of the Punjab says at least with reference to his province that rural prosperity is at least wd feel bound to reaffirm our view that what is true of the Punjab is 'a fortiori' true of the rest of India. The Punjab, perhaps, is the only province which has been spared the privations of famine and where the peasantry, if not prosperous, is at least not starving; and yet the Government of India are putting through rigorous deflationary measures to tackle the small savers all over India on the basis of alleged rural prosperity. We do not deny that the small cultivators perhaps eat a little more or that the larger landholders are able to extinguish a part of their debts. But the least that the Government should do is to initiate a scientific random sample investigation to ascertain whether their assumption is well-founded. To embark on far-reaching fiscal measures on inadequate data and empirical prejudice is neither good Government nor sound economics.

by the Fundamental Rights guaranteed to the citizens by the Constitution, and so, whenever a detenu relies upon his Fundamental Rights even in support of his petition under Section 491 (1) (b) he is really enforcing the said rights and in that sense, the proceedings inevitably partake of the character of proceedings taken by the detenu for enforcing these rights, that is why the argument that Article 359 (1) and President's order do not apply to the proceedings under Section 491 (1) (b) cannot be sustained."

In the course of the arguments in the case, the point was made on behalf of the detenus that non-justiciability of the order of detention would put unrestrained powers in the hands of the Executive Governments without any check whatsoever on the abuse of their exercise. This, of course, was a political grievance as was explicitly pointed out on behalf of the

Export-Import Outlook

ADDRESSING the joint meeting of the Import Advisory Council and the Export Promotion Advisory Council recently, Mr. Manubhai Shah, Minister of International Trade, struck the right note when he said that we should not be satisfied with increases here and there in exports, but should rather try to tackle the problem on a more fundamental and lasting basis. Nevertheless, recent trends have been encouraging. Exports in 1962-63 which amounted to Rs. 710 crores registered an increase of Rs. 33 crores over the previous year. During the period April - July, 1963 the export earnings amounted to Rs. 240 crores as compared to Rs. 208 crores in the corresponding year of 1962. The increase in exports over the first seven months of the calendar year 1963 at Rs. 427 crores showed a rise of Rs. 56 crores compared to the first seven months of 1962. The Minister pointed out that this increase took place in spite of a buyers' market and continuous decline in commodity prices ranging between 5 to 10 per cent.

A commodity-wise analysis of export data indicates that the improvement witnessed during the period April - July, 1963 was due to gains registered in sugar, jute manufactures, non-essential vegetable oils, oil cakes, raw cotton, coffee, tobacco, leather, tanned or dressed. Sugar and jute manufactures between themselves were responsible for a total increase of Rs. 13.2 crores. Small gains were also registered in gums and resins, engineering goods, iron ores, fruits and vegetables other than cashew, woollen manufactures and fish.

So far as region-wise increase in exports is concerned, it will be noticed that next to America, Asia accounted for a major part of the increase. Exports to Africa during April - June were lower by Rs. one crore. The increase with the EEC countries during this period was only to the tune of Rs. one crore. East European countries, however, accounted for an increase

majority of the judges. Pressure of public opinion against excesses likely to be indulged in by the Executive is a remedy open to the citizens in a democracy and this pressure can be effectively exerted in the legislatures. The duration of the Emergency that has been proclaimed is uncertain, but it is likely to be prolonged in view of the cold war strategy which China has combined with her policy of open aggression. The entire trend of the use of the different powers under the DIR by the Executive Governments does not give cause for much real alarm of excesses and abuses. While the invocation of Article 359 cannot be revoked in the unpredictable outlook during the Emergency, there is certainly effective scope for a tacit understanding that the Executive would be responsive to the genuine grievances of the citizens against hardships or harassment likely to be caused by the suspension of their Fundamental Rights.

of Rs. 5 crores. The following table is illustrative in this connection :

(Value Rs. crores)			
Country	April-June 1962	April-June 1963	Net Increase or Decrease
East European countries (includes USSR)	21.5	26.5	+5.0
West Europe (includes UK)	44.8	50.0	+5.2
Asia	33.2	40.8	+7.6
Africa	10.2	9.3	-0.9
America	35.2	43.7	+8.5
Oceania	6.3	6.7	+0.4
TOTAL	151.2	177.0	25.8

Among East European countries, exports to the USSR were the highest i.e. by Rs. 3.5 crores mainly due to larger purchases of raw jute and jute bags, amounting to nearly Rs. 3 crores. Exports to the USSR were also higher in respect of hides and skins, raw tobacco, tea, castor oil, coffee, pepper and iron ore. Exports were also higher to Czechoslovakia and Yugoslavia by Rs. 2 crores and Rs. 1 crore respectively, but were lower in respect of Hungary and Poland by about Rs. 1 crore each. Our exports to the USSR are to be doubled to Rs. 115 crores per year and this doubling of exports is envisaged in the case of other East European countries as well. It will not do, however, to take these markets for granted. Our cotton textiles, for instance, are meeting with as stiff competition in these areas as elsewhere in world trade. The fact that our trade with Eastern Europe is being channelled through the State Trading Corporation has not been an unmixed blessing since the STC has been doing little by way of market research or for locating new markets in East Europe; by and large it has been content with processing the orders canvassed

by private parties. It is possible that the setting up of an Indo-Soviet Chamber of Trade and similar bodies for other East European countries might usefully enlarge opportunities and facilities for market studies and inter-change of visits and views on business matters.

A study of the direction of India's exports shows that her exports have encountered stiff resistance in Western Europe, excluding the United Kingdom. Although tariff on our tea has been done away with by the EEC countries, large parts of their protectionist citadel remain to be stormed. How far we will be able to annex concessions from these countries remains to be seen. The visits of our delegations which have now become more frequent have not produced results which might be described as fruitful to India. Selling some of the Indian products, particularly engineering goods, in Europe has been a difficult proposition and unless some linking up of our exports and imports is undertaken, as was referred to in the concluding part of the speech of the Minister of International Trade, the unfavourable gap in trade with some of the West European countries is not likely to be bridged. In fact, this link justifies Mr. Shah's move to combine the Advisory Councils into a single body. The logic of Mr. Shah's principles i.e. accent on increased production and productivity, modernization and technological innovation leading to reduction in cost, honesty in trade practices and imaginative sales promotion for exploring markets will, of course, have to be rigorously applied.

As far as the fifth—and admittedly short-term—principle of reduction in domestic consumption is concerned, it is definitely more debatable. Unless an increase in production is brought about, consumption curbs may not be of great help. It goes without saying that more incentives will be needed to sustain the increase in exports. Most of the incentives suggested by the Ramaswami Mudaliar Committee—the revolving fund for export-import stabilization, incentive licences and railway freight concessions, to mention some—await Government's approval and practical application. The need for a second look into the railway freight structure, a fervent plea for which was made by Mr. Bharat Ram, President, Federation of Indian Chambers of Commerce and Industry, at the Import and Export Advisory Council meeting, is no doubt urgent. There is much to be gained from improvements in the industrial apparatus connected with export promotion within the country. It is good that the Mathrani Committee recommendation for the Export Credit and Guarantee Corporation has been accepted by the Government of India. Import licences linked with export performance will need to be made more comprehensive. But a rigorous test of the provision of these or similar incentives will be adherence to quality standards. Parliament has passed an Act for quality control, but its real value will be determined by its relentless enforcement.

Along with export promotion, there is the need for cutting down imports of items of lesser priority, import substitution and increasing the production of goods, raw materials and components which continue to play a larger part in our import bill. It is heartening that a Committee has been appointed in the Planning Commission on "imports and import substitution". It will be the function of this Committee to keep a watch on continuous reduction or deletion of imports of such items which are indigenously produced or which could be substituted by indigenously available materials. During the year 1961-62, imports amounted to Rs. 1,107 crores. They were slightly lower by Rs. 26 crores at Rs. 1,081 crores in 1962-63, but they rose somewhat during the first four months of the financial year 1963-64 at Rs. 365.5 crores. An analysis of the import structure would reveal that while imports of industrial raw materials accounted for 65 per cent of our total imports, capital goods imports were 16 per cent, foodgrains 10.5 per cent and other consumer goods 8.5 per cent.

The shortage of imported raw materials, components and spare parts has been responsible for much of the slow pace of industrial growth in the country in the recent past. Some relief will, therefore, be felt at prospects of relaxation in import policy during the second half of the year. Mr. Manubhai Shah, however, has ruled out possibilities of substantial liberalization. It is gratifying, nevertheless, that even some slight liberalization in imports has been made possible by an increase in exports, expansion of domestic production of many items, whether components or finished goods. Additional help has come through the Aid India Club agreeing to provide more assistance in the form of untied loans.

The average index of industrial production for the first quarter of the calendar year was 156.2 with base 1956 equal to 100. This compares with 147.2 for the corresponding first three months of 1962 and the average of 149.6 for the calendar year as a whole. The rate of growth of industrial production during the first five months of this year was about 7.1 per cent. While an increase in domestic production in many items is to be appreciated, it is not correct to say that there was a steady growth in industrial production all round. Anyway it is a matter of satisfaction that increasing the indigenous content in our manufactured goods is being given considerable importance. The remedy for our ills lies in increased domestic production and for that necessary incentives will have to be provided. There is a close and positive relationship between the export of various commodities and the level of their domestic production; wherever an increase in exports has been recorded, it has come from increased production. So, unless a full-fledged drive is launched to encourage domestic production, attempts to cut down imports or increase exports will only be an exercise in futility.

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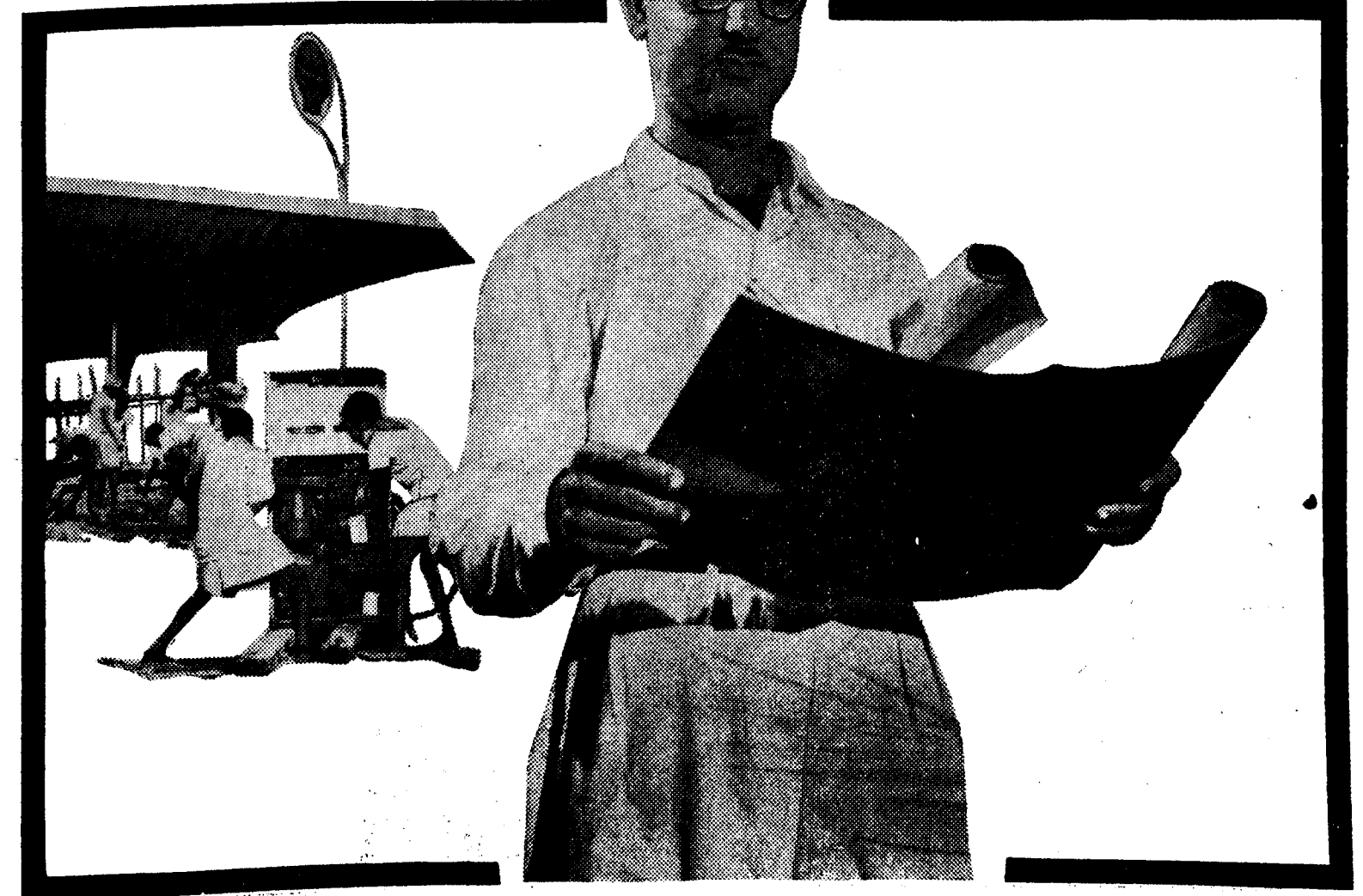
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Highlights of the Week

CENTRAL EXCISES

THE ASOKA Chanda Committee Report on the re-organisation of the Central Excises has made some far-reaching and well considered recommendations for maximising the yield with minimum of harassment to the tax-payer. This the Committee is confident could be achieved through streamlining and improving the administrative set-up. In regard to administration, the Committee says that "taxation policy is best formulated in the Economic Affairs Department of the Finance Ministry in association with other economic ministries. The Central Board of Revenue should cease to be a department of Government. It should be the chief revenue authority concentrating on efficient management of the collecting agencies but its views on the feasibility or otherwise of each levy should continue to be obtained."

There should be two Boards, one for direct taxes and the other for indirect taxes, each with its own independent Chairman.

The Board for indirect taxes, which may be called the Board of Central Excise and Customs, should sit as a Board to consider all aspects of technical, administrative and establishment work. The strength of the Board and distribution of work among its Members should be determined by the volume of work. The Chairman should be drawn from either Wing of the Service. Besides co-ordinating the work of the Board, he should be responsible for implementing taxation measures and evolve requisite techniques. He should report to Government the difficulties of administration so that remedial measures could be taken.

The data now used to formulate new proposals is neither up-to-date nor complete. It is also insufficient for consideration of excise levies. The Board of Central Excise and Customs should set up a tax research bureau to collect, collate, analyse and provide it with all relevant data. The Central Excise field force is best suited to collect the information required for the tax research bureau.

Departmental Reorganisation

The Directorate of Inspection should be reorganised to concern itself with investigation and study of major revenue and technical problems and not with the routine inspections. Its regional offices will then be unnecessary.

The Statistics and Intelligence Branch is hardly equipped to undertake any intelligent work. Little is gained by mechanical tabulation of the same statistical summaries which are also manually consolidated. It should be reorganised after a detailed study to be made by a committee of statistical experts. It should be equipped to build up fuller statistical information.

In regard to Parliamentary control, the Committee has made equally weighty recommendations. It says:

"Rates approved by Parliament are largely treated as ceiling rates and effective rates are introduced by notifications. This is an encroachment of the prerogative of Parliament which often has no information of the changes made. Neither total revenue foregone nor the revenue sacrificed in fostering growth of the small sector can be properly estimated. Revenue forecasts prove also incorrect and attract parliamentary and audit criticism. A scheme of subsidies should be considered as an alternative; if feasible, it would remove many of the drawbacks of the present procedure."

"As revenue estimates are framed on the basis of rates actually intended to be imposed by notification and there is time enough after the introduction of the Finance Bill to make necessary enquiries which could not be made earlier on considerations of secrecy, parliamentary approval should be

sought to rates to be finally imposed and not to rates which are subsequently treated as ceilings."

"With the power sought to vary the rates upwards also, the Indian provisions are now comparable to the UK scheme. The safeguards of the UK scheme should, therefore, be adopted to maintain parliamentary authority."

"Full and complete research should precede framing of taxation measures. The unusual power to vary statutory rates by notification should be sparingly used; changes, if any, in rates proposed in the Finance Bill should be incorporated in the Act itself. Other changes made by notification should be and large cover the whole range of taxed goods and should be brought before Parliament for ex-post facto approval."

"The law itself should provide for the status of a rule made when Parliament is not in session if it is later revoked when brought before Parliament. The question is important for regularising implementation during the intervening period."

Conditional Incentives

The Committee has suggested that the present system of excise levies with a bias on "ad volorem" rates and the practices of fiscal exemptions and concessions granted as economic stimuli should be scrapped. The Committee says:

"Incentives in different forms have been provided including preferential rate of, or exemptions from excise duties to give impetus to the growth of the village and small-scale industries. Two conditions should be fulfilled if small-scale industries are to make their full contribution to the national economy. Firstly, these industries should be largely complementary and not competitive with organised industries and, secondly, they must attempt at becoming self-reliant and self-supporting by adopting improved techniques and more efficient forms of organisation. In other words, reliance should not be on fiscal preferences."

"Generally speaking, low priced articles of high common consumption are best suited for excise levies, as also luxury articles. Capital goods, in view of their place in the economic development of the country, should be lightly taxed. Commodities with relatively small revenue potential are best left alone. Administration of levy in these commodities is expensive and also difficult."

"Increases in revenue attributable to new levies imposed in recent years have not been in proportion to the number of commodities added to the list."

"It is not prudent to keep down the cost of collection by resorting to relaxation of standard checks."

"The schemes for allowing drawbacks or sets-off of duty on raw materials and components used for making other excisable goods vary from commodity to commodity. They lead to a feeling of discrimination and do not always subserve the needs of internal economy or the export trade. A definite policy, even a philosophy should be evolved in taxing goods at different stages of manufacture."

"Articles with low revenue potential should be taxed only when they can be and are used as substitutes for other taxed articles. Levies that entail disproportionate costs of collection and on articles which are produced largely by small dispersed units should be avoided."

"The revenue from taxing fabrications of taxed basic materials could, sometimes, be raised more economically by increasing the rates of duty on the raw materials themselves."

"It is not possible to apply any one principle rigidly in

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selecting commodities for taxation. The major consideration should, however, be that a levy does not create such administrative problems as largely defeat its purpose and that it does not create psychological complexes which retard production. It is best to explore the possibility of increasing yields by adjusting rates of established excises on goods already taxed before considering new levies."

CHILPIMA POWER HOUSE

THE INAUGURATION of the power house at Chilpima in Orissa State last week marked the completion of the second stage of the Hirakud Project. This second stage consists of provision of two units of 37.5 mw each at the Hirakud Dam power house and three units of 24 mw each at Chilpima power house. The total installed capacity of the Hirakud system has now been brought to 270 mw but the firm power available will be only about 120 mw at a 100 per cent load factor. The Hirakud power system is integrated with the thermal station of the Rourkela steel plant. It is proposed to integrate further these facilities with the Talcher thermal station which is expected to start functioning in 1965. Even after this integration the power system of Hirakud, Rourkela and Talcher would fall short of peaking capacity by more than 100 mw. It is therefore planned to install a few more units at Chilpima to provide additional peaking capacity. The requirements of power in Orissa State by the end of the third Plan would be 737 mw as against the prospective availability of about 319 mw. The gap between demand and supply would be widened still further by the end of the fourth Plan when the needs are expected to rise to 1,936 mw. It is obvious that the State Government will have to plan vigorously for the expansion of power facilities if the industrialisation of the State is to be fully realised. The Orissa Governor, who inaugurated the Chilpima power house, said that this problem was engaging the serious attention of the State Government.

MALAYSIA

TROUBLED AS its gestation has been, the new State of Malaysia, a Federation of four territories—Malaya, Singapore, Sarawak and Sabah (formerly British North Borneo)—inaugurated on September 16, has been caught up in post-natal complications, some of which may well prove serious and prolonged. While such internal disagreements or disharmonies as may linger among the federating units may reasonably be dismissed as not being quite unusual where conflicting interests have to be reconciled with or subordinated to a larger purpose—and the signing of the supplementary agreement relating to the question of the Federation covering issues which have developed among Malaya, Singapore and the United Kingdom since the signing of the Malaysia agreement in London in July last shows that these differences can be settled smoothly and by discussion—the open non-co-operation of the Governments of Indonesia and the Philippines with the new State has dimmed hopes that conflict and tension in the area would die down early.

While the Philippines and Indonesia have boycotted the inauguration of Malaysia, the former has deferred diplomatic recognition while the latter has bluntly stated that it will not recognise the new State. The Government of the Philippines is aggrieved because, according to it, territories in North Borneo which it claims as its have been included in the Federation. The Indonesian charge is rather a vague one that the Federation of Malaysia is likely to function as Britain's Trojan horse in South-East Asia. Indonesia is evidently in a truculent mood. The real reason could be that it represents the emergence of a strong new political entity which might contest Indonesia's influence in that part of the world. It remains to be seen whether Indonesian animosity would

extend to encouraging and supporting subversive movements in the jungles of Sarawak and Sabah, but the possibility cannot be discounted.

Meanwhile, the new State of Malaysia embarks on its high destiny with self-confidence and conscious of the goodwill and admiration it has already evoked in full measure from most countries of the world. In view of the clear UN verdict to the effect that an overwhelming majority of the people of the territories concerned has favoured the formation of the Federation, the new State may be relied upon to make a success of its daring attempt at creating an integrated community of the multi-racial population of the Federation. Malaysia has many things in its favour. It already enjoys the second highest per capita income in South-East Asia, its external reserves are comfortable and its industries are developing fast. Given political stability its economic progress could be spectacular since it is rich in natural resources, such as, rubber, tin, bauxite, iron ore and gold in Malaya and pepper, rubber, oil and antimony in Sarawak and timber in Sabah. The ten million people of the Federation not only have a heartening base of current prosperity to build on but may also look forward to a vastly richer future through the exploitation of potential resources, a good part of which is not only still untapped, but is even unexplored. Eut apart from the material attractions opened out to people of Malaysia by the inauguration of the Federation, the emergence of the new State also promises them democratic progress with greatly enhanced security against the ever-present Chinese communist threat.

As a mark of goodwill to the State, the Minister in the Ministry of External Affairs, Mrs. Laxmi Menon, has gone to Kuala Lumpur to represent this country in the celebrations of its inauguration and Mr. Nehru has expressed the wish that Malaysia will have a good start. In its Prime Minister, Tunku Abdul Rahman, Malaysia has a leader of vision, faith and courage who has done so much to bring about the Federation and who, despite the current distempers, has dared to express the hope that the process started by the setting up of the Federation would be completed by the bringing about of the association of Malaysia, Philippines and Indonesia in a larger entity of "Maphilindo".

LIC AND MORTGAGE BANKS

THE DEPUTY Minister for Finance, Mr. B. R. Bhagat, stated in the Rajya Sabha that up to 1962, the LIC had invested about Rs. 11 crores in debentures of land mortgage banks. In May, 1963, the LIC agreed to subscribe to 30 per cent of the debentures floated by each land mortgage bank during the terminal three years of the current Plan, subject to a maximum of Rs. 6 crores in each year for all the mortgage banks together, on the following terms and conditions:

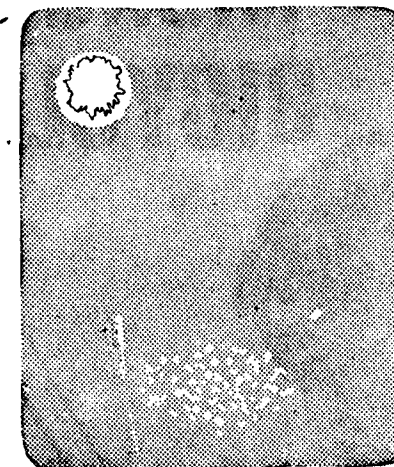
- (i) The Reserve Bank of India would subscribe to 20 per cent of the issue, the State Bank of India to 10 per cent and Co-operatives and other sources should contribute the balance of 40 per cent;
- (ii) On the basis of the existing bank rate continuing at 4½ per cent, the rate of interest on the debentures should be 4½ per cent;
- (iii) the debentures should be for not longer than 15 years' duration with the issue price at 98; and
- (iv) the Life Insurance Corporation should be allowed underwriting commission of ½ per cent.

No issue of debentures has been made by any land mortgage bank in 1963. But the Andhra Pradesh Co-operative Central Land Mortgage Bank Ltd., issued a prospectus in 1963 for bonds of Rs. 1 crore. The LIC applied for Rs. 35 lakhs. of these bonds.

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SEEING IN THE DARK

In the darkness of a fluoroscope, the "black light" of an ultra violet lamp throws invisible rays on rock samples brought to the surface from the bottom of an exploratory well. The samples may be "dry", bearing no indication of oil. But if even slight traces of oil are present, the samples will give off a fluorescent glow. From these and other tests geologists, chemists and other experienced oilmen can evaluate the prospects of the area where the search for more oil is under way.

Encouraging though they are, however, signs of petroleum in the cuttings of rocks penetrated by the drill do not always lead to the discovery of a profitable oil-field. Sometimes the indications come from rocks through which the oil has migrated to other regions, leaving only a stain and a smell behind.

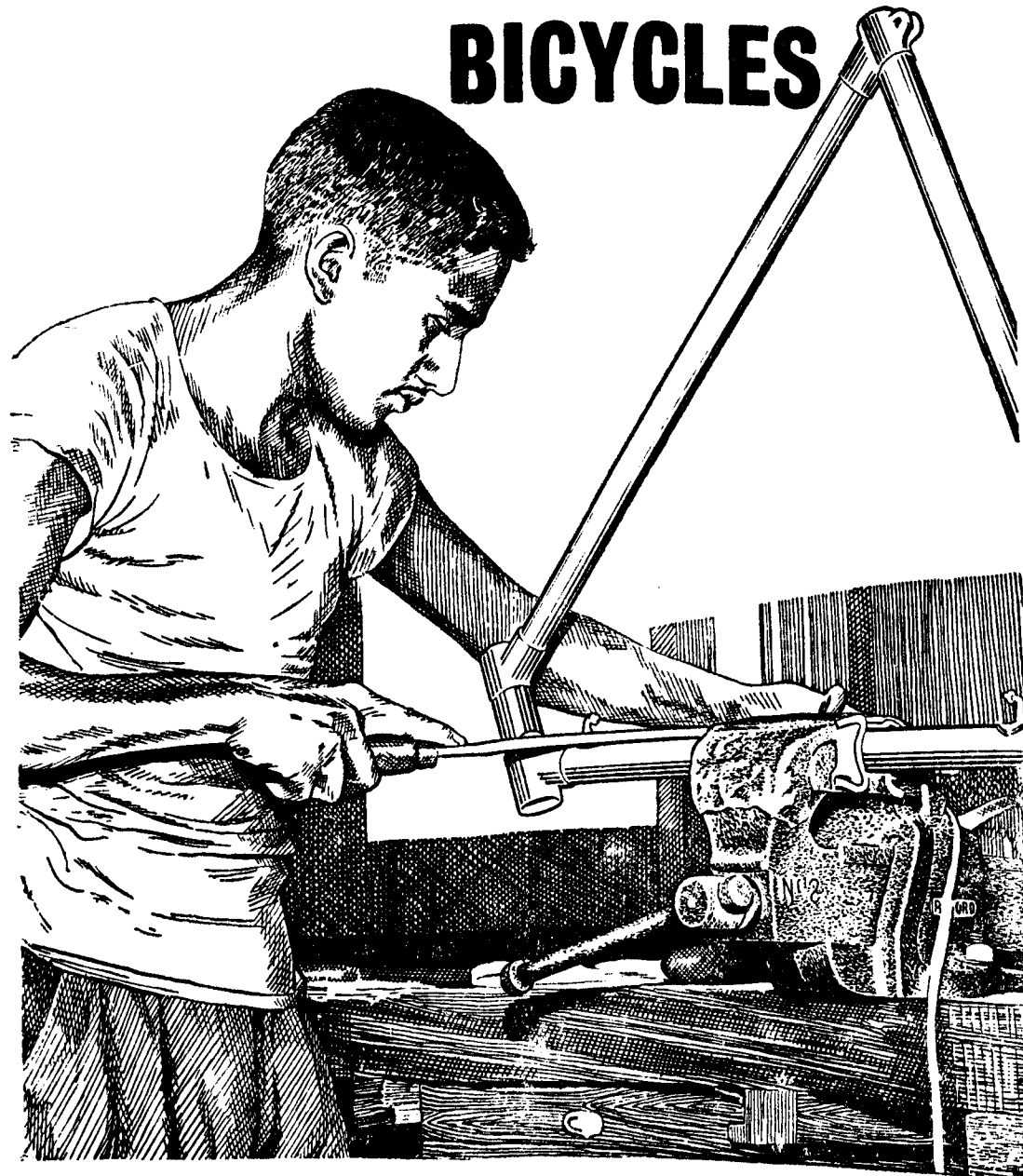
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FROM THE PRESS GALLERY

Foreign Affairs in Lok Sabha

By Our Parliamentary Correspondent

NEW DELHI, Tuesday:

THE LOK SABHA debate on foreign affairs lasted for two days and ended with a reply from Mr. Nehru this evening. Few new points emerged out of the discussion but in the speech initiating the debate, Mr. Nehru devoted considerable time to speculating on the Sino-Soviet rift and its possible repercussions on the world and on India. The Prime Minister reiterated this country's stand that it continued to be willing to discuss a peaceful settlement of the differences with Peking should the latter accept the Colombo proposals in toto or agree to the Indian suggestion to refer the matter to the Hague Court or for arbitration by a mutually agreed arbitrator.

A dominant note struck during the discussion was one of concern over Pakistan's increasingly open antagonism and, graver still resort to hostilities along the Assam border. The Prime Minister pointed out that although this country was prepared to discuss Kashmir or any other point of difference with Pakistan, no useful purpose would be served unless and until Pakistan would retrace its policy of aligning with China on an anti-Indian programme. The Prime Minister noted improved relations with Nepal and expressed the view that a sound basis for co-operation and mutual understanding had been established between the two countries.

An interesting point brought out during the debate was that Mr. N. G. Ranga, leader of the Swatantra group in the Lok Sabha, did not share Mr. C. Rajagopalachari's views on Kashmir. Mr. Krishna Menon made one of the more effective speeches of the debate. He drove home the point that, with regard to Kashmir, India had undertaken no international obligations which it had not scrupulously honoured or which it was not willing to honour. More than one speaker expressed disappointment with the performance of our diplomatic missions abroad, particularly on the publicity side. Mr. Nehru made an attempt to meet this criticism but his arguments were not convincing. On the contrary, they betrayed the fact that he himself did not seem to be aware of the need for proper publicity or even what publicity was.

CDS Under Review

In a statement in response to a call-attention notice, the Finance Minister, Mr. T. T. Krishnamachari, clarified the Government's intentions regarding a reconsideration of the Compulsory Deposit Scheme. He indicated that there would probably be changes, but they would not be drastic. The Finance Minister said:

"The scheme itself falls into five parts. Two of these have been implemented, namely, one in regard to persons liable to payment of tax under the Income-Tax Act, and the other applicable to employees of certain categories earning salaries of Rs. 1,500 or more a year and who are not subject to income-tax.

"The other three parts relate (1) to persons liable to payment of land revenue, (2) to holders of immovable property in urban areas assessed to property tax, who are not liable to income-tax, and (3) to dealers whose annual turnover for purposes of State Sales Tax is Rs. 15,000 or more and who are not subject to income-tax.

"These three schemes have to be implemented in co-operation with the States. The benefit of the first of these three, namely deposits made by persons liable to payment of land revenue, would accrue entirely to the States.

"The Government of India has circulated these three

schemes to the State Governments for their comments. I have also written to the Chief Ministers a few days back drawing their attention to the letter addressed to their Chief Secretaries by the Secretary of Economic Affairs Department on the subject. Further steps in regard to these three parts of the scheme can be taken only after the full picture of the reactions of State Governments are known."

Sugar Debate

Among the problems debated in the Lok Sabha last week, the most important from an economic journalist's point of view was the sugar issue. With the Food and Agriculture Minister, Mr. Swaran Singh, having already announced the incentives which he wanted to provide for stepping up sugar output during the next crushing season to 3.3 million tonnes and the Rajya Sabha having earlier deliberated upon the sugar scarcity in the country, the discussion in the Lok Sabha, initiated by Mr. Kashi Nath Pandey (Congress), could be expected to be only a pedestrian one, as, in fact, it turned out to be. The criticism followed, by and large, the same old pattern as had been advocated frequently in times of sugar shortages—demand for nationalization of the sugar industry, the raising of the sugarcane price (now to Rs. 2 per maund), prompt payment by mills to cane suppliers, regulation of gur and khandasari production and desirability or futility of controls. The only new point made perhaps was by Mr. Prakash Vir Shastri (Independent) who wanted a Central machinery to be set up to administer the Cane Cess Fund.

The Minister's reply to the debate also was by no means illuminating. But he made two important announcements. Firstly, he proposed to investigate whether any organizational changes were required in the present pattern of sugar trade. He expressed his inability to spell out this proposal at any length "at this stage". The other decision announced by him was that exports of sugar during the next crushing season would not be increased beyond 300,000 tons for which contracts had already been made. Mr. Swaran Singh rejected the demand for an increase in the price of sugarcane to Rs. 2 per maund. He, however, added that in order to get the benefit of the rebates and concessions in excise duty on production additional to that in the 1961-62 season, sugar mills would be compelled to pass on some of these to the cane-grower. He promised to take up with the State Governments the issue of prompt payment by sugar mills to cane-growers as well as the problem of proper and full utilization of the cane cess.

Mr. Swaran Singh expressed the opinion that, technically or otherwise, there was no difficulty in raising sugar output to 3.3 million tonnes in the coming year. But even if production did not increase to beyond 3 million tonnes, the position "would not be gloomy".

Production Incentives

The following incentives had been announced by the Food and Agriculture Minister earlier for stepping up sugar production during the next crushing season:

(i) For encouraging the agriculturist to make available larger supplies of cane to the mill industry in areas where competition from gur and khandasari is intense, the mills will be authorised to pay a minimum price of Rs. 1.75 per maund or Rs. 4.69 per quintal. The price actually paid will be included in calculations of ex-factory prices. The maximum permissible deduction from the price paid at the factory gate for transport of cane by road will be 12 nP, as in the case of transport by rail, and the balance, subject to the existing maximum of 36 nP, shall be included in the ex-factory cost calculations.

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This means an addition of 24 nP. per maund of cane to the price actually received by cultivators who supply cane through motor transport from a distance of from eight to 24 miles at the factory gate.

(ii) The mill industry is to be provided an incentive in the form of rebate in the basic excise duty on additional production as was the case in 1959-60 and 1960-61. The rebate will be calculated on 1961-62 output as the base and will amount to 50 per cent on additional production between July 1, 1963, and October 31, 1963, compared with the corresponding period of 1961, in respect of factories that commenced production during this period. A similar rebate will be available for the other factories which commenced production in November in relation to their output in November, 1961. In the normal season during November 1 or December 1, 1963, to March 31, 1964, or thereabout, the quantum of rebate in the excise duty on additional production will, however, be reduced to 20 per cent. On additional output during the remaining part of the season to June 30, 1964, factories will again be allowed rebate at the rate of 50 per cent.

No regulation of production of gur or khandsari is proposed. The users of "kolhus" are to be left completely out of the purview of the proposed measures. The Government will be promulgating a Sugarcane Control Order by virtue of which the State Governments would be authorised to regulate the utilisation, purchase and distribution of cane with the main idea of supplying it to factories and power crushers.

Question Hour

Bhadravati Steelworks: The Minister for Steel and Heavy Industries, Mr. C. Subramaniam, told the Lok Sabha last week that the Union Government had approved a scheme of the Mysore Iron and Steel Ltd., Bhadravati, for its conversion into a manufacturing unit capable of producing 77,000 tonnes of alloy and special steels per annum. The technical collaboration arrangement for the project had been concluded with Bohler Brothers of Austria. The foreign exchange cost of the plant and equipment to be installed under the scheme was estimated at Rs. 6.4 crores. It was proposed to arrange it under the West German credit. The approval of the West German authorities was awaited. The Minister also disclosed that no investment had so far been made specifically on the conversion scheme. An expenditure to the tune of Rs. 4.5 crores, however, had been incurred upto June, 1963, for implementing the mild steel expansion programme of the company. The facilities already provided for mild steel expansion together with the proposed extra investment would be utilized for the production of special steels.

Replying to some other questions, also put by Lok Sabha Members, Mr. Subramaniam yielded the following information in regard to steel output and pig iron.

Steel Production: Steel output at Bhilai, Durgapur and Rourkela during 1962-63 had been as follows: Bhilai 0.793 million tonnes (value at sale price: Rs. 41.97 crores); Durgapur 0.499 million tonnes (Rs. 24.70 crores); Rourkela 0.416 million tonnes (Rs. 32.16 crores). Of this, 315 tonnes were exported to Pakistan and 160 tonnes to Burma.

Pig Iron: A provision has been made in the trade agreement with the U.S.S.R. for the import of pig iron from that country in 1964, 1965 and 1966. Production of pig iron in India through low shaft furnace operations during 1962-63 amounted to 28,224 tonnes. Compared to the previous year, production in 1962-63 showed a decline to the tune of 1,360 tonnes. This was mainly due to a larger number of power failures.

Mr. Subramaniam and his Deputy, Mr. P. C. Sethi, gave the following information in regard to some of the heavy industries, in reply to questions in the two Houses of Parliament.

Heavy Machine Building Plant: Pilot production in certain departments of this plant is scheduled to commence by the end of the current calendar year. A sum of Rs. 17.50 crores had been invested in this project upto the end of July, 1963.

Heavy Pumps Factory: The Government had received a feasibility report prepared by a team of Soviet experts for setting up a factory to manufacture heavy pumps and compressors. The report had been considered by the Government and it has been decided to call for a detailed project report from Russian experts.

Agricultural Implements: Six firms have been so far given licences for the manufacture of agricultural tractors, including power tillers, and five for the manufacture of agricultural implements. The production of tractor-drawn farm implements (in numbers) since 1960 has been as follows: 1960—247; 1961—1,140; 1962—4,295 and 1963 (upto July)—1,860.

Fertilizers Output: There had been a "general lethargy" on the part of the private sector to enter the fertilizer field. The Government had to proceed now on the basis that the entire fertilizer production might have to be in the public sector. It was not possible to make up the shortfall in fertilizer production within the third Plan period.

Trombay Fertilizers: The Trombay Fertilizer Plant, currently under erection, is expected to go into production by August next year. The total c.i.f. cost of the machinery and equipment to be imported for the project is estimated at about Rs. 14 crores. Some of the equipment has already been received and the remaining is in various stages of fabrication or shipment.

Rourkela Fertilizers: It has not been possible as yet to establish full production at the Rourkela Fertilizer Factory owing to shortfalls in the availability of coke oven gas in quantity and quality, and of electric power. This fertilizer manufacturing unit was commissioned into production in November, 1962, with the rated capacity of 5,80,000 tonnes of calcium ammonium nitrate per annum (about 48,000 tonnes per month). The monthly production since November, 1962, has been as under:

November	1962	830	Tonnes
December	1962	8659	"
January	1963	9249	"
February	1963	9956	"
March	1963	11271	"
April	1963	8968	"
May	1963	1470	"
June	1963	5103	"
July	1963	15699	"
August	1963	17500	"

The very low production in May and June, 1963, was due to complete stoppage of coke oven gas for a period of five weeks, between May 4 and June 12, when the compressors in the steel plant, through which the coke oven gas was supplied to the fertilizer unit, went out of commission. The compressors have since been repaired and brought into working condition.

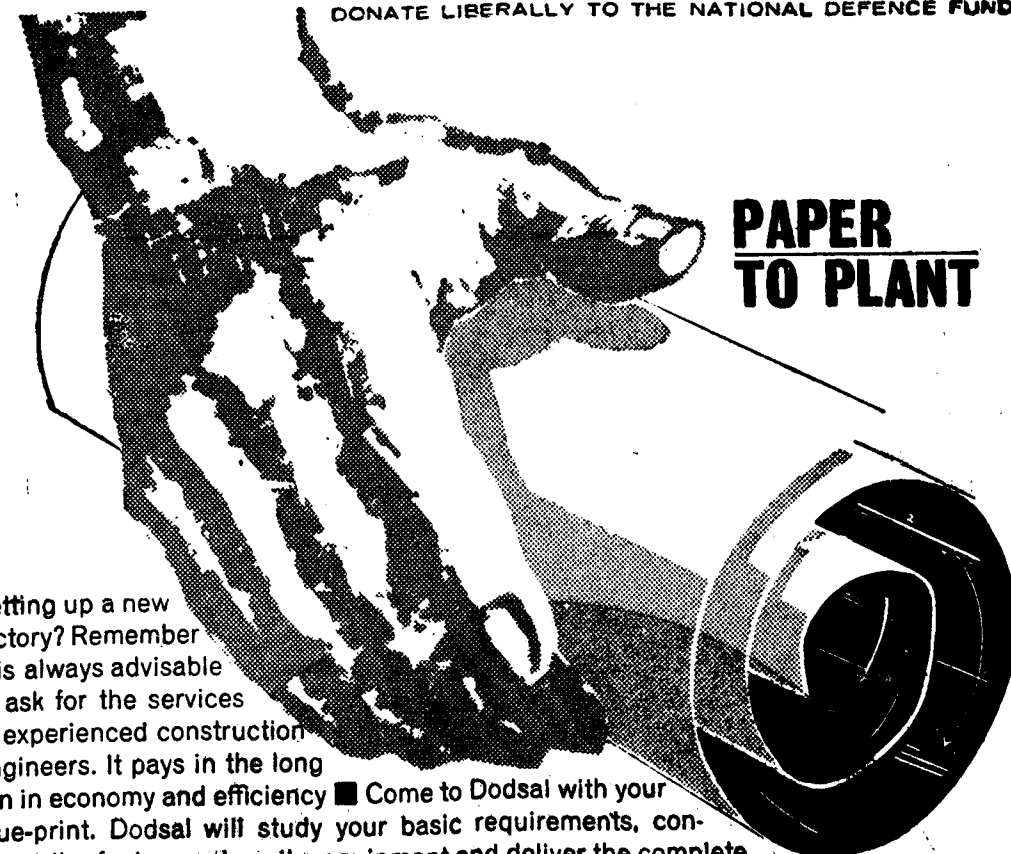
Aluminium: The Minister for Industries, Mr. Nityanand Kanungo, revealed in a written statement in the Lok Sabha that the National Industrial Development Corporation was not considering any proposal for setting up a big aluminium plant in the Jammu and Kashmir State. The Jammu and Kashmir Government, however, proposed to set up an aluminium plant in the Salal area of the Chenab valley and the NIDC would undertake a feasibility study of the project after the basic data required for the proposal had been collected by the Jammu and Kashmir Government. The question of foreign collaboration could be examined only after the feasibility

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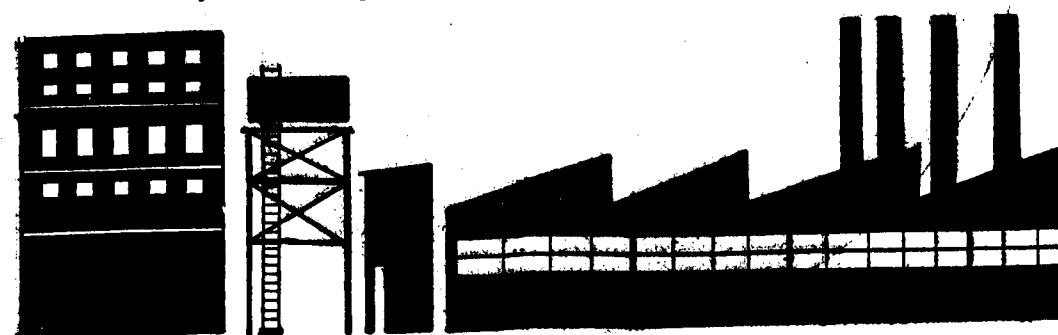
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study had been completed and the details in regard to the capital, machinery, etc. had been worked out.

Textile Exports to USA: Exports of cotton piecegoods (mill-made) from India to the USA from 1961 onwards have been as follows: 1961—6.99 million yards; 1962—26.73 million yards and 1963 (January to June estimated)—25.80 million yards. The rise in exports in 1962 had been due to the fact that the USA had applied restraints on imports of cotton textiles from Japan and Hong Kong under the Short-term Agreement for Cotton Textiles of the GATT. The importers in the USA, therefore, looked to other countries like India. The second reason was that Japan had switched on from exports of grey goods to finished fabrics. Since India's bulk exports were in grey goods, India had obtained boost in her exports.

Tea Exports to ECM: The E. E. C. and the U.K. have reached an agreement for the suspension of the most-favoured-nation customs duties on tea (in packages of over 3 kgs.) with effect from January 1, 1964. It is certainly the intention of the Government of India to take full advantage of the establishment of the duty-free regime for tea in the ECM countries. The Tea Board is appointing a Senior Officer to work in Brussels. He will be leaving for that place shortly. His functions will be to intensify propaganda and sales promotion activities in the area.

Trade with Russia: Some of the new items introduced in the USSR, as a result of the Indian Exhibition held there recently, are: paper products, ready-made shirts, new varieties of woollen knitwear, nylon socks, cigarettes, cosmetics and soaps, finished semi-precious stones, new varieties of shoes, razor blades, sports goods, handkerchiefs, fruit juices, surgical beds, tooth brushes, etc. Considerable interest has also been shown by the Soviet buying organisations for insecticides, agricultural tractor attachments, textile machinery, piston rings, scientific and medical instruments, coir products, bicycles, motor cycles, scooters, art silk and terylene. Negotiations for actual contracts for the export of these from here are afoot. The Soviet organizations have also purchased additional quantities of handicrafts, shoes, tea, jute products, cashewnuts, woollen textiles and cotton fabrics. The business contracted for during the exhibition was worth Rs. 5 crores. Of this, business worth Rs. 1.20 crores had been conducted in new items and was in addition to the existing Trade Plan. This quota was specially negotiated to cover the foreign exchange expenditure on the exhibition. Negotiations for business worth Rs. 9 crores are being carried on. The present Trade Plan with the Soviet Union envisages that in the next three years, the level of India's exports to that country will go up from Rs. 35 crores to Rs. 110 crores.

Indian Investments Abroad: The Deputy Minister for Finance, Mrs. Tarakeshwari Sinha, told the Lok Sabha that the Union Government had permitted so far seven private Indian industrial houses to set up industrial units in foreign countries. Ceylon was one of the countries where these investments had been allowed to be made. The scheme here involved setting up of a sewing machines manufacturing plant. The total investments made abroad by the seven industrial houses amounted to about Rs. 99 lakhs. Replying to supplementaries, Mrs. Sinha said that reasonable precautions had been taken to ensure that the Indian capital thus invested was not confiscated and that investments permitted were in the shape of exports of machinery and technical know-how. India, she added, desired to participate, to the limited extent it could in the industrial development of the under-developed countries.

Indian Banks in Burma: In reply to another question, it was stated on behalf of the Ministry of Finance that all the five Indian banks which had branches in Burma had been allowed to repatriate to their head offices funds amounting to Rs. 5 lakhs in each case. As regards the other assets, the claims for compensation submitted by these banks were still pending before the Banking Business Nationalization Compen-

sation Commission, Burma.

Aid from UK: The Finance Minister, Mr. T. T. Krishnamachari, told the Lok Sabha that out of the £30 million aid indicated by the UK at the recent Consortium meeting, as much as 75 per cent was expected to be available without being linked to specific projects. The UK credit of £3.50 million for purchase of steel products was tied to purchases in that country.

Oil: Replying to a calling attention notice by ten Members of the Lok Sabha on expansion of private sector refineries, the Minister for Mines and Fuel, Mr. O. V. Alagesan, stated that the Union Government was awaiting the assessments of the Planning Commission and of the Indian Refineries Ltd., (in consultation with the Institute of Petroleum) in regard to surpluses/deficits in petroleum products that might arise in the various regions of the country up to 1966 and thereafter up to 1971. The whole question of augmenting the oil refining capacity in the country, through expansion of the private refineries, establishing of the two new ones at Madras and Calcutta in the public sector or through expansion of the public sector refineries already proposed to be set up, would be reviewed and decision taken after the results of the above-mentioned studies were available.

Intervening, the Prime Minister declared that the private oil refineries would not be allowed to expand if the public sector was in a position to fully meet the country's requirements of oil production. No departure was being effected in the oil policy pursued by the former Mines and Fuel Minister, Mr. K. D. Malaviya, he added.

New Gold Finds: Mr. Alagesan disclosed in the Lok Sabha that occurrences of gold had been reported at Bisanattam and Kalahatti in the Chittoor District and at Ramagiri in the Anantapur District of Andhra Pradesh. In the Bisanattam and Kalahatti fields, the gold content, however, was poor and the deposits were neither extensive nor otherwise promising. The Ramagiri goldfields were stated to be 152 metres wide and extended over about 18,288 metres from Jibuttil mines in the south to Kanapuram in the north. Detailed investigations of the deposits here had been undertaken. A realistic estimate of their quality and quantity could be made only after the investigations were completed.

Coal: Mr. Alagesan stated in the Rajya Sabha that a recent assessment had disclosed that production of coal had outstripped demand. It was expected that there would be no shortage of this commodity even during the remaining period of the current Plan. Certain important consumers were now carrying stocks equivalent to one month's consumption.

In reply to another question, Mr. Alagesan said that the NCDC had no proposal at present to develop the coal mines in Jammu and Kashmir. The drilling organization of the J. & K. Government, he added, had conducted drilling operations in Kalakot only. It had estimated that the coal reserves at Kalakot might be of the order of 6.94 million tons, besides an additional indicated reserves of 1.4 million tons.

Power Development: Replying to two questions in the Lok Sabha, the Minister for Power, Dr. K. L. Rao, stated that a team of Soviet experts was expected to arrive here shortly to settle the prices of equipment to be imported from the Soviet Union for the thermal power stations to be established in this country during the third Plan period. Technical discussions with the Soviet Union had already been completed and the equipment to be sent was now under manufacture in Russia. Of the power projects to be assisted by the Soviet Union, details had been finalized for the supply of equipment in respect of Neyveli Stage I, Korba Pathratu Thermal Stations, Bokaro Right Bank Plant, Mettur Tunnel and Hirakud Hydro-electric Scheme. Detailed project reports for Neyveli Stage II and the Obra Power Station had also been received. Their estimated cost would be Rs. 7.5 and Rs. 14.5 crores, respectively.

WINDOW ON THE WORLD

The European Inflation

From Our Special Correspondent

PARIS:

A REPORT published this week by the Organisation for Economic Co-operation and Development shows, with the customary delay between the collection and the publication of official statistics, the extent and the geographical spread of price-inflation in West Europe.

PERCENTAGE RISE IN RETAIL PRICES

	Between 1962 & 1963	Between 1959 & 1963
Denmark	7.2	18
Italy	6.1	13.7
Holland	5.6	11.9
France	5.3	16.3
West Germany	4.4	11.1
Britain	3	10.7
Sweden	3	12.5
Belgium	2.2	4.1
United States	1.2	4.6

These comparisons refer to prices at the start of the second quarter, but the Common Market Finance Ministers at their meeting here this week agreed that the same trend had continued through the spring and summer. Luxemburg, too, they pointed out is a victim of price-inflation comparable with Holland's; in Italy the rise has gathered pace and the advance of the cost of living over the past 12 months is today nearer 7.2 per cent than the 6.1 quoted above. In France also the situation has worsened somewhat, and the 12-month increase is now around 5.7 per cent. Like the OECD, the Six Finance Ministers concluded that price-inflation was a generalised phenomenon in West Europe, though its ravages are being better controlled in West Germany and Belgium.

Arbitrary Base

One must point out at once that no great significance should be attached to differences between the figures for each nation in the righthand column of the table above, unless they are very marked. Firstly, because the base year, 1959, is arbitrarily chosen; if one took 1957 or 1958 (i.e. before the French devaluation) the rise in French prices would seem very much larger than all the others. But even that would not be significant, because (and this is the second point), the rises are being measured in terms of national currencies, which have however varied in relation to the dollar or gold thanks to the upward revaluations of the West German and Dutch currencies and the devaluation of the French franc. If one translated prices into dollars at the official rates of exchange, it would emerge that Italian, West German and Dutch prices have soared, French prices have risen less than most, British prices less still and Belgian prices very little. (The Deutschmark and guilder were upvalued 5 per cent in March 1961, and the French franc was devalued 17.5 per cent in December 1958).

Such intricacies have to be borne in mind if one is to explain why, despite the large increase in French prices shown above, the Finance Minister could announce another month of balanced trade in August and a further rise in the gold and dollar reserves, by \$75 million in that month to the record total of \$4,290 million. Almost half French exports going to the other members of the Common Market, France retains some of the advantage of the massive 1958 devaluation in relation to Italy, West Germany and Holland, while losing part of it in the British market and possibly all of it in the

Belgian and US markets. So inflation measured in terms of the loss of purchasing power of the national money on the home market need not tally with the movement of export sales.

Marked Differences

Having made these corrections, there remain fairly marked differences between the increases in prices in the various countries, and these in turn suggest an explanation of wide-spread losses of purchasing power. The most obvious one is that countries which escaped the disastrous winter of 1962-63 in Europe, or which buy much of their food outside Europe (like Britain, Belgium and West Germany) have suffered much less from price increases in the past year than countries in this region which rely on their own farms (Denmark, Italy, Holland France—the top four in the left-hand column of the table). In other words, the rise in the cost of local food seems to be the main explanation of the price-rises in recent months. Combined with the general policy of boosting farmers' revenues to nearer those of city-dwellers, and the move to align Common Market agricultural prices (usually by levelling up, because no one will level down), a freezing winter and a non-existent summer have unleashed price inflation — which has been transmitted to the rest of the economy by the rigid system of linking many wages to index-numbers for the cost of living.

This does not mean that one may dismiss the whole affair as a meteorological accident, because the policies deliberately followed by most of these countries had put them in a situation where they were unnecessarily exposed to such accidents. For example, the French were so sure of having plenty of butter that they lately sold thousands of tons of it, at sacrifice prices, to Britain and Italy; when they discovered they would be short, they turned to Holland—notoriously a big butter exporter—to be told that the Dutch were hoping to buy butter in France because they had entered into export obligations they could no longer honour. The Dutch are frantically trying to cover what turned out to be bear sales.

Exactly the same story in wheat: after a 14 million-ton harvest in 1962, the French sold grain at half price to the Chinese, to free their siloes for the 1963 crop. But this crop has turned out to be only eight million tons, of which one third is heavily rain-damaged. So it will be necessary to import over a million tons, not only to meet French needs but to honour the commitments made to China! Needless to say, the Dutch and French taxpayers will have to foot the bill for the double loss involved in each of these operations: the subsidy for cheap export sales, and the higher prices to be paid for imports in a sellers' market.

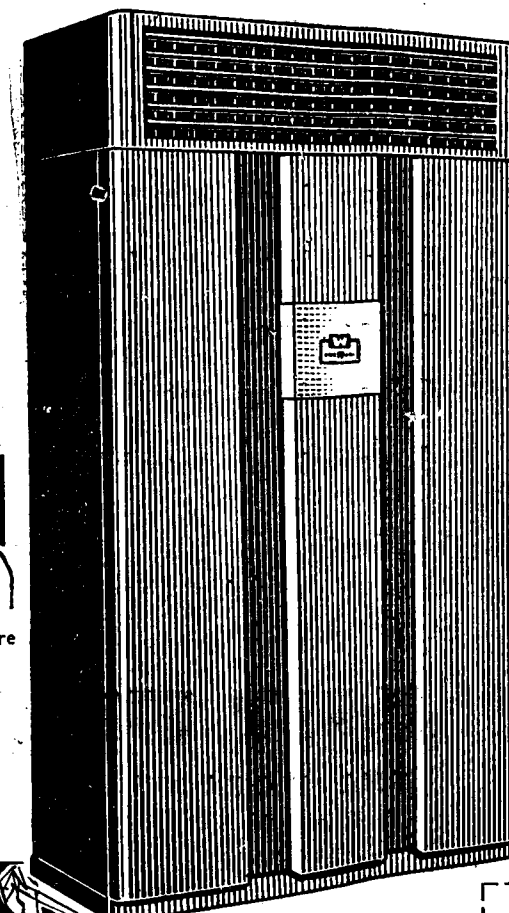
Sequences of accidents like this are no longer "just accidents". They reveal, first of all, that under all the economic planning now in vogue in West Europe there is still a gamble on the weather, which modern men tend constantly to underestimate because of their optimism about being able to control so many things that defied their grandfathers. The price structure and, by ricochet, the course of economic expansion and social harmony can be called in question by a poor season. How much more true this is in countries with a more unstable climate, like India and China, does not need emphasis. Secondly, it shows the dangers of competitive dumping of farm surpluses by countries with a substantial peasant population, to the gain (in good times and bad) of their industrial

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competitors who have few farmers and buy food on the international market (Britain, Belgium and to a somewhat smaller extent, West Germany).

Analysing the other factors in the European inflation, apart from the rise in food prices, the OECD experts note that it is a "cost-push" inflation and not a "demand-pull" inflation. In other words, they find no general excess of buying power over the volume of goods on offer; on the contrary, prices of manufactures are everywhere higher although output has advanced notably and freer imports have increased supply. The volume of wages is definitely not causing higher prices by stimulating demand, but is itself rising because of dearer food and services, thus raising manufacturers' costs. The point is important in deciding what counter-measures governments should take. The OECD report says explicitly, "Supply is easily matching internal demand, and the foreign trade accounts show a persistence (despite some deterioration in the past year) of the trade surplus. So it would seem difficult to connect the rise in prices with an excess of global demand, and in these circumstances resort to classic anti-inflation therapy is not to be recommended". No more are government budget deficits incriminated; budgets are balanced in West Europe and the most the experts can find to say is that the budgetary weapon should be used more flexibly: surpluses increasing in time of inflation and decreasing or disappearing in time of weaker demand. Since no government has yet succeeded in this "flexibility" (American attempts

have been unhappy because of the time-lag in the effects of budgetary measures), one must take this as a counsel of perfection.

The OECD finds it odd that manufacturers have so little trouble in passing on their higher costs in the shape of selling-price increases, and point out that this applies to all the European countries. The 60 per cent reduction in import duties inside the Common Market has had surprisingly little effect in stimulating price-competition, outside of a few sectors. Monopoly situations are not, in general, the explanation because here are still relatively few of them in Continental Europe, though tacit understandings inside employers' organisations often have much the same effects. The inefficiency of the retail circuits, still largely staffed by small shopkeepers, explains a certain part of the price increases; as a rule, wholesale prices have risen less than retail prices, the difference going into the shopkeepers' pockets. Finally, the OECD report dwells on the "psychological factor", which is also the main theme of a report on the French price-inflation published simultaneously by the National Statistical Institute. Both these sources insist that one of the causes of continued price-rises is that people are used to them: "Price stability does not seem normal to anybody, and there is no real inertia opposing price increases. No one is surprised by constant increases, but a decline in prices seems an extraordinary event". Various governments currently are drawing up price-stabilisation plans in West Europe but until they overcome this "inflationary psychology" one must be sceptical of their success.

American Labour Faces New Challenges

By GUY SIMS FITCH

WASHINGTON:

EACH YEAR, at this time, it has become the custom in the United States to eulogize the accomplishments of American Labour and its role in the national community. This annual observance of Labour Day, which falls on the first Monday in September, was somewhat restrained this year — a mood in keeping with the realization that events have thrust upon the American labour movement new problems and new challenges.

Among these are the intensified efforts to eradicate the vestiges of discrimination in labour union structures and operations, and to find meaningful ways of reconciling the established interests of union members, White and non-White, with the aspirations of American Negroes for greater status and opportunities in the nation's work force.

This is an obvious and pressing issue, one that the labour movement, which generally has been a leader in social and economic progress, faces in common with all elements of the American society in which it is an integral part.

Less obvious, perhaps, but no less urgent and pervasive as far as labour's institutional role in society is concerned, are emerging questions surrounding the conduct of labour-management relations in an era of growing automation and industrial and technological change. This affects both the labour movement's hard-won gains and its carefully nurtured and well-accepted influence as a free instrument of free men banding together for the common good.

Ever since its difficult, formative days of the 1930's, labour's remarkable progress in the United States has rested largely on the process of free collective bargaining. This

means the legally guaranteed right of unions, representing their members, to meet as equals with employers and work out contracts covering wages, working conditions, and such "fringe benefits" as vacations, pensions, insurance and medical care.

Much of the strength and success of the collective bargaining process has derived from its freedom, as befits a society in which personal liberty is a valued and safe-guarded heritage. Unions and employers have been able to pursue their legitimate if sometimes disparate ends, and to arrive at mutually satisfactory agreements, through procedures that have been essentially free of direct governmental intervention and control. This is a principle that all interested parties — labour, management, the public at large, and the Government itself—would like to see preserved.

There is every reason to believe that it will be preserved. This is said despite the vast socio-economic changes that inevitably are forcing alterations in bargaining concepts and procedures, and despite the fact that Congress, with the approval of President Kennedy, only a few weeks ago enacted an unprecedented law in effect under-writing compulsory arbitration of a labour-management dispute to avert a nationwide railroad strike.

It is significant that neither the President nor the Congress views this legislation as a precedent to future action. Typical is the reaction of Chairman Warren G. Magnuson of the Senate Commerce Committee that "we are not in the business of resolving controversies between management and labour."

What led the Government to act in this instance was the lack of any substantial or fruitful progress after three years

of drawn-out proceedings and negotiations between railroad unions and management, and the imminence of an off-postponed rail shutdown which, if it lasted for any length of time, could cause widespread injury to the health, economy and security of the nation.

The World Economy and IMF

THE ANNUAL Report of the International Monetary Fund for 1963 has presented an incisive analysis regarding the payments problems of the less developed countries. "The greater part of the day-to-day work of the Fund", says the Report, "is concerned with the problems of the less developed countries. These countries, practically all of which are predominantly exporters of primary products, are particularly likely to encounter difficulties in balancing their external transactions for reasons that are partly of internal and partly of external origin". The Report goes on to discuss the three main sources from which the difficulties of these countries emerge. In the first place, inflationary tendencies often connected with development programmes prevail in many of the countries. Secondly, relatively large short-term fluctuations take place in their foreign exchange receipts from exports and in capital movements and lastly, the rate of growth of export receipts, when compared with the growth of population, is relatively slow. Experience has shown that inflationary policies in these countries are likely to make more, rather than less, intractable many of the problems facing them. The impact of the inflationary tendencies on the economy is graphically described in the Report in these words:

Savings Reduced

"Inflation diminishes the volume of resources available for domestic investment. The community's saving is reduced, and a significant part of this saving is channelled to foreign rather than the domestic investment, while the flow of capital from abroad is discouraged. A substantial part of the reduced flow of resources for domestic investment is diverted to uses which are not of the highest social and economic priority, such as luxury housing and other luxury goods. The accumulation of large inventories is encouraged. Savings are diverted to channels where investment decisions are insufficiently guided by longer-term economic criteria. To reduce the foreign deficits, the authorities are tempted to resort to controls, which frequently protect uneconomic domestic production."

The Report has also analysed the instability of export earnings of primary exporting countries during the Fifties. The ratio of the prices of primary products to those of manufactured goods declined by more than 20 per cent in the period 1950-1960. As a natural corollary, the terms of trade of the high-income countries showed a marked improvement and the importing power of exports of this group rose most steeply than the volume of their exports. Almost all the major regions in the less developed group, except the Middle East, have been affected by the declining trend of the terms of trade. There are apprehensions that the development and extension of regional arrangements for foreign trade among industrial countries, both in manufactured and in agricultural products, may result in the reduction of the imports from the less developed countries.

World industrial production, excluding the countries in the Soviet area, was about 7 per cent higher than in 1961, whereas the rise from 1960 to 1961 had been 3.4 per cent. In both the years, the value of world trade was about five per cent higher than in the preceding year. In 1962, in contrast to experience in recent years, the increase in the value of exports of primary producing countries as a group almost kept pace with the manufacturing countries although declines in the prices of certain products adversely affected some countries.

In continental Europe and Japan, upward pressure on wages and prices continued during 1962. A considerable degree

Significantly, the two main issues at dispute between the carriers and the unions concern the composition of train crews and the right of management to eliminate obsolete jobs—both the result of important economic and technological advances in this key industry.

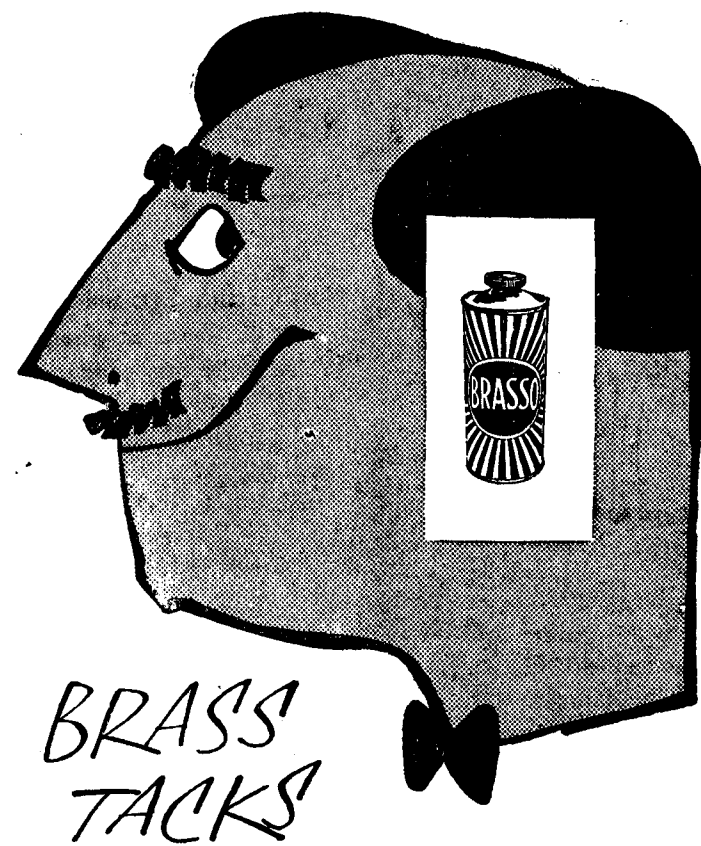
of price stability prevailed in the United States and Canada. The United Kingdom has an intermediate position. The balance of payments of the United States did not show any marked change, but these divergences "contributed to the trend toward broad adjustments in international payments positions especially among the industrial countries". The continued greater rise in wages than in productivity which reduced the profit margins gave a cause for concern in most European countries. These developments were considered a threat to long-run monetary stability. Increasing attention was given to the problem of formulating appropriate principles for determining wage increases in relation to increases in productivity and other relevant factors.

Discussing the role of domestic development in Europe on the world economy, the Fund stated: "As both balance of payments surpluses and the domestic pressures of demand in continental Europe decreased, the harmonizing of internal and external policy objectives became easier. The most pressing problem of these countries is to restrain excessive increases in wages and prices without losing momentum in economic growth. To achieve this objective, co-ordinated policies among the industrial countries are required to ensure that expansion of the world economy will not be jeopardized by domestic developments causing disturbances in international payments."

Except for the short-lived exchange crisis in Canada during the first half of 1962 and some speculation against sterling in the early months of 1963, international movements of short-term capital were moderate during 1962; the most serious instance of "disequilibrating movement" of short-term funds was the speculative flow of funds out of Canada occasioned by various uncertainties.

Bilateral Arrangements

Co-operation on monetary matters among the industrial countries was intensified in 1962, being reflected in an increasing volume of bilateral financial arrangements and in the creation of a co-operative scheme for stabilising the price of gold—the so-called gold pool—establishment by the United States and the United Kingdom and six countries in Continent Europe. The changes in basic positions from 1961 to 1962 were in the direction of greater equilibrium in world payments. The US deficit on the basic accounts increased somewhat from 1961 and 1962, but there was a further substantial reduction in the persistent surplus position of Continent Europe. The West German balance of payments on the basic accounts showed a small deficit. The balance of payments of Italy, another persistent major surplus country, weakened. The payments problems of the United States and the United Kingdom have continued. Effective international co-operation on monetary matters should facilitate the adjustments needed in surplus to the international payments system. It needs to be recalled that between 1961 and 1962 there was a certain improvement in the balance of payments of the less developed countries as a group; a moderate overall deficit in 1961 was reduced during 1962 and there was near balance in the second half of the year. "Many of the less developed countries" stated the Report, "live, in a sense, from hand to mouth in their international transactions. If their export and other receipts increase, their imports rather quickly adjust to a higher level. The reserves are often so low that, even allowing for their potential for drawing on the Fund and other sources of credit, they cannot afford to run large deficits even temporarily. The outstanding features of their combined balance of payments



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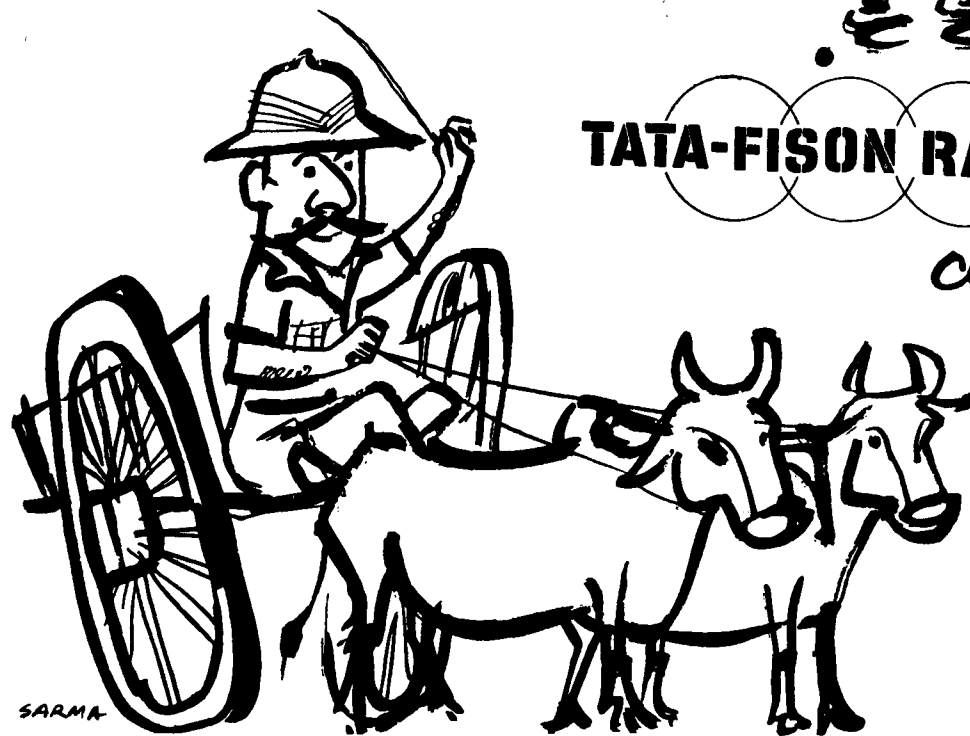
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have hitherto been a slow growth in their exports and an increasing flow of financial resources from the industrial countries, facilitating a somewhat higher growth in their imports."

The Fund has reported that the total of countries' reserves continued to increase from the end of 1958 to the end of 1962. The total increase over the four-year period was about \$5.4 billion or 9 per cent. Gold production is one of the factors that has added to aggregate monetary resources every year. In most post-war years, about \$500 to \$700 million worth of gold was added to the official holdings of the countries and international agencies, but the figure was smaller in 1960 and again in 1962 at about \$300 million. Liquidity claims on the United States have also shown a persistent tendency to rise by nearly \$1 billion a year on the average. In the autumn of 1962, the United States began to issue non-transferable obligations expressed in the currency of the purchaser, usually with a maturity period of 15 to 24 months. In so far as US deficits have been financed by other countries accumulating liquid resources in the US, these deficits have led to increases in the world total for international reserves. Analysing the reserves movements of certain groups of countries, the Report brings out the fact that while the reserves of the developing countries have since 1952 fluctuated around their present level of approximately \$12,000 million, the trade has expanded by about 40 per cent. On the other hand, the more developed countries participating in Funds' General Agreements to Borrow have experienced a net gain in their combined gold holdings of about \$500 million. If improvement or enlargement of credit facilities is needed, it may be more important and feasible to concentrate on the adaptation or enlargement of the existing multilateral arrangements through the Fund than to seek to establish supplementary or alternative arrangements outside.

Fostering Growth

The less developed countries have found sustained growth elusive. They have used certain expedients such as price controls, import restrictions, currency over-valuation, etc., which have intensified their problems. The Fund has suggested alternative measures for hastening growth in the economies of these countries. It is recommended that the less developed countries should do whatever lies in their power to increase the rate of growth of their export proceeds or to reduce their import requirements. Sustained efforts by individual countries to promote exports by enlarging the supplies and improving the quality of export commodities, keeping domestic demand under proper restraint and maintaining competitiveness have frequently produced considerable results. The industrial countries may, in their own interests, be expected

to follow policies directed towards the maintenance of high and stable levels of economic activity and employment. If all the countries pursue such active policies, the risk of serious balance of payments deficits facing any one of them should be small. However, the mere maintenance of over-all domestic demand by the industrial countries will not by itself suffice to maintain their demand for the products of the less developed countries. It is necessary also to remove those obstacles that exist at present to the import of both primary products and manufactured goods from the less developed countries, and to refrain from the imposition of further obstacles. There are many less developed countries where it would be highly economical to encourage export trade in certain types of manufactured and semi-manufactured goods. This would be in accordance with the principles of comparative cost and would also serve to diversify the export trade of the countries concerned, which in itself would tend to stabilise export receipts.

A new facility has been provided by the Fund in order to overcome temporary shortfalls in exports results. One of the ways which have been proposed to remedy and mitigate the effects of instability in export proceeds has been what is called "compensatory financing", namely, the provision of financial assistance, in the form of loans or otherwise, to the countries affected by shortfalls in receipts of exports. The Fund took a decision on January 27, 1963, to create a new compensatory financing facility to broaden the balance of payments support of member countries, particularly those primary product exporters that encounter payments difficulties produced by temporary shortfalls in receipts from exports. This new facility will not normally exceed 25 per cent of the members' quota.

As indicated earlier, the value of world trade rose by five per cent in 1962 over 1961. The exports of both manufacturing and primary producing countries expanded faster in the earlier than in the latter part of the year. The major factor in the growth of trade between manufacturing countries was the sharp rise in their exports to the United States, the value of which increased by nearly 17 per cent in 1962 over 1961. U.S. imports from primary producing countries rose by nearly 10 per cent from 1961 to 1962 while those of manufacturing countries in Western Europe rose by about 5 per cent. U.S. exports to primary producing countries, however, rose by 5 per cent while exports from EEC and EFTA countries declined by 4 per cent and 2 per cent respectively. For most primary products, prices moved within rather narrow limits in 1962. Prices of cocoa and tea averaged somewhat less in 1962 than in 1961. Cotton prices particularly those of extra-long-staple weakened in 1962.

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LISTENING POSTS

The Patter of Many Feet

By Our Special Correspondent

NEW DELHI:

COUNTING FEET is sometimes more advantageous than counting heads. "Patriot" describing the presentation to the Speaker of the Lok Sabha of the Communist-organised "great petition of the people" called it a "historic" march of four lakhs of feet through Delhi streets. It is a mystery why the counting did not extend to toes. Had it done so, "Patriot" could have reached the resounding figure of two million.

Other reports were less generous in their arithmetic. "The Statesman", for instance, could spot only 75,000. Some others, not wanting to commit themselves, were rather vague. Thus, "The Hindustan Times" simply said that the demonstration was the biggest in the Capital in recent years. The Press Trust of India reported, again rather vaguely, that the numbers were more than 50,000, while according to the Delhi Police Control Room, the processionists numbered only about 30,000.

But what was important was not how many people exactly took part in the march, but whether the parade actually made any substantial impact on the public of the Capital. Here what the Communists expected to go off with a bang seems to have ended in a whimper. The people of Delhi were largely unmoved and if it was the intention of the march to work up pressure against the Government, even Mr. Dange cannot truthfully claim that the game had been worth the candle. A measure of his discomfiture may be had from the fact that he has confessed that he will have to try the trick again, come December. Meanwhile, if the Communists would permit themselves to become wiser and not simply sadder, the fiasco of the "historic" march should teach them that their chances of ending their isolation from the people by posing as the party of mass discontent are dim indeed.

There are two aspects to the statement made by Mr. C. Subramaniam in Parliament on the Bokaro steel project which require careful consideration. The Minister stated that the maximum indigenous equipment and talent would be made use of in commissioning the plant. Secondly, the rest of the equipment required would be obtained through global tenders from such countries as are willing to supply on long-term credit. Taking the second aspect of the problem first, the financing of the fourth Plan has also to be kept in view. The US Government had already made it clear that any aid for Bokaro would have to be a part of the overall credit to India. This also applies to the UK and West German Governments, which are expected to finance also the expansions of Durgapur and Rourkela Steel Mills respectively. In other words, the aid for Bokaro from these three major credit extending countries will have to be at the expense of some other project in the fourth Plan. This leaves France, Italy, Belgium, Austria and Japan in the field. In the case of most of them, it is export promotion credit that has so far been extended to India. India may get some equipment on credit from them, but only on terms which may make Bokaro even more costly than was estimated by the US Steel Mission. So far as the Soviet Union is concerned, the problem of aid to Bokaro bristles with many uncertainties and difficulties — political, financial and technical. In any case, it is certainly a long-drawn-out process to secure equipment for Bokaro on any global credit basis.

The first aspect of the problem is even more disturbing. It is no longer a secret that Messrs. Dastur and Company are being actively considered for appointment as Consultant to

this Rs. 500 crores project. The principal argument advanced in favour of this arrangement seems to be that Indians will never be able to acquire experience unless they are given the opportunity to make mistakes. Whether the complex and vital project of Bokaro should be chosen as the guinea-pig is a question to be seriously considered.

There is yet another aspect to this problem. The firm in question was appointed as Consultants for the Alloy Steel Project to be set up at Durgapur. Soon after its appointment, a Canadian firm, Atlas, was appointed as "Production Consultants". This episode may be repeated.

This should not be taken to mean that Indians should not be given a chance to learn. The better course might be to form a small consortium, including Dastur and Company. This will ensure smoother co-ordination for commissioning the plant and enable Dastur and Company to gain the necessary experience without excessive cost to the tax-payer and the steel-user.

The 13th report of the Public Accounts Committee, 1963-64, relating to the Appropriation Accounts (Railways) 1961-62, and Audit Report (Railways), 1963, under the Chairmanship of Mr. Mahavir Tyagi, M.P., brings out some of the gross irregularities in conducting the affairs of the Indian Railways, resulting in large losses. On budgeting and control over expenditure, the Committee has come to the conclusion that the progress of expenditure and liabilities incurred under the grants sanctioned by the Lok Sabha were not properly watched, and that this resulted in excessive supplementary demands and large savings at the end of the year.

The total value of stores with the Railways (including scrap in the case of certain railways) was valued at Rs. 85 crores in 1961-62 out of which about 8 per cent of stores

We record with deep regret the passing away of Mr. J. G. Gadkari, Senior Assistant Editor, "Eastern Economist", at Thana near Bombay, on the morning of Saturday, the 14th instant.

The late Mr. Gadkari joined the staff of this journal in 1945 and served it without interruption until his death. He rose to a high position in this organisation, functioning as its Acting Editor for some time during the last year. His last contribution for this journal appears as the second Leading Article in this issue. The late Mr. Gadkari was a scholarly writer with a high sense of responsibility and scrupulous regard for facts. His lawyer's training and background gave to his writings a persuasive quality which was further strengthened by the restraint with which he always used his pen. Gentle and unassuming, Mr. Gadkari was greatly respected in his profession and in his death "Eastern Economist" has suffered a great loss and his colleagues a valued friend and co-worker.



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September 20, 1963

valued at Rs. 6.67 crores were declared "surplus". The ratio of surplus stores has been steadily increasing from 4 per cent in 1957-58 to 8 per cent in 1961-62. The explanation of the Financial Commissioner that a certain procedure was being followed in the disposal of the surplus stores did not carry conviction with the Committee. The rising percentage clearly indicated that the method outlined by the Financial Commissioner was not being followed by the Railway Administration as there could be no possible reason for the steady increase in the value of the surplus stores.

Again, there were losses due to negligence on the part of the Administration and also owing to certain avoidable expenditures. In one case, the losses were incurred due to irregular rejection of a tender with a lower quotation. Wasteful expenditure on old and defective earthmoving plant also came to the notice of the Committee. Heavy expenditure on stores and their eventual scrapping due to non-utilization caused losses running into lakhs of rupees. Losses were also encountered on account of damages and missing parts in wagons supplied to collieries. Various other kinds of irregularities such as undercharges and freight outstanding against firms, delay in recovery of railway dues and suspected fraudulent payment of stores bills, indicated the unsatisfactory state of accounts in the Railways. A case of fraud continued for ten years indicating, in the opinion of the Committee, deplorable lack of vigilance on the part of the Administration. Another case of leakage of revenue due to over-loading of wagons, in the absence of weighbridge facilities, was examined by the Committee in 1961-62. It was reported that the excess loading was as much as 6 to 7 tons per wagon in some cases. Negligence in this case cost the Railways heavily. The Committee has pointed out that the Railway staff could mark different scales of measurement in each wagon for loading various types of materials and insist on the consignees loading according to scale.

Dr. Raul Prebisch, Secretary-General of the UN Conference on Trade and Development, said here last Saturday that this Conference, opening in Geneva in March next, would be dealing with the fundamental issue of the widening trade gap between the developed and the developing countries. Since 1955, he added, there had been a serious tendency of the terms of trade going against the developing nations and this had to a very large extent cancelled out the advantages they derived from increased inflow of capital of any kind. If the rate of economic growth in the under-developed countries was to be stepped up, corrective measures had to be taken to arrest this tendency.

The most important issue to be discussed at the Trade and Development Conference, therefore, will be the evolving of a new form of international division of labour with a view to promoting exports of manufactured goods from the developing countries. The developing countries could not continue

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to be mere exporters of primary products which did not enjoy the advantages of manufactured goods, Mr. Prebisch asserted. With the idea of stepping up the export earning of the under-developed countries from primary goods, the Conference will, of course, be considering how best the present restrictions on their imports by the industrially advanced countries can be removed or relaxed. The developing countries are said to be receptive to this new line of thinking.

Another important issue that will come up for discussion before the Conference will be the fostering of trade with the socialist bloc where after initial sacrifices, levels of incomes and consumption have been going up rapidly. A related issue for consideration will be the institutional changes—strengthening of the GATT or its replacement by a new world trade organisation—that might be warranted. India, it is understood, favours the setting up of a new world organisation for promoting trade with the socialist countries. This is because of the fact that the trade of the socialist countries is not built on tariffs and cannot be brought within the purview of a mainly tariff negotiating machinery such as the GATT. She, however, would not like the new organisation to absorb the existing machinery of the GATT, which should continue with increased membership as a forum for tariff discussions. The new trade body may be entrusted with the task of looking after the larger problems of international trade and payments and with the changes in the economies of member-countries that might be required for keeping world trade continually expanding.

The Minister for International Trade, Mr. Manubhai Shah, who had been offered the chairmanship of the Conference is understood to have expressed his inability to accept it. The United Arab Republic's Trade Minister is now likely to be approached.

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The President has issued an Order making certain amendments to the Government of India (Allocation of Business) Rules, 1961. The effect of this Order is that a new Department, namely the "Department of Co-ordination" has been created under the Ministry of Finance from September 1, 1963. From that date, the Ministry of Finance consists of four departments, namely, (1) Department of Economic Affairs, (2) Department of Expenditure, (3) Department of Revenue and (4) Department of Co-ordination.

The following matters will fall within the scope of the Department of Co-ordination: Statutory grants to States provided for in the Constitution and ad hoc grants and loans to them for financing their development schemes and other approved purposes; Local Taxation; State Finance; Capital Budget; Co-ordination in regard to important economic issues other than those handled by the Department of Economic Affairs; Planning and Development; Grants to the Indian Institute of Public Administration; Scrutiny of Central and State legislation having financial and economic implications.

Ministers and Their Critics

From Our Correspondent

BOMBAY:

NO-CONFIDENCE motions against the Congress Governments were pressed both in Gujarat and Maharashtra. All opposition members, including Mr Bhailalbhai Patel, the Swatantra leader who sponsored the no-confidence motion in Gujarat Assembly, paid glowing tributes to the regime of Dr Jivaraj Mehta which they were censuring. In the words of Mr Bhailalbhai "there is none in Gujarat who can match Dr Mehta. Even at this age he works very hard. Nobody can ever doubt his honesty and integrity." His only complaint, however, was that Dr Mehta was trying to shield his corrupt colleagues and party members. Any Government

which replaced the Jivaraj Government would not take the State further towards socialism but would be based on the cult of personality on the Russian pattern. The obvious reference was to the super-imposition of Mr. Morarji Desai's leadership on the organizational group of the Gujarat Congress, which was making a determined bid to oust Dr Jivaraj Mehta. The debate resulted in Dr Jivaraj Mehta winning a confidence vote by a handsome majority from the Assembly. He resigned his office within minutes of his winning the vote of confidence. His resignation "because of disagreement with the members of his party on a fundamental issue" was accepted by the Governor, who requested him and his Govern-

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ment to continue till a new Government was formed.

'The fundamental issue' to which Dr Mehta referred was the position of the leader—whether he should act according to his own conscience and convictions or submit to the wishes of an outsider (Mr Morarji Desai). His difference with Mr Morarji Desai came to the fore with the 10-year rule controversy at the Bhavnagar Session of the Congress. The differences between the two actually date back, however, to the formation of Gujarat State in May 1960 but the rift widened until the showdown. Immediately after the resignation of Dr Mehta, the dissidents were understood to have contacted Mr Morarji Desai and sought his guidance in the selection of a new leader.

Extravagant Ministers

In contrast, the no-confidence motion against the Kannerwar Government in Maharashtra started on a tame note. The motion of no-confidence was sponsored jointly by all the opposition groups. Mr P. D. Rahangdale introducing the motion said that after the Chinese invasion people belonging to different parties forgot their differences and worked unitedly to help defence efforts. The people of Maharashtra, however, started losing confidence in the Government within a period of nine months. The Ministers and Deputy Ministers spent Rs. 90,000 by way of travelling and daily allowances within 3½ months of the Emergency. When people were told to tighten their belts, Ministers and their deputies did not economise. No efforts were made to hold the price line, hoarders, blackmarketers were not brought to book and the 'sugar muddle' only revealed the incompetence of the Administration. The Labour Department was blamed by Mr K. N. Dhulup for the 'unrest in the industries.' Its attitude towards workers was vindictive. The reactions of the Chief Minister, Mr Kannerwar, after the end of the civic strike contributed to the Government losing labour's sympathies. He charged the Government with complacency in the Krishna-Godavari water dispute. The Government had also failed to press the border dispute with Mysore. The Administration took no action against those who had misappropriated money in the co-operative societies. Mr Kannerwar, the Chief Minister, replying to the three-day debate said that the Opposition had failed to single out any instance during the last 305 days of his Ministry to warrant the censure motion. The Chief Minister's speech interspersed with lyrical quotations evoked frequent applause. The censure move was lost by 36 votes in its favour and 187 votes against it. The no-confidence motion moved in the Maharashtra Assembly was merely a link in the chain of such motions planned by opposition parties.

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None of the irrigation and power projects in Maharashtra would suffer for lack of water in the third and fourth Plans. This was the assurance given by Dr. K. L. Rao, Union Minister for Power and Irrigation, when he visited Maharashtra a few days ago. The problem of distribution of the Krishna and the Godavari waters was not discussed at the talks. The matter was to be taken up with Dr. Rao after the current session of the Legislative Assembly. The State would have to face a shortfall of 25 TMC at the end of the third Plan. The State was allotted 400 TMC of water against the requirement of 380 TMC but the conversion of some of the projects

Good News from Corporate Sector

From Our Correspondent

CALCUTTA:

SENTIMENT ON Lyons Range continues to remain cheerful. At least for the time being bears have been obliged to be on the defensive for the balance of advantages is in favour of bulls. The technical position is considered healthy with the elimination of weak holders on account of profit taking

from flow irrigation to lift irrigation indicated that the need of the State was 425 TMC.

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Although the Bombay short-term money market was ruling around 3 per cent, there was an easy tendency all-round. The current quantum of idle money in the City is placed around Rs. 7 crores. The call rate is expected to ease in the next few days notwithstanding the decline of Rs. 9 crores in the aggregate deposits of scheduled banks during the first week of September. There was heavy accumulation of funds in Calcutta where the call-rate was reported to have drifted to a new low level. It is expected that the rate would settle down around 2 per cent in Bombay soon. This in turn would lead to more investment in Treasury bills.

The reported willingness of the Finance Minister, Mr. T. T. Krishnamachari, to consider proposals for stimulating economic recovery has imparted a bullish fervour to the share market. In Bombay, the last day of the settlement witnessed renewed buying and hurried short-covering in selective scrips. Reports that the LIC had purchased large parcels of a few popular scrips contributed also to bullish sentiment. The bullish trend in the share market coupled with the easy conditions in the short-term money market was reflected in a fall in the 'badla' rate, for carry over of business from September 21 clearing to October 8 clearing, from 6.5 per cent to 5.9 per cent and the 'badla' index declined from 91 to 84. The current 'badla' rate was the lowest touched during the year.

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The Reserve Bank of India released on September 10 the Report of its Central Board of Directors to the Government on the economic situation. The period of review relates to the year ended June 30, 1963. The Bank's income during the year under review amounted to Rs. 58.1 crores while the expenditure came to Rs. 11.6 crores. The net profit available for payment to the Central Government in terms of Section 47 of the Reserve Bank of India Act amounted to Rs. 44.5 crores as compared to Rs. 43.5 crores in 1961-62. The Reserve Bank highlighted the need to make every effort to maintain a reasonable degree of financial stability while reinforcing the measures for defence and development. According to the Report, agricultural production remained 'more or less static' in 1962-63 while industrial production picked up, especially after the Emergency. Available indicators point to a 'substantial increase' in aggregate demand. Government expenditures on consumption and investment increased by 30 per cent in 1962-63 and there was a sustained rise in investment by the private sector also in 1962. There was a rise of 4.6 per cent in wholesale prices in 1962-63 against a rise of 1.5 per cent in 1961-62 and 2.8 per cent in 1960-61. The Report adds: 'Position outlays of the private sector, increasing also the direct demand for food of the agricultural sector and reducing the marketable surplus. There were growing budgetary deficits in spite of an increase in tax revenues. The Report highlights the key role of agriculture in the Indian economy and indicates the future role of agricultural sector as a source of revenue. According to the Report, the performance of the Centre in the field of additional taxation had already exceeded the five-year target set in the third Plan. This is a considerable achievement and any further substantial expansion of tax receipts will only be feasible on the basis of an appreciable increase in production.'

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increased dividends and bonus issues in the offing. Interest has also been stimulated by the possibility of a reduction in the idle capacity of industry now that prospects have improved for a larger quantum of maintenance imports. But at best these are only contributory influences. What is really at the back of the current enthusiasm is the expectation that Mr. T. T. Krishnamachari will soon initiate steps that will get the economy moving upward again.

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The encouraging trend in export auctions in Calcutta for some weeks now tends to confirm the belief that India will be able to step up its exports of tea considerably this year. There is reason to believe that our export promotion measures are beginning to pay dividends. Efforts in this regard are to continue with increased vigour and the Tea Board is now concentrating on projecting the image of Indian tea in various overseas markets besides taking steps to cater to the changing tastes of consumers. This is evident from the proposal currently under consideration for the manufacture of instant tea.

In recent years consumers have been showing increasing interest in instant tea and as one of the major tea producers in the world it is but natural that India should take note of this preference. Instant tea will be a great help in popularising tea in European markets, where, thanks to the nil tariff which will become operative from the beginning of next year, the Tea Board will soon be embarking on a tea propaganda drive. During the current year the Board's activities will cover Australia and Brazil also. Thus conditions conducive to larger exports are being created. It is also expected that the USSR, already the third biggest consumer of Indian tea, will substantially increase its offtake under the new trade agreement between India and that country. According to Mr J. Mukherjee, Director of Tea Promotion, Tea Board, who had been to Moscow in connection with the Indian exhibition there, the USSR has agreed to purchase tea worth Rs 2.50 crores over and above the purchases to be made under the agreement.

Export Prospects Bright

While it is thus gratifying to note that prospects for expanding tea exports are quite bright, the trend of tea production is far from encouraging. One of the essential prerequisites to success in our export promotion endeavour is progressively increasing production. If we are to export more we must have more tea at our disposal. While it will be all right to curb domestic consumption so that we can export more, it will be neither practicable nor justifiable to peg it at a low level all the time. So the only answer to this problem is an increase in production. Unfortunately the record in this regard has been disappointing so far. In the current year in the first eight months output has been lagging behind the level touched even last year, itself a bad year for tea production. According to the Chairman of the Tea Board, the shortfall would be made up and the net result will be a sizeable increase in output. In his view the total Indian crop will be in the environs of 370 million kg. as against 327 million kg. last year. But going by the performance so far and the crop reports, it would appear that it is unlikely that in

the remaining four months the shortfall will be made up and a rise is recorded. Tea circles tend to believe that 1963 will be another disappointing year as far as tea production is concerned. Some go to the extent of averring that the 1963 crop will be smaller than the previous year's. The setback is attributed by the tea industry to the slow progress of new planting and replanting. While it is encouraging to find that Government is thinking in terms of providing fresh incentives to the tea industry for increasing production, the fact remains that additional quantities of tea cannot be produced overnight.

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The gunny market is presently displaying a subdued trend in the absence of fresh foreign enquiries. Except for some business with Sudan early last week, no new orders have materialised. Operators are also reluctant to extend commitments in view of the IJMA decision to continue capacity working of mills up to the end of October. Meantime the statistical position of jute goods continues to be satisfactory. Production of jute goods during August amounted to 106,500 tonnes comprising 45,700 tonnes hessian, 42,700 tonnes sacking and 18,100 tonnes other goods. As compared to the previous month output has declined by 2,400 tonnes. This is due to the fact that mills in August worked for 208 hours while in July they worked for 216 hours. It will be seen that the emphasis in production is on hessian. Stocks of jute goods at the end of August show a small decline of 200 tonnes at 104,000 tonnes. A decline of 2,800 tonnes in sacking has been almost neutralised by an increase in the stocks of both hessian and other goods by 1,200 tonnes and 1,400 tonnes respectively. From the two sets of figures pertaining to stocks and production, it will be clear that the offtake during the month has been as much as the month's output.

As far as the raw jute market is concerned there has been a slight setback in prices as buyers are reluctant to extend commitments in view of the declining trend in goods prices. It is also possible that the increase in arrivals is influencing offtake. It is however believed, at least in official circles, that the absorption of the accelerated imports from the interior growing regions will not pose any serious problem as steps are already being taken to meet the situation. In the first place, the mills will be required to absorb progressively increasing quotas on a compulsory basis. Moreover the Jute Commissioner has now been given powers to direct mills to buy from particular markets with a view to relieving any temporary selling pressure that may develop in any region. The State Trading Corporation is also to enter the market in a big way while the Jute Buffer Stock Association is preparing to increase its absorption sizably. The JBSA will have no worry on the score of finance because it is reported that the State Bank of India has agreed to revise the credit level upward to Rs 15 crores as against the present level of Rs 10 crores. That substantial additional credit will be required by the JBSA will be evident from the fact that already the credit obtained by it from the State Bank has reached a level of Rs. 8 crores.

New Deal for Plantations?

From Our Correspondent

MADRAS:

THE OBSERVATIONS made by Mr. Manubhai Shah, Union Minister for International Trade, at the Seventieth annual meeting of the United Planters' Association of Southern India, were considered constructive though it is not yet clear how his suggestions will be implemented. It is comforting to note that the important part played by the various plantation industries in earning valuable foreign exchange for the country is now being more clearly realised. Particularly after the

invasion of the country by the Chinese in North-East India last November there has been greater anxiety to develop the potentialities of the different plantation industries in this part of the country. Indeed, there has been interested buying of scrips of many large-sized plantation companies in the past few weeks and the Board of Directors of at least one big plantation company has been reconstituted.

In Madras, Kerala and Mysore, besides tea, coffee and rubber, cardamom, lemon grass oil and other plantation pro-

ducts are grown on a large scale and the President of the UPASI justifiably pointed out that the plantation industries alone account for the largest net amount by way of foreign exchange and that they deserved to be encouraged to a greater extent than hitherto. Unlike other industries, it is not necessary in the case of tea or coffee estates to incur large expenditure on plant and machinery though it has been latterly emphasised that larger expenditure should be incurred on improving the quality of teas produced and replacing worn-out plant and machinery. For some time past South Indian estates have been more keen on producing higher grade teas by installing CTC machinery. There is also anxiety to increase the area under the crop and improve the yield per acre.

The loans given by the Indian Tea Board and the Indian Coffee Board have no doubt been welcome. But it is felt that the various industries cannot make desired progress unless wage costs could be kept down by increased productivity and the Government were not so keen on mobilizing tax revenues as they are now. In fact, it has been criticised that, in the case of estates which are producing commoner qualities of tea, the increase in the levy of a surcharge on excise duty and the withdrawal of the facility for draw-back of excise duty have to a great extent nullified the advantage arising on account of the abolition of the export duty. The industry must be given the necessary incentives in the shape of tax rebates for loss of income on account of replanting, apart from subsidies, as there is increasing competition from Ceylon, Kenya, China and other countries. Indian estate-owners should not be handicapped on account of higher working expenses.

Plantation Shares Booming

Mr. Manubhai Shah should be aware of the various problems confronting estate-owners in this part of the country though he said that the financial assistance given to the small estates and the subsidy to rubber growers, in order to push through the replantation programme, were liberal and compared favourably with the measures adopted in Malaya and elsewhere. He, however, recognized the need for granting incentives in respect of excess exports and concessions in excise duties on excess production. The incentives for additional exports would have to be in the nature of a tax rebate or facilities for the plantation producers to import certain products which can be sold at a profit within the country. In regard to increase in production the policy adopted towards the sugar industry might be copied with advantage though there will be some difficulty in evolving an equitable formula. But keen interest has been aroused by these statements and the Madras stock market has been more active than for sometime past. Plantation shares have been in great favour. The prospect of larger exports to the Soviet Union and other East European Communist countries are also encouraging while the Union Minister asserted that by 1965 the surpluses in many directions would have disappeared and a problem might arise where it would not be easily possible to meet the increase in demand. Even now the offtake of various plantation products accounts for around 25 per cent of the total exports. It may not be possible to improve the percentage with an expanding volume of trade, but in absolute terms the available foreign exchange earnings could be very much higher.

That there are possibilities of shortages developing or surpluses diminishing is amply proved by the experience of the rubber and coffee industries. Not long ago there was a shortage of rubber and quite a large amount is being spent at present on the imports of natural and synthetic rubber. It is now expected that there would be some displacement of imports with the stepping up of output by the new synthetic rubber plant at Bareilly. But there is such a large gap that it will be necessary to permit imports until such time as replantation programmes start yielding results. There are even proposals for promoting some more synthetic rubber units. From the short-term angle any addition to synthetic

rubber production will be extremely helpful but a larger production of natural rubber would be helpful in providing greater employment besides avoiding expenditure on plant and machinery needed for manufacturing synthetic rubber. The subsidy granted is now considered advantageous. But the rubber growers have to be induced to replant a larger acreage with some additional incentives as considerable ground has to be covered.

In regard to coffee, three years back it was feared that there would be a huge surplus and the industry would be bothered with the marketing of its output. But with a continuous increase in internal consumption and a good demand for Indian coffee in overseas markets the Indian consumer is not able to get his coffee in the required grades. The Coffee Board has been encouraging estate owners to increase the output of plantation grades and it is gratifying to note that, latterly, extension and replantation of acreage have been carried out with Arabica varieties. It has, therefore, been emphasised that apart from any incentives and concessions in excise duty that might be announced by Mr. Manubhai Shah the State Governments also should not adopt selfish policies and instead formulate the tax measures in such a way that the export effort is not impeded to any extent.

The reaction to the policy announced by the Central Government in regard to payment to cane growers and rebate in excise duty in respect of additional production in 1963-64 is not quite clear in this part of the country. The rebate in excise duty will no doubt be helpful. But it is felt that the basic year will not be quite favourable to the South Indian mills. In 1961-62, the output was maintained at a fairly high level and only in 1962-63 there was a drop in production on account of the diversion of supplies for conversion into jaggery. The crop also was smaller in size. But it has been announced that only in respect of excess production over 1961-62 the rebate in excise duty will be granted. Some mills in the South might benefit by the concession granted to them in respect of the additional output during the current special season. But the non-availability of cane is a limiting factor and some mills in Madras State and Mysore may not be even able to achieve the output recorded in the last season. The higher rebate given for additional output in November will not be helpful to factories in this part of the country though the smaller rebate available for late crushing may be useful. The only satisfactory feature relates to the reports that the standing crop is expected to be provide a record yield and with strict control over the movement of gur and titles to the mills. In any case, the importance of maximising output is generally recognized and with the new mills coming into full production during the next season, the Southern States may acquit themselves even more creditably than before.

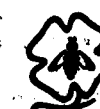
The acute shortage of rice in Maharashtra, West Bengal and Assam has led to larger buying of this cereal from Madhya Pradesh and Andhra Pradesh which have surplus to export. The availability of rice in Madras State has been fairly satisfactory and in spite of an abnormal rise in prices in Calcutta and elsewhere, the consumer in this part of the country has had the benefit of fairly stable prices so far. But some developments in recent weeks have been disturbing. In order to level of prices in West Bengal and Maharashtra, the State Government has permitted exports against specific quotas on the them at procurement prices. The traders have found it profitable to accept this condition as the margin on exports is very attractive. The rush for buying coarse varieties of boiled rice has resulted in a slight firming up in prices in Andhra Pradesh and Madras and it is feared that if traders in Maharashtra also purchase fairly large quantities from Andhra, prices might move up further.

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The moving finger writes

TO MR. NATH PAI, evidently, the sound of his voice is as the Music of the Spheres. His itch to talk in the House as often and for as long as possible is perhaps to be excused. Lacking Mr. Asoka Mehta's air of profundity but sharing his ambition to be taken seriously, Mr. Nath Pai has been attempting to make it a full time job of being an earnest member of the PSP. Unfortunately for him, he has come to Parliament at a time when his group has lost pride of parentage without discovering any pleasure in progeny. The PSP today is a party with a past which is not worth talking about and a future which is not worth troubling about. Hence, Mr. Nath Pai's passion to be noticed in the Lok Sabha. His tactics amuse but do not impress. He would say with exaggerated politeness that he did not want to interrupt the Chair or take the Floor out of turn, but that would only be a prelude to his starting off on one of his clever-clever lectures to the ruling party on cabbages and kings.

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As a specialist in raising points of order which are almost always pointless, Mr. Nath Pai is hard to beat. Last week, for instance, he tried to stage an altogether artificial discussion over what he described as the impropriety of Ministers making policy statements at their party meetings thus, ignoring the right of the House, when in session, to be informed first of the government decisions relating to important matters of public interest. Mr. Nath Pai, of course, had the facts wrong. In the first place, as both the Prime Minister and the Finance Minister explained, it was just not true that any statement about the Government's intentions relating to gold control was made at the meeting of the Congress Parliamentary Party as was alleged by some Members on the Opposition benches. In fact, gold control was not on the agenda of the meeting at all and if there had been any discussion among Congress MPs, it was necessarily of an informal and casual nature without any member of the Government participating in it. This apart, can the party system of parliamentary government work at all if it is insisted upon as a rigid principle that no member of the Government should ever give any indication of how the Government might respond to matters of public interest raised at meetings of the ruling party? In fact, it is not uncommon even for members of other political groups or parties to seek a meeting with the Prime Minister or other Ministers to discuss matters of public interest and then issue formal statements or otherwise supply information to the Press regarding the manner of ministerial response or the possibilities indicated of the way the Government is thinking or might act.

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In this context, the question was raised whether information regarding the proceedings of the meeting of the ruling party, indicating the Government's intention regarding policy matters, could be communicated to the Press. The issue surely is a pragmatic one. Where a large number of people take part in a discussion of public importance or public interest it is in the nature of human beings that what they have talked about should come to be published sooner or later. This apart, many MPs have a natural desire to cultivate the Press, and although strict instructions may be issued that there should be no leakage of the proceedings of a party meeting, it is common experience of journalists in the Capital that, before the evening is much older, half a dozen or more

MPs have been found willing to talk, even if each has his own version, with the result that quite often no two versions are found to agree.

In the circumstances, the only right and reasonable procedure to adopt is for an authorised spokesman to be instructed to brief the Press as precisely as possible and as informatively as may be necessary. Otherwise what happens is not that the proceedings are kept confidential but that misleading and often deliberately distorted versions manage to find their way into print.

★★

It is interesting that, in the first four months of the current financial year, small savings collections have amounted to Rs. 25.44 crores or about twice as much as the sum of Rs. 8.16 crores collected during the corresponding period last year. These collections are an all-time record for this period (April-July) since the movement started 20 years ago. The previous record was Rs. 16.63 crores in 1960-61. This year, in July alone, the net collections reached the level of Rs. 12.23 crores. I see that Mr. Manubhai Shah has lately been claiming more than once that the improvement in our export earnings is due to the promotional efforts of his Ministry. I suppose Mrs Tarakeswari Sinha may similarly want the credit for the improvement in small savings to go to her. After all she had done a lot of 'padayatra' for this purpose.

Seriously, it is gratifying to find that the better response from small savers has been prompted by the urge among our people to contribute their savings liberally to national defence. The appeal of the National Defence Certificates and Defence Deposit Certificates has largely been responsible for the record sales of small savings securities during April-July this year. Cumulative Time Deposit accounts are also proving popular, probably because they serve as an alternative to the scheme of Compulsory Deposits for non-income tax paying employed persons.

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The Reserve Bank of India is reportedly planning to set up an overseas organisation to conduct market research in various regions of the world for the purpose of export promotion. I should very much like to know how the Minister for International Trade feels about this proposal. I should be surprised indeed if Mr. Manubhai Shah takes kindly to it. I myself see no reason at all why the Reserve Bank of India should undertake an activity which is certainly not germane to its central banking functions. Apart from the fact that our Chancelleries abroad are supposed to look after commercial and trade matters, the various industries and trades are coming forward more and more to undertake market studies and research into consumer preferences for their products in foreign countries. In many cases the Government co-operates with such programmes. It is obvious that this tendency should be encouraged as much as possible. If any further special effort is necessary it must surely be the responsibility of the Ministry of International Trade to organise it. Already some steps have been, or are being, taken in this direction. It might merely mean a duplication of expenditure and establishment by the Reserve Bank of India to compete in this field. If its itch to research is indeed irresistible the Reserve Bank ought to find many other fields of study nearer home and more relevant to its own *raison d'être*.

V.B.

Trade Winds

U.N. CONFERENCE ON TRADE

THE UNITED Nations Conference on Trade and Development will be held in Geneva from March 23 to June 16, 1964. The conference will endeavour to adopt concrete measures to achieve the following goals: (a) creation of conditions for the expansion of trade between countries at a similar level of development, at different stages of development and having different systems of social and economic organisation; (b) progressive reduction and early elimination of all barriers and restrictions impeding the exports of the developing countries, without reciprocal concessions on their part; (c) increasing the volume of exports of the developing countries in primary products, both raw and processed, to the industrialised countries and stabilising prices at fair and remunerative levels; (d) expansion of the markets for exports of manufactures and semi-manufactures from the developing countries; (e) provision of more adequate financial resources at favourable terms, so as to enable the developing countries to increase their imports of capital goods and industrial raw materials essential for their economic development and better co-ordination of trade and aid policies; (f) improvement of the invisible trade of the developing countries particularly by reducing their payments for freight and insurance and the burden of their debt charges; (g) improvement of the institutional arrangements including, if necessary, the establishment of new machinery and methods to implement the decision of the conference.

These topics take into account the fundamental points relating to international problems of developing countries, which were enumerated by the General Assembly at its 17th session at which the Assembly authorised the holding of a trade conference. The Preparatory Committee will meet again in New York in February, 1964 to review the final arrangements for the conference, including possible modification of the provisional agenda. Dr. Prebisch, who has already exchanged views on the work of the conference with the officials in Argentina, Belgium, Brazil, France, Peru, United Kingdom, Uruguay, United States of America and the European Economic Community, was in New Delhi last week for consultations with the officials of the Government in regard to this conference.

RAIL CAPACITY

According to the preliminary information received in the Railway Board, railways loaded on an average 21,525 wagons daily on broad gauge last month. This represents an increase of 8 per cent over the loading in August, 1962. On the metre gauge average daily loading totalled 10,300 tons during the month. These figures are inclusive of the emergency traffic carried by the railways. In coal transport, railways met during the month the entire requirements of the steel plants as well as washeries and moved whatever was offered at the outlying coalfields. Besides, they loaded on an average 4077 wagons for other consumers against a target of 3816, exceeding it by more than 260 wagons a day. They could have moved even more if only the collieries were able to utilise the full allotment of wagons. In addition to detention of wagons and the fall in loading on Sundays and holidays, a number of wagons were returned empty by the collieries during the month. The impressive performance of the railways is also reflected in the clearance of outstanding registrations which stood at 14,000 in August as against 62,000 during the same period last year. Except Waltair in the

South and east of Siliguri in Assam, the entire 57,000 route kilometre railway network is now practically free from any quota restrictions on goods traffic. In fact, several zonal railways have been soliciting, through newspaper advertisements, demands for wagons from the trade and industry.

FOREIGN EXCHANGE FOR PORTS

The total foreign exchange requirement for the development of major ports during the third five-year Plan was about Rs. 56.35 crores. An amount of Rs. 33.48 crores had been obtained in the shape of foreign aid from World Bank loans (Rs. 2,230 lakhs), International Development Association Credit (Rs. 714 lakhs), West German Credit (Rs. 4 lakhs), Yen Credit (Rs. 22 lakhs), Colombo Plan (Rs. 4 lakhs), U.S. AID (Rs. 230 lakhs), United Kingdom Credit (Rs. 14 lakhs), Yugoslavia Credit (Rs. 40 lakhs), Dutch Commercial Credit (Rs. 90 lakhs). In addition, an amount of Rs. 1.57 crores had been released from the free resources of the Government of India. Negotiations were being carried on for World Bank assistance to the extent of Rs. 137 lakhs for Madras port and Yugoslav credit of Rs. 13.14 lakhs for Visakhapatnam port. It was proposed to negotiate with the World Bank for a loan of about Rs. 13 crores to cover the foreign exchange requirements of the Haldia Dock System. As regards the balance also, as far as possible, credit sources available from time to time, will be made use of.

COTTON IMPORTS FROM USA

India will import from the U.S. under P.L. 480 about 1,90,000 bales of cotton from September, 1963 to August, 1964. Imports from the U.S. which would be worth Rs. 11.38 crores, would be an addition to the normal imports from Egypt, Sudan, Kenya and Tanganyika. It was pointed out by Mr. Manubhai Shah, Minister of International Trade, in the Lok Sabha that it was the policy of the Government to build up buffer stocks of various commodities and cotton was one of them. Last year about 4.5 lakh bales of cotton was one imported under P.L. 480. A further 1,50,000 bales would be imported against last year's allocation. Imports under P.L. 480 varied from year to year and depended upon the allocation by the U.S. Government. There had been a fall of about 30 million yards in the export of cloth last year, but this was more than made up by the export of handloom cloth.

MINERAL PRODUCTION

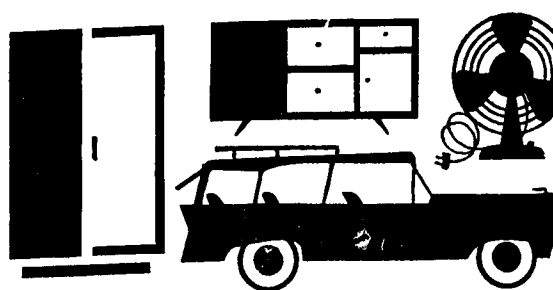
According to the Indian Bureau of Mines, the total value of minerals produced in the country during May, 1963, rose to Rs. 19.2 crores from Rs. 18.17 crores during April this year. This, however, does not include the value of petroleum, minor minerals and minerals declared as proscribed substances under the Atomic Energy Act, 1948, produced during the month. Coal accounted for 66 per cent of the total value (Rs. 12.6 crores), followed by salt (Rs. 2.84 crores), iron ore (Rs. 0.45 crore), gold (Rs. 0.39 crore), manganese ore and copper ore (Rs. 0.18 crore). The metallic minerals contributed Rs. 2.14 crores—11 per cent of the total. The individual share of the ferrous and non-ferrous groups was 7.6 per cent and 3.6 per cent respectively.

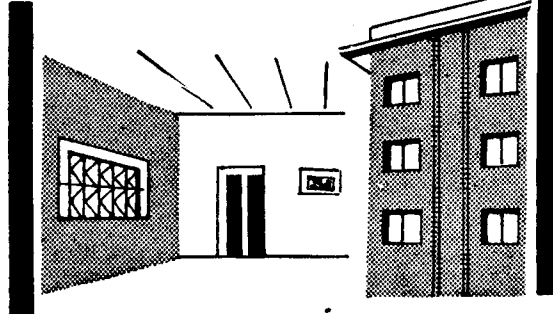
The total output of iron ore during January-May this year was 6,184,000 tons, an increase of about 8 per cent as

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Freedom is in peril, defend it with all your might
—Jawaharlal Nehru

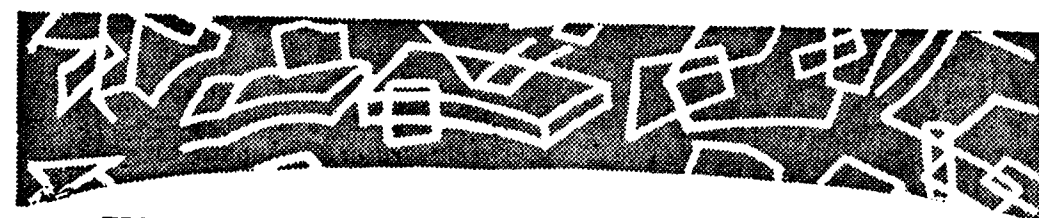


PLAN FOR SECURITY

The Five Year Plan is by no means an alternative to military effort. In fact, it is a part of it. We have to prepare ourselves in every field, military, scientific, economic, agricultural and industrial.

A nation which is economically strong and productive can meet any danger.

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compared to the corresponding period last year. Orissa led in the production of iron ore accounting for 44 per cent of the total output producing 5,39,000 tons followed by Bihar 2,91,200 tons and Madhya Pradesh 1,99,000 tons.

PERMIT FOR TRANSPORT OF OIL

The Inter-State Transport Commission has advised all the State Governments to issue regular permits for distances not exceeding 300 miles for oil tankers and other vehicles specially designed for petroleum, oil and lubricants movement. To avoid difficulties in the matter of motor vehicle taxation, the Commission has also suggested that the permits should be issued on a parity basis with reference to the place of origin and destination of the vehicle in question. The Commission has also decided that there is justification for the issue of 162 regular permits, in all, to public carriers on the following routes : Gauhati-Calcutta; Ichhapura-Calcutta; Kanpur-Patna; Nagpur-Patna; Delhi-Patna; Amritsar-Bombay; Baroda-Delhi; Ahmedabad-Delhi; and Madras-Bombay.

POWER PLANT EXTENSIONS AT DURGAPUR

Power plant extensions at the Durgapur steelworks costing £1,450,000 are to be built by a British firm which is to spend half the cost of the contract value in India on material and equipment and civil engineering works. Messrs. Simon-Carves Ltd. of Stockport, Cheshire, a member of the British consortium which built the steel works has received an order from Hindustan Steel Limited for plant and equipment for the extensions. The firm will be responsible for the design, supply, erection and commissioning of installations and for the associated civil engineering works. The contract calls for two coal-fired boiler units, a turbo-alternator, turbo-blower, boiler feed pumps, coal and ash handling plants, water treatment plant, pipework, instruments and controls and other works to provide for the planned increase in the capacity of the steel works by 600,000 tons a year. The Durgapur work—built for the Government of India by ISCON, a consortium of 13 British firms, at a cost of £120,000,000—achieved full rated capacity at the end of last year. The original design called for a yearly steel output of one million tons. The plant is achieving more than this rated capacity in most departments. The new extensions which will cost a total of £22 million in foreign exchange, as well as substantial sums in rupees, will bring the yearly output of steel to 1,600,000 tons.

S.T.C. TO IMPORT CAUSTIC SODA

The State Trading Corporation has been asked to import 12,000 to 15,000 tons of caustic soda solid technical grade from USA under AID Loan No. 386-H-082. The Corporation has invited tenders from the USA which will close on 25th September, 1963. The material will have 96 per cent minimum Sodium Hydroxide content and the price quoted on FAS, FOB, C & F and CIB basis but will not include the commission payable to Indian agents as the same would be settled separately in Indian rupees.

U.S. WHEAT CROP

This year's U.S. wheat crop is estimated at 1,151 million bushels, slightly larger than last year. Both exports and domestic use of wheat are expected to increase. As a result, the U.S. carry-over stock of wheat is expected to be reduced for the third year. U.S. exports are expected to be helped by an increase in demand from Western Europe, where smaller crops are expected. Reviewing the outlook for the year that began July 1, the Agriculture Department said it expected prices to be firm during most of the year, averaging near the \$1.82 per bushel government support price. "However", it

added, "toward the end of the 1963-64 marketing year the approaching 1964 crop and its much lower price support rate will have a pronounced effect on the wheat economy". The support price is scheduled to fall to about \$1.25 per bushel, and will be available only for farmers complying with voluntary acreage allotments. The U.S., however, is prepared to take steps to prevent "dumping" of U.S. wheat on world markets if U.S. prices fall drastically. Under the international wheat agreement, the United States is committed to export wheat within a certain price range. For a typical key grade, it amounts to \$1.625 to \$2.025 a bushel.

\$ 100 MILLION BOND ISSUE

The World Bank has arranged the sale, entirely outside the United States, of a \$100 million issue of United States dollar bonds. The sale, at par, was made by private placement with central banks and other governmental institutions in 29 countries.

The new bonds known as the "Two-Year Bonds of 1963", bear interest of 4 per cent, payable semi-annually, with first payment due March 15, 1964. The issue was dated September 15, 1963 and matures September 15, 1965.

The countries where the new bonds were sold are :

Argentina	Finland	Iraq	Norway
Australia	France	Israel	Saudi Arabia
Austria	Germany	Japan	South Africa
Cambodia	Ghana	Kuwait	Spain
China	Iceland	Malaya	Switzerland
Denmark	India	Mexico	Thailand
El Salvador	Iran	Nigeria	Viet Nam
			Yugoslavia

Completion of the current transaction will not affect the total of the Bank's outstanding funded debt, as an equal amount of Two-Year 4 per cent Bonds, placed outside the United States in September 1961, matured on September 15, 1963. The total outstanding obligations of the Bank amount to about \$2.5 billion of which about \$1.9 billion is denominated in United States dollars and nearly \$620 million in Belgian francs, Canadian dollars, Deutsche marks, Italian lire, Netherlands guilders, sterling and Swiss francs.

Over 55 per cent of the Bank's outstanding debt is held by investors outside the United States. Included in the holdings of these investors, in addition to non-dollar obligations, are more than \$800 million of the dollar bonds and notes of the Bank, or about 43 per cent of its total United States dollar obligations.

BRNO TRADE FAIR

The BRNO International Trade Fair in Czechoslovakia has opened on September 8 and will close on September 22. Although India is not officially participating in it this year, more than two dozen businessmen and specialists are attending the Fair.

India could learn a great deal from the publicity organised for this Fair. The material distributed by the Czechoslovakian Embassy to Pressmen at New Delhi included a broadsheet containing the press comments on the last year's Fair. There were two dozen brochures explaining almost every aspect of the Fair. There were photographs of the exhibits, particularly of machines which are due to be exhibited. There were publicity stickups which could be used on envelopes. The Trade Fair held at New Delhi two years ago had not had a fraction of this publicity material.

Company Affairs

TITAGHUR PAPER

THE TITAGHUR Paper Mills Company Limited showed, for the year ended March 31, 1963, a net loss of Rs. 20,620 after providing for all charges and making a provision of Rs. 35.55 lakhs for depreciation. Taking into account the contribution to the National Defence Fund at Rs. 1.14 lakhs, the total net loss was raised to Rs. 1.34 lakhs. The transfer of Rs. 14.75 lakhs from the general reserve and the addition of the balance brought forward from the last year at Rs. 58,939, after deducting the net loss, brought the disposable profits to Rs. 14.00 lakhs. The directors have recommended 10.4 per cent per annum dividend on First Cumulative Preference Shares, 5.85 per cent per annum dividend on Second Cumulative Preference Shares, 13 per cent per annum dividend on Preferred Ordinary Shares and Re. one per ordinary share, all absorbing Rs. 13.85 lakhs. The balance of Rs. 15,112 is proposed to be carried forward.

In his annual statement, the Chairman, Mr. D. C. B. Pilkington, explained the plight of the industry in regard to the rises in the cost of raw materials and services which did not receive a fair response from the Government. The prices of paper fixed by the Government were as laid down by the Tariff Commission in 1958; an increase of 6nP. per kg. only was granted in June, 1962. According to the estimates by the mills, it has been found that the total increase in cost was of the order of 26 nP. per kg. including the additional imposts caused by the 1963 budget. He also drew attention to the various components which went to make the additional burden of 26 nP. per kg. in the cost of manufacture of paper. The first on the list was coal, whose price was increased on five occasions so as to make a total increase of Rs. 2.26 per tonne of coal. Freight went up by Rs. 1.50 per tonne. The increases in freight as well as in Central excise duty increased the prices of sodium sulphate, rosin, lime, etc. The compulsory insurance against Emergency Risks which was introduced on January 1, 1963, has also added to cost. In the case of the Titaghur mills, the costs of manufacture have also gone up because 40 per cent of the coal supplied to the mills was being delivered by road as against the earlier assurance that 80 per cent of the coal requirements of the mills would be delivered by rail and only 20 per cent would be delivered by road. This factor alone raised the cost by Rs. 15 per tonne of coal. The industry made a representation to the Government in this regard in June, 1963, which is still under consideration. Regarding the demand for paper in the market, Mr. Pilkington gave the view that during the next three or four years demand will outstrip supply. In such a situation, there seems to be no point in sending an export promotion tour by the representatives of the industry and the trade to the Middle East, Near East and Far East, firstly because the industry may not be able to provide sufficient volume of paper for export because of the general shortage of paper in the country and also because the high cost of the Indian paper may not yield any sizable slice of the international market.

HIND CYCLES

The working results of Hind Cycles Limited for the year ended March 31, 1963 showed a gross profit at Rs. 7.87 lakhs against Rs. 1.30 lakhs for the last year. The directors provided Rs. 6.21 lakhs for depreciation and Rs. 94,200 for development rebate. The company carried forward a loss of Rs. 7.06 lakhs. Even though the working results were better than the last year, the company had still to provide for depreciation for previous years, aggregating Rs. 11.45 lakhs and dividends amounting to Rs. 4.75 lakhs. The production of the company improved from 1,11,670 cycles to 1,28,086 cycles, though even this level was lower than the capacity of the plant.

DYER MEAKIN

Dyer Meakin Breweries Limited have reported a net profit of Rs. 45.99 lakhs for the year ended March 31, 1963, after providing for depreciation and taxation, as against Rs. 60.33 lakhs in the previous year. The sales showed a significant rise from Rs. 4.42 crores to Rs. 5.41 crores in the year under report. The increased sales of the company failed to push up the net profit in the same manner due to the fact that it had to pay Rs. 1.55 crores by way of excise duty as against Rs. 1.30 crores in the previous year. The allocation to depreciation was raised from Rs. 10.93 lakhs to Rs. 15.87 lakhs. Similarly, the allocation to taxation was raised from Rs. 47 lakhs to Rs. 62 lakhs including Rs. 11 lakhs for the Super Profits Tax. The allocation to dividend equalisation reserve was also increased from Rs. 2 lakhs to Rs. 10.31 lakhs. General reserve got a smaller amount at Rs. 30.36 lakhs as against Rs. 40 lakhs in the last year. Development rebate reserve also was allocated a slightly lower sum at Rs. 5.12 lakhs as against Rs. 5.93 lakhs in the preceding year. The dividend for the year under review was maintained at 18 per cent, less tax. The directors have reported considerable progress in the new brewery at Mohan Nagar which went into production at the end of the last year. The company's plan to set up a glass factory for the manufacture of glass containers has already reached an advanced stage.

JARDINE HENDERSON

The audited accounts of Jardine Henderson Limited for the year ended March 31, 1963 showed a profit of Rs. 41.88 lakhs. Taking into account the balance brought forward from the previous year at Rs. 4.50 lakhs and deducting the loss of Rs. 6,175 on realisation of investments and assets, the balance available for appropriation was Rs. 46.32 lakhs. Amongst the allocations were included the provision for taxation at Rs. 17.12 lakhs, the provision for general reserve at Rs. 12.68 lakhs and the development rebate reserve at Rs. 2,830; the net balance available for disposal was Rs. 16.50 lakhs. An interim dividend on the preference shares at the rate of 2½ per cent in respect of the year ended March 31, 1963 was paid by the directors on 30th November, 1962, absorbing Rs. 1.25 lakhs. A further interim dividend on the preference shares at the rate of 2½ per cent paid on May 3, 1963, absorbed Rs. 1.25 lakhs. The directors have recommended payment of dividends on the ordinary shares at the rate of 7 per cent absorbing Rs. 14 lakhs. Since the principal interest of the company was in Jute Mills, which had done extremely well in the year under report, the working results of the parent company also showed equally good results.

HINDUSTAN LEVER

Hindustan Lever Limited has obtained a loan of Rs. 60 lakhs in sterling from Unilever Limited. Early this year, it may be recalled, Hindustan Lever had obtained a loan of Rs. 20 lakhs from Unilever taking the total to Rs. 80 lakhs. It is hoped that the loan will be converted into a permanent investment in India before the due date. These loans are to be utilized for financing new projects and for modernising the existing plants. In addition to the milk products factory at Etah (Uttar Pradesh) and the plan to increase the capacity of the dehydrated vegetables plants at Ghaziabad and Etah—both of which are nearing completion—the new projects included the installation of an additional glycerine still, manufacture of nickel catalyst and an additional plant for the modern research laboratory and the setting up of a

LARSEN & TOUBRO

Caterpillar Overseas S. A. Geneva, a wholly owned subsidiary of Caterpillar Tractor Co., USA, entered into an agreement with Larsen & Toubro Ltd., on September 10, 1963

From India's first Carbon Black Plant at Durgapur



PHILBLACK*

another step towards national self-sufficiency

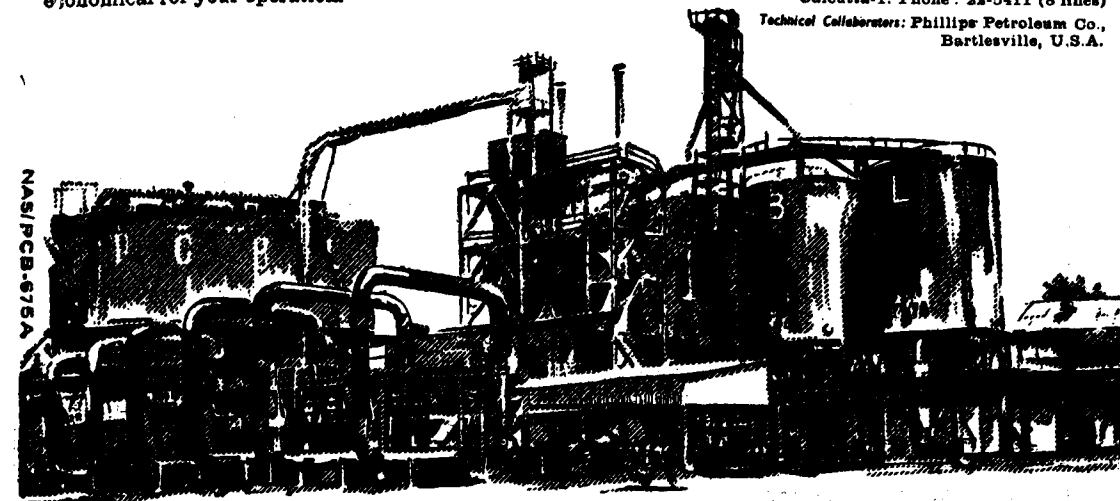
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at Bombay to take up fifty per cent of the share capital in Tractor Engineers Ltd., hitherto a fully owned subsidiary of Larsen & Toubro. Another agreement between Caterpillar Tractor Co., and Tractor Engineers Ltd., was also signed which licensed the latter to manufacture parts of crawler tractors. The two agreements provided for technical and financial collaboration by Caterpillar and Larsen & Toubro in the manufacture of parts of crawler tractors in India of a quality comparable to the best in the world. Caterpillar Tractor Co. of Peoria, Illinois (USA) is one of the biggest manufacturers of tractors in the world. The size of the company may be gauged from the fact that its total sales in 1962 were \$827 million and it ranked 60th in the 100 top companies of the USA. During the current year, its sales are likely to approach \$1000 million and its rank will also rise amongst the top giant companies of the USA. Currently, Caterpillar accounts for half of all the earthmoving equipment in the United States.

In India, 40 per cent of the total earthmoving equipment is from the Caterpillar Co. The Tractor Engineers Ltd., will, in the first instance, manufacture not the complete tractor but a large number of fast-replacement components so as to help maintain India's fleet of crawler tractors in use for defence, irrigation and power and various industrial projects in good working order. When the unit goes into full production, it is likely to save foreign exchange for the country to the tune of Rs. 10 million. The share capital of Tractor Engineers Ltd., will be Rs. 60 lakhs out of which Rs. 30 lakhs will be contributed by Caterpillar Overseas SA; this amount will be utilised in importing new machine tools. Under the collaboration agreement, the company is authorised to export its products but it may not be feasible to export the tractor parts in view of the vast, domestic market.

MADRAS STATE ELECTRICITY BOARD

The Madras State Electricity Board has entered the market to raise a loan of the value of Rs. 4 crores. The loan will be redeemed at the end of twelve years and will carry interest at 4½ per cent per annum. The issue price is Rs. 99.75 for a bond of Rs. 100. The subscription list will open on September 23, 1963 and will be closed on September 28, 1963 or earlier. The Bonds are fully guaranteed by the Government of Madras in regard to repayment of both the principal and the interest. The interest will be remitted half yearly after deduction of income-tax to each registered holder. Book value of the assets of the Board on March 31, 1963 was of the order of Rs. 178 crores, including investments in Government securities towards depreciation and special reserves amounting to nearly Rs. 7 crores. The assets of the Board include seven hydro electric power stations at Pykara, Moyar, Mettur, Papanasam, Periyar, Kundah 1 & 2 and two thermal stations at Madras and Samayanallur (Madurai). The total length of the network of transmission and distribution lines spread over the entire State and carrying power to the remotest village in the State was about 50,000 miles.

ASHOKA CEMENTS

The working results of Ashoka Cements Limited for the year ended March 31, 1963, showed a surplus of Rs. 15.18 lakhs (before provision for depreciation) after meeting "all outgoings of operation and management" and Rs. 7.8 lakhs towards interest charges. The allocation to depreciation was Rs. 10.20 lakhs while no provision was made for taxation. Development rebate reserves got Rs. 1.96 lakhs while Rs. 4.20 lakhs were allocated to dividend reserve. The dividend for the year was maintained at the previous year's level of 70 nP. per share (taxtable). The production of cement for the year under review at 1.75 lakh tonnes showed a significant improvement over the previous year's level of 1.39 lakh tonnes. The increase in the price of cement by Rs. 2.75 per ton which was allowed by the Government on June 1, 1963 was totally inadequate, accord-

ing to the directors, to meet the heavy increases in cost of manufacture.

FERTILIZERS AND CHEMICALS

The working results of the Fertilizers and Chemicals Travancore Limited, for the 15-month period ended March 31, 1963, showed a drop in profit from Rs. 95.65 lakhs (1961) to Rs. 28.23 lakhs; the working results for the last year were for twelve months only. The provision for depreciation was enhanced from Rs. 33.76 lakhs in 1961 to Rs. 63.88 lakhs for the period under report. After making this allocation, the net loss to the company was of the order of Rs. 35.66 lakhs which was met by drawing from "the previous year's profits carried over" and the taxation reserves not required. The company completed its second stage of expansion which introduced the oil gasification process, replacing the uneconomic wood gasification plant. The unfavourable working results were primarily due to a severe setback in production during the year under report on account of many factors such as drastic power cuts, salinity in river water and shutdowns for the change-over from one process to another. The third stage of expansion has been taken up so as to increase its capacity to 70,000 tonnes of nitrogen and 33,500 tonnes of P2O5 per annum.

KIRLOSKAR OIL ENGINES

The audited accounts of Kirloskar Oil Engines Limited showed a profit at Rs. 89.85 lakhs for the year ended March 31, 1963 as against Rs. 77.59 lakhs during the previous year, after providing for depreciation, remuneration to managing



An ideal drink for stomach disorders. This delicious and sparkling ginger beverage gives you the appetite to eat heartily and aids digestion. It helps you feel fine and fit.

MOHUN'S

Ginger Tonic

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DMB-NP-337

agents and the amount set apart for paying bonus to the employees of the company. Because of the Super Profits Tax, the provision for taxation had to be increased from Rs. 37 lakhs to Rs. 61 lakhs. The amount left for distribution, after providing for taxation, was reduced from Rs. 40.58 lakhs during the previous year to Rs. 28.85 lakhs, despite a higher profit during the year under report. The directors have recommended lowering of the dividend from 16 per cent to 12 per cent on equity shares so as to save resources for the expansion programmes. The demand for the products of the company has been fairly good and the company was making efforts to shorten the period of delivery to a minimum. Efforts were being made to improve the quality of output and efficiency and prompt after-sales-service. Exports also expanded during the year and the company sold its engines in a few more markets in North Africa and Latin America. The search for new markets continues.

DELHI CLOTH

The Delhi Cloth & General Mills Co., Ltd., entered the market on September 9 to raise Rs. 50 lakhs through 2 lakh 9 per cent Fifth Redeemable Cumulative Preference Shares of Rs. 25 each at par. The subscription list was closed on the evening of September 11, 1963 as the issue was over-subscribed.

SAKTHI PIPES

Sakthi Pipes Ltd., Pollachi, have announced that their subscription list for raising Rs. 90 lakhs (reported in "Eastern Economist" dated September 6, 1963) opens on September 14, 1963 and will close on September 28, 1963 or earlier as soon as subscriptions approximating to the amount offered for public subscription was received but not earlier than the 20th September.

DEVIDAYAL TUBE

Devidayal Tube Industries Ltd., the leading manufacturers of non-ferrous metal extrusion products in India, have declared an interim dividend of 7 per cent on the paid-up capital of Rs. 43,96,000 for their financial year ending 30th June, 1963.

CAPITAL ISSUES

The Controller of Capital Issues has authorised three companies to raise fresh capital amounting to more than Rs. 60.33 lakhs. One company will issue part of its capital as preference shares and another is issuing bonus shares. The third company is offering part of its capital for subscription by its foreign collaborator. The consent for all the issues is valid for 12 months.

Malur Durga Mills Ltd., will raise capital of Rs. 24,39,000. This will be divided into 19,393 equity shares of Rs. 100 each and 5,000 preference shares of Rs. 100 each to be issued for cash at par. Of this, shares of the value of Rs. 12.25 lakhs will be offered for public subscription. The proceeds are required for setting up a spinning mill at Malur in Mysore State for the manufacture of medium and fine counts of yarn.

Aluminium Corporation of India, Calcutta is to issue capital of Rs. 23,43,750. This will be divided into 2,34,375 equity shares of Rs. 10 each and on capitalisation of the company's general reserves to a like extent to be issued as bonus shares to the existing shareholders of the company.

Sundaram Clayton Ltd., Madras is to raise further capital of Rs. 12.50 lakhs. The amount is to be divided into 12,500 equity shares of Rs. 100 each to be subscribed privately for cash at par. Of this amount 49 per cent shares will be offered to its foreign collaborator against supply of plant and machinery. The proceeds will be utilised for the manufacture of air-brake equipment for commercial vehicles.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951 — during the week ending 7th September, 1963. The list contains the names and



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the addresses of the licensees, articles of manufacture and annual installed capacity.

COAL

J. N. Gorai & A. B. Gorai, P.O. Chirkunda, Distt. Dhanbad (P.O. Mugma, Distt. Dhanbad, Bihar) — Coal 4,400 tonnes.

SHIPS

Chowgule & Co. Ltd., Hormugao Harbour, Goa (Sirigao, Goa) — (i) Maintenance & Repairs of Barges and small vessels including engines 48 vessels, (ii) New Construction of barges and ships up to 750 ton D.W. 3 Vessels. (iii) Structural 600 tons.

PAPER MACHINERY

Metro Wood & Engg. Works Private Ltd., Dhanlakshmi Market, Reid Road, Ahmedabad-2 (Kalol, Gujarat) — Complete machinery and equipment for making chip-boards — 3 tons per day 3 plants.

CONVEYING EQUIPMENT

J.K. Steel Ltd., 7, Council House St., Calcutta (Rishra, Distt. Hooghly, West Bengal) — E.O.T. Cranes 60 Nos. (ranging from 1 to 10 tons) per year, Hand separated travelling cranes 60 Nos. (Ranging from 1 to 10 tons).

GRINDING WHEELS & ABRASIVES

General Abrasive Co. Private Ltd., Patel Estate, Goregaon, Bombay-62 (Bombay, Maharashtra) — Bonded Abrasives such as grinding wheels, discs, rubbing bricks, sharpening stones 800 tons.

PLASTIC MOULDED GOODS

Eastern Equipment and Sales Ltd., 24-B, Patel Street, Calcutta - 1 (Kalyani, Distt. Nadia, West Bengal) — (i) Unplasticised PVC pipes ranging from outside diameter 12 mm. to 9 mm. with various wall thicknesses 720 metric tons; (ii) unplasticised PVC Fittings, Flanges, valves and other components of piping systems 180,000 lbs.

INORGANIC HEAVY CHEMICALS

Adarsh Chemicals Fertilizers Ltd., Udhna, Distt. Surat (Udhna, Gujarat) — Phosphoric acid 1500 tonnes. EID Parry Ltd., 'Dare House', Madras (Ranipet, Madras) — Sodium sulphite 540 tonnes. Dharamsi Morarji Chemical Co. Ltd., 317-21, Dr. Dadabhoy Naoroji Road, Bombay (Ambernath, Maharashtra) — Chlorosulphonic acid 5,590 tonnes.

ORGANIC HEAVY CHEMICALS

Ahmedabad Mfg. & Calico Printing Co. Ltd., Calico Mills, Chemicals & Plastic Division, Anik-Chembur, Bombay - 71 (Maharashtra) — Vinyl Acetate Monomer 10 tons per day. Cellulose Products of India Ltd., P.O. Kathwada, Maiz Products, Distt. Ahmedabad (Gujarat) — Monochloroacetic acid (and sodium Monochloroacetate) 360 tonnes. Amar Dye-Chem. Ltd., 'Rang Udyan', Sitlavadi Temple Rd., Mahim, Bombay-16 (Murbad Road, Shahad Distt. Thana, Maharashtra) — (i) Lauroyl Peroxide 60 tonnes; (ii) Benzoyl Peroxide, (iii) Benzoyl Peroxide Paste 60 tonnes, (iv) Methyl Ethyl Ketone Peroxide 60 tonnes.

SYNTHETIC RESINS & PLASTICS

Dr. Beck & Co. (India) Ltd., Plot No. 147, Bombay-Poona Road, Pimpri, Poona (Maharashtra) — Synthetic resins of Alkyd, Phenolic, Polyester, Epoxy unsaturated Polyester etc. types, 1800 tonnes per annum (after expansion).

SYNTHETIC FIBRES

Gwalior Rayon Silk Manufacturing (Weaving) Co. Ltd., (Weaving Section) United Commercial Bank Building, Parliament St., New Delhi (Birlanagar, Nagda, Madhya Pradesh) — Art Silk fabrics 230 power looms after expansion.

VEGETABLE OILS

Bashir Oil Mills Warora, Distt. Chanda (Maharashtra) — (i) Cottonseed oil 15,000 tonnes in terms of cottonseed, (ii) Til oil and linseed oil 24,000 tonnes in term of til and linseed.

CHANGE IN NAMES

(During the week ending 7th September, 1963)

From M/s. Standard Electrodes Ltd., Bombay-1 to M/s. Welding Electrodes and Metallic Alloys Private Ltd., Bombay-1. From M/s. Associated Electricals Private Ltd., Madras-1 to M/s. India Meters Ltd., Madras-1. From M/s. Deepak Industries Ltd., Calcutta-1 to M/s. Eastern Spinning Mills Ltd., Calcutta-1. From Shri B. R. Shah, Bombay to M/s. Bharat Commerce and Industries Ltd., Calcutta.

LICENCES REVOKED

(During the week ending 7th September, 1963)

Shri Murarji J. Vaidya, Bombay — Aluminium ingots. M/s. Philips India Ltd., Calcutta — Photo Flash Bulbs. M/s. Kesar Pottery Works, New Delhi — Crockery, stoneware jars and electrical porcelain.

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BOOKS BRIEFLY

State of the Economy

Indian Economy: 1961-63 (Conditions and Prospects): National Council of Applied Economic Research, New Delhi; Pages 117; Price Rs. 6, \$1.80, Sh.12.

THIS IS the first in a series of Annual Reviews of economic and financial conditions in this country which the National Council of Applied Economic Research plans to bring out. The scheme of this publication is both descriptive and analytical. The Review gives a useful account of the major trends and developments during the last two years in agriculture, industry, foreign trade, price situation, money, banking and credit, budget and resources mobilisation, transport and power. This account is prefaced by a summary of the behaviour of the national economy in the two years surveyed. The last chapter attempts to indicate the outlook for the current year, that is 1963-64.

In the present volume considerable attention has been paid to problems of agricultural development. This is as it should be. The elements of a crash programme of short-term increase in production is discussed and although the formula suggested is not exactly new, this discussion serves the important purpose of emphasizing the urgency of practical and promptly productive steps in the agricultural field. Another subject on which also considerable light is shed is the mobilisation of resources for defence and development. The Central Budget for the current year is analyzed in a sympathetic manner and while it may readily be conceded that the Budget is a courageous attempt at providing for national security and for the development programmes of the third year of the third Plan, it seems to us that this review could also have taken note of, rather more critically than it has done, the obvious repercussions which some of the measures must necessarily have on the tempo of economic activity, particularly in the field of investment in industry. Rather surprisingly, the chapter on "Outlook for 1963-64" shows no awareness of the possibility that the tempo of industrial expansion may slacken as a result of some of the monetary and fiscal policies of the Government.

This is not to say that the study ignores either the fact that the annual growth rate of national income has come down in recent years or the supreme importance of an effort to reverse this tendency. The following passage is worth quoting:

"The decline in national income from an annual growth rate of 7.1 per cent in 1960-61 to 2.2 per cent in 1961-62 (in real terms) indicates a slackening in the tempo of economic development. Taking the growth of the national income at the close of 1962-63 at a little over seven per cent (i.e., 2.2 per cent in 1961-62 and five per cent in 1962-63 at constant prices), three-fourths of the Plan would still remain to be achieved with three-fifths of the time to do it in. In other words, the national income will have to rise at a much faster rate, viz., seven per cent in each of the following three years, to achieve the Plan target.

"A seven per cent cumulative rate of growth will clearly mean a higher rate of growth in each sector of the economy than has been achieved in the past two years. Broadly, the required cumulative rates may have to be of the order of five per cent in agriculture and allied activities, and 14 per cent in industry and six per cent in the tertiary sector. These annual rates are undoubtedly higher than those envisaged in the Plan, because the shortfalls in the growth of national income in the first two years of the third Plan are to be made up in the remaining parts of the Plan period. But it will require

Herculean efforts to achieve a seven per cent rate of growth, and it is unlikely that it will be achieved."

INTERNATIONAL LIQUIDITY

International Monetary Policy: By W. M. Scammell; Macmillan & Co., Ltd., London; Pp. 428; Price Sh.24.

AFTER THE problem of the post-war reconstruction a major issue that has come to be widely debated in recent years in the field of international economics is the problem of international liquidity. The Keynes Plan, the Triffin Plan and lately the Roosa Plan, are all attempts to grapple with it. Written mainly as a text book, the volume under review traces the developments in the international monetary policy since 1945, which by and large comprise attempts, through experiments in international monetary co-operation, to solve the problem of international liquidity.

Mr. Scammell has recorded the events and the process that led to the signing of the Brettons Woods Agreement, which gave birth to the International Bank for Reconstruction and Development and the International Monetary Fund. He has also touched upon the regional clearing systems, which were mainly devised to solve the problem of liquidity on a limited scale; notable among these systems are the Sterling Area, the European Payments Union and the European Monetary Agreement. Mr. Scammell has also taken care to include in this discussion the dollar payments problem, and the problem of the German surpluses.

While considering the issue of equilibrium in international payments, the author suggests that we are faced with two distinct sets of questions: Is the problem of short duration, governed by the movement of non-economic forces, or is it a function of basic economic forces extending over decades and engulfing a number of short-duration and non-economic problems? Proceeding Mr. Scammell concludes that it may not be prudent for the makers of international economic policy to place undue reliance on theoretical economic models. The author stresses the dynamic nature of the problems arising from the varying trade flows between given economic systems—some developing, some stagnating—over a period of time. He considers them in two categories—the short-run balance of payments problems and the long-term problems of the pattern of world trade—and discusses solutions in the light of the measures which are being taken for dealing with them. He shares the widely-held view about the inadequacy of the IMF to meet the challenge of the Sixties in a world confronted with developing economies, as distinct from the challenge of European reconstruction.

—C.L.D.

ECONOMIC DEVELOPMENT

Industrial India, Annual Number, 1963: Published by the All-India Manufacturers' Organisation, Bombay; Price Rs. 7.50. THIS SPECIAL number of Industrial India, the official organ of the All-India Manufacturer's Organisation, presents a wide-ranging discussion of various aspects of economic, particularly industrial, development. Mr. A. D. Shroff has a forthright article on the need for a new economic policy and Prof. Galbraith discusses frankly the nature of US aid policies. A useful feature of this publication is that there are a number of articles on specific subjects by contributors who have practical and concrete knowledge of their respective subjects. Thus Mr. Manubhai Shah writes on Export Promotion, Mr. C. R. Sundaram on Small-Scale Industries, Mr. B. N. Datar on Industrial Truce and Mr. M. S. Srinivasan on the Development of Financial Institutions.

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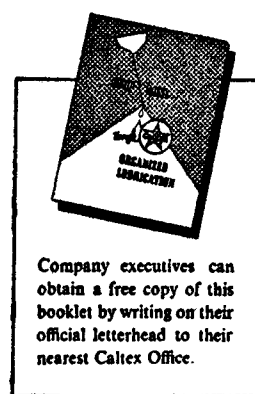
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COMPANY MEETING

THE TITAGHUR PAPER MILLS COMPANY LTD.

STATEMENT BY THE CHAIRMAN, MR D. C. B. PILKINGTON, O.B.E.

It had been hoped that the results for the year would show a substantial improvement over those of the previous year but, unfortunately, this has been limited to a reduction in the nett loss.

The reorganisation of the Company falls into two parts. Firstly, changes in management structure, economies in costs of production etc., and secondly, capital expenditure to eliminate bottlenecks and increase total production. Action under the first heading has been progressed actively but the results started to materialise some six months or so later than was anticipated. Under the second heading, planning for the capital expenditure programme has been virtually completed, a large part of the orders have been placed, and, in some cases, delivery has been received. Speaking generally, however, delivery periods for paper mill machinery are fairly lengthy to which has to be added the time required both for planning and erection so that speedy results cannot be obtained in this industry from any capital expenditure programme. Taking the above factors into account, I would estimate that 1963-64 will show a reasonable profit and, in fact, proforma profits up to July 1963 show a substantial improvement over the previous year. It will, however, in my view, not be until the 1964-65 financial year that the Company will resume its position as one of the leading profit earners in the Industry.

Increases in the costs of Raw Materials and Services in the Paper Industry continue unabated and apart from the increase in paper prices of 6 nP. per kilo which was granted in June 1962, the Industry continues to be governed by the prices laid down by the Tariff Commission in 1958. Sir Walter Michelmores mentioned last year that between 1958 and March 1962 the estimated total increase in costs in the Paper Industry was Rs. 160 per metric tonne or 16 nP. per kilo. Since March 1962 prices have shown a further increase, and with the 1963 Budget an estimated further increase of Rs. 100 per tonne or 10 nP. per kilo has been added to the Industry's costs. Therefore, since 1958, against a total increase in costs of Rs. 260 per tonne or 26 nP. per kilo, the Industry has been granted 6 nP. per kilo. Between June 1962 and June 1963 the cost of coal was increased on no fewer than five occasions resulting in a total increase of Rs. 2.26 nP. per tonne of coal. In addition, freight has also been increased by Rs. 1.50 nP. per tonne and the consequences of these increases on your Company's costs of production can well be imagined. Further, these increases in freight as well as increases in Central Excise Duty have affected the delivered Mill prices of Sodium Sulphate, Rosin, Lime etc., and added to this was the Compulsory Insurance against Emergency Risks which was introduced on January 1st, 1963. Further, although assurances were given that at least 80 per cent of our coal requirements would be delivered by rail, the actual figure for your Mills in West Bengal was only 60 per cent, so that 40 per cent of your coal supplies had to be delivered by road, the latter costing your Company approximately Rs. 18 per tonne extra. There has also been an increase in Provident Fund contributions from 6½ per cent to 8 per cent from January 1963. From the 1st of May 1963 the Government duty on consumption of electrical energy in West Bengal, whether purchased or generated, has been increased by .5 nP. per unit.

A representation has been made in June of this year by the Industry to Government for an increase in paper prices and it is hoped that the Industry's representation will be given sympathetic consideration.

COAL

As mentioned above, coal still had to be transported in

lorries to your Mills in West Bengal and although the position of rail wagons has been better than in the previous year, the supply of this essential commodity continues to be very difficult periodically, especially at the time of the movement of foodgrains. There has been an increase in supply of coal in B. O. X. rakes and if this could only be stepped up, as your mills are capable of taking these rakes, the position would be eased considerably. Increases in prices of coal and freight as previously mentioned put a tremendous burden on the paper industry owing to the high coal consumption per tonne of paper production. At No. 3 Mill coal is obtained from the adjacent National Coal Development Corporation Collieries at Talcher and while latterly supplies have improved, some difficulties regarding movement and quality were met. One colliery in particular has supplied coal with a very high ash content and very low calorific value with the result that the ratio of coal consumption per tonne of paper made has been unnecessarily high at this mill.

BAMBOO

It is pleasant to report that the wagon position for the movement of bamboo has been much better this year than previously and B.O.X. wagons which were intended for coal loading were also made available for bamboo loading to the mills in West Bengal. The question of handling bamboo in B.O.X. wagons is not quite as easy as that of coal but despite the difficulties we were glad to accept B.O.X. wagons in order to build up our stocks. Since the end of the year under review, wagon supplies have been very good with the result that at Titaghur and Kankinara we now have the largest stocks of bamboo that have been held by these Mills for some years. Stocks at No. 3 Mill have also been sufficient, having been built up by bamboo rafted down the Mahanadi River. A railway loop line at this mill will shortly be completed so that back-loading of bamboo can take place from this mill to the mills in West Bengal. As mentioned above, with the increase in freight prices, the cost of bamboo delivered at your mills in West Bengal has again shown an increase. During the year under review the mills at Titaghur and Kankinara used paddy straw and at Kankinara especially large-scale experiments with jute sticks and bagasse were made, the results of which have been most encouraging.

BAMBOO FOREST AREAS

Bamboo operations in our leased areas have been satisfactory with cutting and extraction almost up to the targets. Rafting of bamboo down the Mahanadi to No. 3 Mill reached a peak figure and our Forest Department's rafting operations are now fully organised. For the first time, in the year under review, over 25,000 tonnes of bamboo were rafted. It is hoped that with the experience gained this figure will be substantially increased in the current year.

As mentioned last year, however, the tendency of States to encourage paper mills by granting them leases in the State at the expense of outside mills still continues. Traditional areas of supply are no longer assured and State Forest Departments are demanding very high rates of royalty for long-term as well as short-term leases. The prospects of your Company getting future leases of bamboo in Bihar and Madhya Pradesh are bleak. Fortunately, your Company has been able to secure leases of four bamboo forest areas in Assam, through the District Council, but with the National Emergency, supplies from these areas are difficult and could dry up altogether should another Chinese attack take place. In addition, we have been successful in securing the lease of a small area in Orissa and negotiations are in progress for a further lease of an area in this State. The question of costs:

in the Bamboo Forest Areas continues to receive our closest attention.

MARKET

The market has continued to remain firm throughout the year and with the increased Government offtake of 9% and the continued increase in Civil demands, it would appear that there will be no surplus of paper in this country for at least the next 3 or 4 years.

Many of the licences granted by Government to small-scale manufacturers have had to be revoked and the overall production target for the Third Five-Year Plan is likely to fall well short of the estimated figure. In order to alleviate this shortage to some extent the Industry in their representation to Government for a price increase has also requested the Government to consider incentives for the production of lighter weight paper. The Government has also sponsored an Export Promotion Tour by representatives of the Industry and the Trade to the Middle East, Near East and Far East, but with the high costs of the Indian Paper Industry due to factors outside its control and the general shortage of paper in the country, it is difficult to envisage a substantial export market being built up.

The reorganisation of the selling side of the Company's organisation as referred to in last year's report has progressed satisfactorily and particular attention has been and is being given to Quality Control. With the introduction of Production Planning at the beginning of the year under review, greater liaison between the Mills and Sales Department has been achieved and we have been able to meet both seasonal and specific consumer demands in good time. Dislocation of supplies due to shortage of rail wagons hampered our efforts to some extent but this has now improved and with further developments in Quality Control and Production Planning, your Company is confident of giving even greater service to the Paper Trade in the coming year.

NO. 3 MILL—CHODWAR

This Mill has again made a loss but on a reduced scale so that one can say that the trend is in the right direction. Extremely high chemical costs together with numerous breakdowns in plant and machinery continued to be the main of many problems here. There are acute difficulties in rail movements to and from the Mill owing to the frequent restrictions imposed by the Railways and to this, of course, must be added the question of non-availability of wagons from time to time. On these occasions chemicals such as Caustic Soda, Chlorine and Lime have to be transported by road at prohibitive costs. It was our intention sometime ago to instal an Electrolytic Bleach Plant in order to reduce the cost and overcome the shortages of Chlorine and Caustic Soda which occur at this Mill but we were advised by Government that as a licence to produce these chemicals had already been granted to one party in Orissa, we would be able to obtain our requirements from this concern. To date, however, no substantial progress appears to have been made in this matter and our difficulties with chemicals continue. Chemical costs at this Mill are three times as high as those in No. 1 Mill. In addition the treatment of effluent at No. 3 Mill is an expensive process.

While the above presents a sorry picture, shareholders will be interested to learn that since January 1963 there has been a remarkable change in the attitude and working of the staff and labour at No. 3 Mill. Consequent upon the resignation of the then Manager, Dr. B. N. Sen, the Technical Superintendent was transferred to Choudwar as Manager and in a short space of time has achieved remarkable results. In April of this year, the mill produced over 900 tonnes for the first time in its history and in July 1963 has for the first time reached its present capacity, producing 1,026 tonnes.

The Training Scheme is also beginning to bear fruit under Dr. Sen's guidance and a Supervisory Development Course

for first-line Assistants has just been completed. Other levels of supervisors will also be developed and the staff are now working as a team.

Labour relations have improved, and should this trend continue, it is hoped that during the current year sufficient profits will be earned to provide for a greater part, if not all, of the depreciation on this Mill's assets. With the current cost and price structure it is, however, evident that a satisfactory profit will not be earned until the output is increased to the level of 18,000 tonnes per annum and it is, therefore, important that the capital expenditure programme to achieve this target should be pressed ahead as fast as possible—this being combined with every possible step to reduce the present high chemical cost.

NO. 2 MILL

One of the achievements of this year has been to restore No. 2 Mill to a profit-making basis but this occurred so late in the financial year that the Mill's net contribution to the annual results was a substantial loss. The main difficulties experienced were shortage of steam, high maintenance and repair costs in bringing machinery back into good condition and bottlenecks in washing capacity. The hard work put in at this mill over the past 18 months is now, however, beginning to show results and, at the present time, the mill is earning a reasonable profit, which it is hoped will steadily increase.

The efficiency of the Soda Recovery Plant has improved beyond expectation, while the new water tube boiler, which will shortly be commissioned, should end the steam shortage which has been a continuous problem at this mill for many years past. In July 1963, the mill finished over 2,000 tonnes of paper for the first time since April 1961, but this we feel sure is a figure that will be improved upon in the months to come.

The Training Scheme has also been put into effect here in order to produce better craft workers and programmes for other levels of management will shortly be introduced.

NO. 1 MILL

This mill has continued to work with reasonable efficiency and has contributed all the Company's profits.

REORGANISATION

Every period of major reorganisation and change is followed by a period of consolidation and the changes do not show complete results until the consolidation is complete. In his statement last year Sir Walter Michelmore mentioned that the entire Senior Management structure had been changed and new systems of modern management were being introduced. I have pleasure in informing you that this latter process continues and every attempt is being made to widen and extend it.

The post of Superintendent of Mills was created to co-ordinate the reorganisation at all three mills. This appears to have been successful and with better liaison between the Mills and Head Office the post became redundant and has been discontinued.

As mentioned previously, the Training Scheme is going ahead with the training of young men for future management positions. It is a matter of gratification that several of our own apprentices have been found to be most suitable potential for such training. Craft Training Schemes have been introduced at Nos. 1 and 2 Mills and a Supervisory Development Programme aimed at inculcating an interest in the principles of modern management and its application amongst our Supervisory Staff has been introduced at No. 3 Mill and will be extended to the other two Mills. The previous place schemes for Assistant Trainees and Operative Trainees have been formulated. Much still remains to be done and progress is slow but the results of what has been achieved to date are beginning to be apparent at No. 3 Mill.

Certain of the suggestions made by M/s. Urwick Orr and



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Partners Limited aim at producing greater refinement and control in the production process. Based on these recommendations systems of Production Planning and Production Control are being gradually introduced. As mentioned before, greater co-operation and liaison between the Mills and Head Office have enabled us to keep stocks of paper at the Mills as low as possible in spite of the difficulties in obtaining rail transport.

The purchasing procedure is also being streamlined and quality control both in respect of material receipts as well as production is being introduced.

A Central Engineering Department has been set up with qualified Engineers and Technicians to handle the extensive work of expansion and renovations. This department is working under the Superintendent of Engineering Services.

Special emphasis has been given to the reorganisation of security staff and methods and this has resulted in vastly improved discipline.

The response to the reorganisation from our staff has been very encouraging and, as stated elsewhere, results are beginning to show themselves.

CAPITAL REORGANISATION

As mentioned last year, to provide funds for the Modernisation and Expansion programmes of the Mills and also to make the Capital structure more representative of its actual working capital, sanction was obtained from the Controller of Capital Issues and an issue has been made of Bonus and Rights Shares.

The Company's capital has thus been increased to Rs. 3,10,99,500 by the creation of an additional 16,80,720 'A' Ordinary (Equity) Shares. Of these additional shares, 560,240 were issued as Bonus Shares and the balance as a Rights Issue at a premium of Rs. 5/- per share. Thus Rs. 1,68,07,200 has been made available for the Modernisation and Expansion Schemes.

MODERNISATION AND EXPANSION

A great deal of work has been done during the year in planning how best to utilise the financial resources available for the modernisation and expansion of the Company's productive capacity. There is so much on which the available money could be spent that drawing up a scale of priorities between the three mills has required much time and thought. At long last our plans have now been finalised and the expected increase in production from the three mills will be in the neighbourhood of 20,000 metric tonnes per annum—in addition, there should be substantial benefits by way of reductions in cost and improved quality of paper. The primary objective in the overall scheme is the maximum utilisation of existing plant by remedying defects, eliminating bottlenecks and making necessary improvements and extensions.

At No. 1 Mill our objective is to increase the machine production to 106 tonnes per day. We have adequate crushing and digester capacity at this mill, the main bottleneck being in the washing capacity. We intend to remove this bottleneck and in addition introduce multistage bleaching to improve quality further, increase reeling capacity and improve the performance of the machines.

At No. 2 Mill a similar bottleneck in washing capacity exists. Apart from removing this by the installation of a 100-ton brown stockwasher, we intend to instal a multistage bleaching plant, additional centri-cleaners and also a modern continuous digester. Further, it is the intention to instal an additional papermaking machine for coated paper and this will be installed with the minimum of imported parts. An additional Roaster is also planned and the capacity of this mill will then be increased to over 100 tonnes per day. The installation of two additional banks of cells to the Electrolytic Bleach Plant has commenced having received the necessary expansion licence from the Government of India. As

previously stated a sixth Water-Tube Boiler has been erected and should be commissioned by the time this report is in your hands.

At No. 3 Mill, you are already aware that we hold an Industrial licence to manufacture 1,500 tons of paper and board per month. The first steps being taken to achieve this are to increase the washing, bleaching and recovery capacities. Additional stock washers, a multistage bleaching plant and an extra roaster are being installed. The 12th Digester is now in use and the cooking cycle which is much longer than at the other two mills will be reduced to permit sufficient digester capacity for the expansion. The Bentley & Jackson Papermaking Machine will be modified and modernised to run at increased speed and centri-cleaners and refiners will also be installed. Further modifications will also be made to No. 2 Machine to enable it to run at increased speed. In order to try and reduce the chemical costs we have applied for a licence to instal a plant for the manufacture of liquid alum and intend to reapply for a licence for a small E.B. plant. A scheme for reducing lime consumption is also under careful consideration.

LABOUR

As was reported briefly last year the Labour Relations Organisation in the Mills has been completely overhauled. Results of this reorganisation have been successful, the most important achievement being the vast improvement in the relations between employer and workers, although all mills are still subject to periodic disturbances and minor disputes.

Moving with current trends, Workers Identity Cards and revised Standing Orders have been introduced at Nos. 1 and 2 Mills. It is hoped that later this year a Central Time Keeping System can be brought into effect. The state of emergency declared in the country as a result of the Chinese aggression has had a beneficial effect towards the achievement of industrial peace and an increase in production. A large proportion of workers have responded to the Industrial Resolution by improving discipline and production. At No. 2 Mill in particular the workers have worked through one normal maintenance day every month and contributed part of their earnings for this extra day's work to the National Defence Fund.

At No. 3 Mill, an Emergency Production Committee has been formed and it is hoped that by the time this statement reaches the shareholders, similar committees will be in operation at the other two Mills. However, as a result of the Budget and the Compulsory Deposit Scheme the workers' zeal along these lines appears to be flagging.

The IBCON grading scheme which has been in force in Nos. 1 and 2 Mills expired on the 31st of March 1963 and the Government-sponsored National Productivity Centre have been requested, with the agreement of the workers' representatives, to draw up a new wage structure. It is our hope that the surplus workers as mentioned in the reports of M/s. Urwick Orr & Partners Limited will be absorbed by our expansion schemes and through natural wastage.

In conclusion, I would thank the staff and workers at the Mills and Head Office for their good work. The results for the year are certainly disappointing but we already have evidence of a substantial improvement in profitability since the closing of the accounts under review, and I feel confident that this is the beginning of the Company's return to its rightful place as a leader in the Indian Paper Industry.

NOTE: The above statement is not a report of the proceedings of the Annual General Meeting, which will be held on the 30th September, 1963.

Registered Office:
CHARTERED BANK BUILDINGS
Calcutta-1.
2nd September, 1963.

RECORDS AND STATISTICS

Reserve Bank on Mobilisation of Resources

"THE ECONOMY," says the report of the Central Board of Directors of the Reserve Bank of India for the year ended June 30, 1963, "has now to adjust itself on a long-term basis to the needs of an enhanced defence budget and of continued development without which a large defence effort cannot be sustained." The report advocates a larger and more vigorous drive on the part of the State Governments to mobilise resources from the agricultural sector. It also points out that the use of the tax instrument in a purposive and persuasive manner has to be supported by a resilient monetary policy.

Control over the overall volume of credit operated according to the long and near-term requirements of the economy, the report suggests, has to be exercised through a combination of devices to regulate the cost and availability of credit and direct regulation of the volume of credit in sensitive sectors. Apart from the actions of the Central Bank a good deal depends upon the way in which the rest of the banking system itself responds to the needs of the situation. It is emphasized that efforts at deposit mobilisation have to be stepped up further. Innovations whether for this purpose or for the purpose of making the best possible use of available bank resources have to be tried. In the difficult times ahead, the role of the banking system, the report points out, will remain crucial.

Extracts from the report dealing with monetary and credit trends and policies, gold control and balance of payments are reproduced here:

Monetary and Credit Trends

The increased outlays in the public and private sectors led to a marked rise in money supply amounting to Rs. 315 crores during 1962-63 as against Rs. 217 crores in 1961-62, showing a rate of growth of 10.3 per cent as against 7.6 per cent in the previous year. While both components of money supply increased, the expansion in deposit money which comprises demand deposits with banks and 'other' deposits with the Reserve Bank of India, was larger (from Rs. 55 crores in 1961-62 to Rs. 131 crores in 1962-63) than in currency with the public (from Rs. 162 crores to Rs. 184 crores).

Net bank credit to Government, which comprises investments in Government securities by the Reserve Bank and other banks (excluding the investments of PL 480 and PL 665 funds) and ways and means advances adjusted for changes in Government's cash balances with the Bank, has been the most important factor affecting money supply during the year although its contribution was a little lower at Rs. 316 crores in 1962-63 as against Rs. 327 crores in the previous year. In both years, the bulk of the increased credit was made available by the Reserve Bank. Credit extended by banks to the private sector comprising both bank advances and holdings of private securities rose by a smaller amount of Rs. 144 crores in 1962-63 as against Rs. 161 crore in 1961-62. However, as

time deposits of the banks, adjusted for PL 480 and PL 665 deposits, increased by a much smaller magnitude as compared to the previous year—Rs. 76 crores in 1962-63 as against Rs. 204 crores in 1961-62—net bank credit to the private sector, which comprises banks' advances and holdings of private securities adjusted for time deposit, showed a large swing from a contraction of Rs. 43 crores in 1961-62 to an expansion of Rs. 68 crores. This exerted a substantial expansionary impact on money supply. The balance of payments which in the past few years had contributed to an increasing extent to a contraction of money supply also changed into an expansionary factor. As against a reduction of Rs. 107 crores in the net foreign exchange assets of the Reserve Bank in 1961-62, there was a rise of Rs. 7 crores in 1962-63, indicating a swing of Rs. 114 crores. While in 1961-62, a decline of Rs. 16 crores increase in foreign exchange liabilities was accompanied by a substantial drawal on the International Monetary Fund of Rs. 58.3 crores, the small rise in foreign exchange assets in 1962-63 was not offset by any significant increase in foreign exchange liabilities.

Banking Under Pressure

Although the expansion in bank credit over the year 1962-63 (July-June) was somewhat smaller than in the previous year, the banking system was under pressure in the early part of the year mainly as a result of the dislocation caused in the economy by the Chinese invasion. Following the declaration of the Emergency there was a slowing down of deposit growth which lasted till about the middle of March. Aggregate deposits excluding PL 480 and PL 665 funds, rose by only Rs. 68 crores during the period October 1962 to March 1963 as compared to Rs. 125 crores in the corresponding period of the previous year. Also the busy season of 1962-63 started with a somewhat more extended position for the banks than in the previous year as the slack season contraction had been much less in 1962 than in 1961. At the peak of the busy season in 1962-63, the expansion of bank credit at Rs. 216 crores was a little higher than in the 1961-62 busy season (Rs. 213 crores). The credit-deposit ratio excluding PL 480 and PL 665 funds, touched 80.1 per cent on April 12, 1963 as against 78.5 per cent touched in the previous busy season on May 4, 1962. Because of the set-back in the growth of deposits during the busy season and the spurt in seasonal credit demands, banks had to explore other avenues for raising resources. Their borrowings from the Reserve Bank reached a peak of Rs. 83 crores in the 1962-63 busy season, as against Rs. 66 crores in 1961-62 season. Banks had to liquidate a part of their investment portfolio; there was greater activity in the inter-bank call money market where the rates touched record levels of 6½ per cent to 6½ per cent and some banks also brought in sizable funds from abroad.

The set-back in deposit growth was, however, temporary. This is apparent from the trend of deposits since March. During the four months April-July 1963 aggregate deposits, excluding PL 480 and PL 665 funds, increased by Rs. 136 crores as against Rs. 125 crores during the corresponding period. An interesting development in the recent growth of deposits is a shift in favour of demand deposits. Over the year 1962-63, time deposits have shown an increase of only Rs. 68 crores as against Rs. 203 crores during the previous year while demand deposits have increased by Rs. 118 crores as against Rs. 58 crores. This reduces to some extent the cost to the banks of raising deposit resources and affords them some

relief in a situation where all other costs are on the increase.

The fact that the set-back in deposit growth in the last busy season was temporary does not mean that the banks can afford to slacken their efforts at deposit mobilisation. With rising money incomes and investment, the pressure of demand on liquid funds will grow 'pari passu' with that on real resources. It is essential therefore that the additional credit supplied by the banking system is backed by the genuine savings of the community in the form of bank deposits, as otherwise the existing pressure on the price level will be further accentuated. This is the basic consideration behind the concern that is felt by the Bank with regard to the high levels of credit-deposit ratio that have been prevalent in the recent past.

In terms of the recent amendments to the Banking Companies Act, banks have to maintain a higher over-all ratio of liquid assets to their demand and time liabilities, i.e., 28 per cent as against 20 per cent currently, as from September 1964. An intensive effort at deposit mobilisation will be necessary for the banks, especially those units which have been working with a highly extended position, in order to be able to fulfil the statutory requirement without at the same time starving demands for productive credit.

During May-July 1963, the first three months of the current slack season, bank credit contracted by Rs. 103 crores as against Rs. 42 crores in the corresponding period of the previous slack season. The faster pace of credit contraction together with the recent rate of deposit accretion has improved somewhat the liquidity position of banks.

Tight Money Policy

The pressure on prices and the slow pace of seasonal credit contraction during the 1962 slack season mentioned earlier led the Bank to tighten access to its accommodation by reducing the quota for borrowing at the Bank rate from 50 per cent of the average statutory reserves of each scheduled bank for the preceding quarter to 25 per cent. Borrowings in excess thereof up to 50 per cent of the average statutory reserves were to be at 1 per cent above the Bank rate, those in excess of 50 and up to 100 per cent of the average statutory reserves at 2 per cent above the Bank rate and those above 100 per cent at 2.5 per cent above the Bank rate.

The possibility of a further pressure on prices owing to the Emergency led to a more stringent policy of credit restraint. Accordingly, effective October 31, 1962, the Bank revised its system of lending rates, reducing the existing tiers to three, and for the first time regulated the availability of credit to banks by fixing a ceiling on such accommodation equal to a bank's average statutory reserves during the previous quarter. Borrowings up to 25 per cent of the statutory reserves were to be permitted at the Bank rate, viz., 4 per cent, another 25 per cent at 5 per cent and the balance at 6 per cent. Borrowings in excess of the basic quota were to be charged a higher rate which in effect was 6½ per cent. In order to ensure that the genuine needs of industry and trade were adequately met, the revised policy was operated with a large measure of flexibility. Appropriate permissible limits for borrowing were granted to applicant banks, after assessment of a bank's position and taking into account the needs of defence production, essential industries and exports. Banks were called upon to readjust their advances portfolio, to refuse advances which were likely to be used for purposes of hoarding and speculation, and to consider recalling in suitable cases advances against gold, shares and unsecured advances. The policy of granting preferential treatment in respect of Bank's lendings to certain special sectors like small-scale industries and co-operatives was continued.

As regards export finance, the Bank introduced in March

1963 the Export Bills Credit Scheme. The scheme widened the range of collateral for such borrowing, banks being permitted to borrow against their demand promissory notes and upon their declarations of holdings of usance export bills, and also cheapened the cost of borrowing slightly, since 'ad valorem' stamp duty charges are not payable on demand promissory notes. These advances were to be within the overall limits sanctioned to each bank. A special facility was, however, provided in respect of a bank's holdings of rupee export usance bills. Banks are entitled to borrow against declarations of their holdings of these bills at the Bank rate, over and above the overall permitted level of borrowing at this rate, provided they agree not to charge the exporters interest/discount/commission at a rate higher than 1½ per cent above the Bank rate.

Adjustments in Bank Rate

The steady increase in interest rates in the money and capital markets since October 1960 brought to the fore the question of adjusting the Bank rate in line with the prevailing pattern of interest rates. The last revision of the Bank rate was made in May 1957 when the rate was raised from 3½ per cent to 4 per cent. Effective from the close of business on January 2, 1963, the Bank rate was further raised by ½ per cent to 4½ per cent. Simultaneously, the system of lending rates was simplified into a two-tier system by merging the first two slabs. Banks were permitted to borrow in each quarter a sum equal to 50 per cent of their average statutory reserves during the previous quarter at the Bank rate and the remaining 50 per cent at 6 per cent; any borrowing beyond this level was to be charged a higher rate which was fixed at 6.5 per cent.

In the past two years or so, banks had progressively raised their lending rates, and the average rate of interest earned on advances by scheduled banks had risen from 5.6 per cent in 1959 to 6.4 per cent in the first half of 1962. In terms of the All-India Inter-Bank Agreement on the Minimum rate of Interest on Advances, banks which are signatories to the Agreement further stepped up their minimum advances rate from 6 to 6½ per cent, viz., 2 per cent above the Bank Rate, effective January 3, 1963. In April 1963 the State Bank, which previously had not increased its borrowing and lending rates, also raised its general advances rate by 1 per cent—though retaining rate of 5 per cent for advances against government securities—and its savings and fixed deposit rates by ½ per cent, thus bringing its interest rates on savings and fixed deposits on par with the maximum rates on deposits fixed under the Inter-Bank Agreement. The long-term lending agencies also raised their lending rates generally by ½ per cent in keeping with the increase in Bank rate.

In line with the general quantitative controls, selective credit controls were also tightened up. The exemption granted by the Bank in respect of advances against warehouse receipts covering paddy and rice and other foodgrains excluding wheat from the scope of selective credit controls resulted in a progressive rise in advances against warehouse receipts arising out of increasing use of the warehouses, set up by the Central and State Warehousing Corporations, by traders rather than by cultivators, and thus tended to nullify the effect of these controls. The Bank, therefore, issued two directives in January and March 1963, imposing for the first time a minimum margin of 25 per cent on advances against warehouse receipts covering stocks of paddy and rice and other foodgrains excluding wheat, as compared to 35 per cent for advances other than those against warehouse receipts. The directives also prescribed ceiling limits, commencing from January-February 1963 in respect of paddy and rice and from March-April 1963 in respect of other foodgrains, at the aggregate average level of advances in the corresponding period of 1962 inclusive of

advances against warehouse receipts. As, however, the inclusion of advances against warehouse receipts within the overall ceilings tended to produce a disproportionate contraction of these advances, the directives were partially modified on May 16, 1963. Ceilings have now been placed on banks' 'other' advances, i.e., other than those against warehouse receipts within the overall ceilings prescribed earlier, the balance being available for advances against warehouse receipts; also banks can make advances against warehouse receipts out of the limits fixed for other advances.

In view of the firmness in sugar prices arising from lower output in the 1962-63 season and the spurt in advances to traders, the Bank issued on April 27, 1963 a directive to scheduled banks, prescribing a minimum margin of 45 per cent on credit limits or advances granted to parties other than those manufacturing sugar and on those granted to parties manufacturing sugar in respect of stocks which have left the factory premises and on which excise duty has been paid.

As regards oilseeds, the ceiling limits fixed by the Bank for advances against groundnuts lapsed at the end of February 1963, and since then bank advances against groundnuts and other oilseeds are only subject to minimum margin requirements of 45 per cent and 40 per cent, respectively.

The impact of the various control measures in operation during the year was generally salutary. Net expansion in scheduled bank credit in the 1962-63 busy season was of the same magnitude (Rs. 203 crores) as in the previous busy season. Though credit expansion against seasonal commodities was somewhat larger in view of the substantial rise in the output of raw cotton, that against non-seasonal commodities was about the same as in the 1961-62 busy season while the rise in unsecured advances was smaller. Advances against shares, gold and gold ornaments came down in line with the advice given by the Bank. The progress of credit contraction in the 1963 slack season is also satisfactory. For 1962-63 as a whole, the net increase in scheduled bank credit was somewhat smaller, being 7.9 per cent as compared to 10.5 per cent in 1961-62. The modifications in the slab rate system, outlined earlier, generally exercised a restraining influence on scheduled banks' borrowings from the Reserve Bank. The highest weighted average rate on borrowings from the Bank was 5.8 per cent, as against 5.1 per cent during the busy season of 1961-62. The average cost of borrowing by banks from the Reserve Bank during January-June 1963 was 5.4 per cent as against 4.6 per cent during the corresponding half-year of 1962.

Restraint on Credit

The keynote of the Bank's credit policy has been to maintain both a general and selective restraint on credit and a pruning down of less essential demands through a combination of quantitative and qualitative measures. The appropriateness of this policy has to be judged in the context of insistent pressures on the supply of available real resources for defence and development. The shortage of real resources and the presence of bottlenecks in various sectors of the economy are factors which not only cannot be overcome by a liberal credit policy but may on the contrary be accentuated by excessive credit expansion. What is needed is so to regulate the supply of central bank credit that the monetary system subserves the overall objectives of economic policy, namely, to keep prices as stable as is reasonably possible without starving productive credit requirements. The cost at which credit can be obtained has also a role to play in this policy. An awareness that credit has its own cost can exercise a healthy influence on its use.

Flexibility is the essence of sound monetary policy. In the Indian economy flexibility is needed with reference to two considerations, the changing overall requirements of the economy and the strong seasonal pressures. The policy has to take into account both these in deciding the quantum of

credit to be made available and its cost. The slab system of lending evolved over the past three years represents, as it were, a compromise between the obligations of the Bank as the lender of last resort and its duties as the controller of credit. It is a flexible system permitting of modifications and such modifications have been made from time to time to suit the requirements of the situation.

The effectiveness of monetary policy depends to a considerable extent on the direction in which fiscal policy tends. Large deficit financing gives rise to an accrual of deposits in the banking system and enhances its potential for credit expansion. The large quantum of net bank credit to Government which is the overall measure of deficit financing witnessed during the last two years is significant in this context. The bold tax effort in the current year's budget, which aims in a purposive manner at alleviating the pressure of demand should result in a better control of the economy. The task of monetary policy would to that extent be rendered easier.

Gold Policy

A factor affecting the balance of payments of the country has been the continued smuggling of gold. Efforts made by the Government in the past to plug this leakage in foreign exchange receipts had brought only partial results. Government, therefore, decided to take further steps to deal with the situation. The first step was the passage in September 1962 of legislation bringing gold within the purview of the Industries (Development and Regulation) Act, 1951 which enabled the Central Government to take steps to regulate the production, supply and distribution of gold. This was followed by a ban on forward trading of gold effective from November 13, 1962. On January 9, 1963 the Government promulgated the Gold Control Rules providing 'inter alia' for the declaration of holdings of non-ornament gold, registration of dealers in gold, a ban on sale and purchase of gold except with permit and the prohibition of manufacture of ornaments of more than 14 carat purity. To administer the Gold Control Rules, a Gold Board was also established simultaneously. Following these developments, official trading came to a standstill but dealer-to-dealer transactions in declared gold commenced from February. As several types of cases of evasion came to light in the operation of the Gold Control Rules, Government amended the Rules towards the end of June 1963. The primary gold of a purity of more than 14 carat and provide for compulsory hall-marking of all primary gold produced by refineries, with effect from a date to be prescribed by the Board. These measures were primarily designed to curb smuggling effectively through regulation of transactions in gold inside the country. The measures were also intended to subserve the long-term objective of reducing the demand for gold in the country. In pursuance of this objective, the Reserve Bank advised the banks to recall in suitable cases advances against gold.

As a result of these measures, gold prices suffered a set-back; the price of the yellow metal which had touched an all-time peak of Rs. 129.90 per 10 grammes on August 29 receded to Rs. 115.75 on October 10. Subsequently, the quotation moved up by November 3 to Rs. 121.65 on continued high level of demand. Thereafter, as a cumulative result of the floatation of gold bonds and the ban on forward trading in gold, the quotation came down sharply to Rs. 86 on November 24, 1962. Due to the emergence of a strong consumer demand at such a low level, there was a recovery and the quotation touched Rs. 115.25 by December 18. It had receded once again to Rs. 102.75 by January 9, 1963 when the Gold Control Rules were announced and official trading came to a standstill until dealer-trend of dealer-to-dealer quotations was downward, falling from Rs. 102 on February 18 to Rs. 95 by February 28, but

with the increase in demand during the marriage season, the quotation moved up to Rs. 118 by May 9, but came down thereafter with the abatement of the demand to Rs. 112 by June 22.

Balance of Payments

The year opened with foreign exchange reserves under strain. During the year 1961-62 they had fallen by Rs. 41 crores despite a net drawing from the International Monetary Fund to the tune of Rs. 58 crores. The greatest amount of pressure was experienced in the quarter April-June 1962, immediately preceding the year 1962-63. A stand-by agreement for US \$100 million was, therefore, entered into and the equivalent of US \$25 million or Rs. 12 crores was drawn in July 1962. During 1962-63, however, not only was the drawing repaid but the reserves rose by Rs. 48 crores. There was thus a favourable swing of the order of Rs. 147 crores.

The main reason for this swing is the very much quicker pace of reimbursement receipts under the US Agency for International Development loans amounting to Rs. 90 crores as against Rs. 20 crores in 1961-62. The improvement in exports, partly attributable to transactions on account of Goa, Daman and Diu, was itself of the order of Rs. 35 crores. To some extent the favourable shift in the balance of payments is explained by the behaviour of banking capital which changed from an outflow of Rs. 9 crores in 1961-62 to an inflow of Rs. 10 crores in 1962-63.

The last full year for which balance of payments details are available is the financial year 1962-63. The discussion in the remaining paragraphs relating to the balance of payments is, therefore, based on these details. For this period, the position broadly was the same as stated above, though the figures relating to movement in reserves were somewhat different. During this financial year, foreign exchange reserves showed a fall of Rs. 2 crores as against a fall of Rs. 6 crores in the previous financial year. Allowing for net drawings of Rs. 58 crores from the International Monetary Fund in the financial year 1961-62 as against Rs. 12 crores in 1962-63, the pressure on the reserves in 1961-62 worked out to Rs. 64 crores and in 1962-63 to Rs. 14 crores. Various measures taken during the year, namely, the imposition of restrictions on foreign travel, the steps taken to check smuggling, the amendment of the Sea Customs Act and the introduction of Gold Control as well as larger receipts of aid not tied to specific projects, also seem to have made some contribution to the favourable outturn.

Deficit Widens

The deficit on current account, which includes merchandise transactions relating to Goa, Daman and Diu, since April 1962 widened further by Rs. 31 crores from Rs. 303 crores in 1961-62 to Rs. 334 crores. Export earnings improved over the year by Rs. 15 crores but the import bill increased by Rs. 88 crores, with the result that the trade gap widened from Rs. 334 crores to Rs. 407 crores. Receipts from official donations rose from Rs. 46 crores to Rs. 77 crores due to larger grants out of PL 480 funds, while payments on account of other invisible transactions declined from Rs. 15 crores to Rs. 4 crores.

The whole of the increase in export earnings during the financial year 1962-63 is accounted for by the inclusion of exports from Goa etc. (Rs. 16 crores) in total exports from this year. However, it appears that there was some real improvement during the second half of the year which more than offset the comparative stagnation of exports during the first half. Commodity-wise, the increase in export earnings was shared mainly by jute manufactures, vegetable oils and oilcakes, and metallic ores; but there were declines in the earnings from coffee, cotton raw and waste, tanned hides and

skins and cotton textiles. Exports to East European countries continued to increase, rising from Rs. 65 crores in 1961-62 to Rs. 86 crores in 1962-63, while exports to the rest of the world declined from Rs. 603 crores to Rs. 596 crores.

Total import payments of Rs. 1089 crores during the period under review were 9 per cent higher than in 1961-62 but somewhat lower than in 1960-61. Larger Government purchases were responsible for the whole of the increase over the year, private imports having in fact declined by Rs. 12 crores. Government imports of both developmental and non-developmental items recorded increases. On private account, all the categories of imports were held down by a tighter import policy. Pursuant to the Mudaliar Committee's recommendations, a larger proportion of licences were issued on an annual basis than hitherto. But for this, the policy in the year 1962-63 remained essentially restrictive and advantage was taken of increases in internal availabilities to effect cuts in quotas. The import policy for the year 1963-64, announced in April 1963, continued to be restrictive despite a moderate liberalisation for established importers by lifting the ban on about 80 items and the stepping up of foreign exchange allocation for small-scale industries.

Debt Servicing Burden

Higher receipts such as freight reimbursements in respect of PL 480 imports helped to reduce the net payments on account of invisible transactions. Investment income payments reflecting the growing foreign debt servicing burden continued to rise; but the payments on account of private donations, insurance, transportation and other miscellaneous services were lower, in part due to the various measures adopted since June 1962 to conserve the country's foreign exchange earnings.

The year also witnessed a sizable inflow of banking capital of Rs. 16 crores as against an outflow of Rs. 13 crores in the corresponding period of the previous year. The lower Bank rate in the UK coupled with the continued restraint of monetary policy in India and an unusually active busy season in 1962-63 brought about the favourable turn. The inflow mainly took the form of an increase in foreign currency liabilities of authorised dealers.

A number of changes were effected during the year in exchange control regulations. In December 1962, all Indian nationals holding shares/securities abroad were required to repatriate to India dividends, interest and sale/maturity proceeds of such shares and securities. Similarly, except in the case of accounts maintained prior to September 3, 1939 in non-sterling area currencies and July 8, 1947 in sterling area currencies, holders of foreign currency accounts were allowed to hold abroad balances up to £500 only. In February 1963, the general permission to travellers to carry Rs. 75 per person into or out of the country was withdrawn, though authorised money changers are allowed to sell foreign currency notes upto Rs. 40 per person to travellers and deck passengers to certain neighbouring countries; travellers to Ceylon and Pakistan are also allowed to take Indian or foreign currency notes upto Rs. 20 in value at a time. Foreign transit passengers are, however, allowed freely to convert rupee notes into foreign currency on production of evidence that the rupees were acquired by them by sale of foreign currency notes or travellers' cheques to authorised dealers or authorised money changers. Consequent on the extension of the Foreign Exchange Regulation Act, 1947, together with all rules and regulations thereunder, to Goa, Daman and Diu, all residents of these territories, other than foreign nationals temporarily resident, holding foreign currency balances abroad, other than balances in Burma, Pakistan and Ceylon, were required to declare them to the Exchange Control Department of the Bank before May 14, 1963. Persons who declared their balances before that date are allowed to retain half of such

balances to be utilised for approved purposes.

The various export promotion measures taken by India during the last few years, including the setting up of the Board of Trade in May 1962 appear to be bearing fruit gradually, though the average annual increase in exports necessary to attain the third Plan target yet remains to be achieved. During the year, a large number of items was freed from export control, the export duty on tea was abolished and freight concessions on 19 export items were announced. In addition, fiscal incentives in respect of a number of export commodities were announced and a provision of Rs. 3 crores was made in the 1963-64 budget for developing new markets. Similarly, credit facilities for exporters were further enlarged.

Nearly half (47 per cent) of India's exports still consists of the three traditional items, namely, tea, jute goods and cotton textiles; their share of the total exports was 52 per cent in the first Plan period. The scope for stepping up these traditional exports is limited for a number of reasons, such as increased competition from other developing countries, low elasticities of demand, trade barriers in the developed countries and increasingly protectionist policies of the developing ones. In addition, costs in these industries have also been on the upgrade. On the whole, their exports face an uphill task in foreign markets. Notwithstanding these difficulties, for an appreciable enlargement of exports in the near future reliance has still to be placed on a steady growth of traditional lines which form the sheet-anchor of the country's exports. Withal, a growing range of new export lines based on a diversifying productive structure will have increasingly to supplement the traditional lines.

Incentive Schemes

One of the important constituents of export promotion policy is the various incentive schemes. These schemes have proved to be of help in those cases where expanding output has enabled the industry to reduce its costs and to increase its exports. In some cases, however, the benefits of the schemes which succeeded initially in promoting exports have been eroded by rising costs. Export incentive schemes which seek to offset an adverse trend in the costs of production face heavy odds and may prove to be no more than temporary expedients to ensure a flow of exports that can only be sustained or improved by a direct attempt to hold the cost line. Such schemes will, nevertheless, continue to have a role in export promotion where they can alter the relative profitability of exports and domestic consumption in a context of rising domestic demand. The ultimate success of all export promotion devices depends on broad policies designed to increase output, restrain domestic consumption, raise efficiency and reduce costs of production and improve the quality of products.

At the same time, the industrialised countries have to extend their co-operation by liberalising progressively their trade policies with a view to promoting exports from developing countries, such as India. The benefits under GATT concessions under the "Dillon-Round" to countries like India have been only marginal. The prospects for a real expansion in the export trade of the under-developed countries now depend upon the results of the proposed "Kennedy-Round" which envisages 50 per cent across-the-board reductions in tariff rates on a number of industrial products, a nil tariff for some of the tropical products like tea, coffee and timber and the removal of non-tariff barriers.

Although the main source of strain on the balance of payments is the size of the import payments, it needs to be recognised that since the commencement of planning there has been considerable import substitution. In regard to iron and steel, the impact has been very pronounced; while total supplies have increased, the ratio of imports to total availability

has, at the same time, been halved. Tea and sugar machinery are two other items where the process of import substitution has been satisfactory. Thus it is clear that this is a field which has great possibilities, but it calls for a considerable measure of research, and adaptation to exploit it. The Emergency with its vast demands for all types of modern equipment for defence has given a new emphasis to this problem.

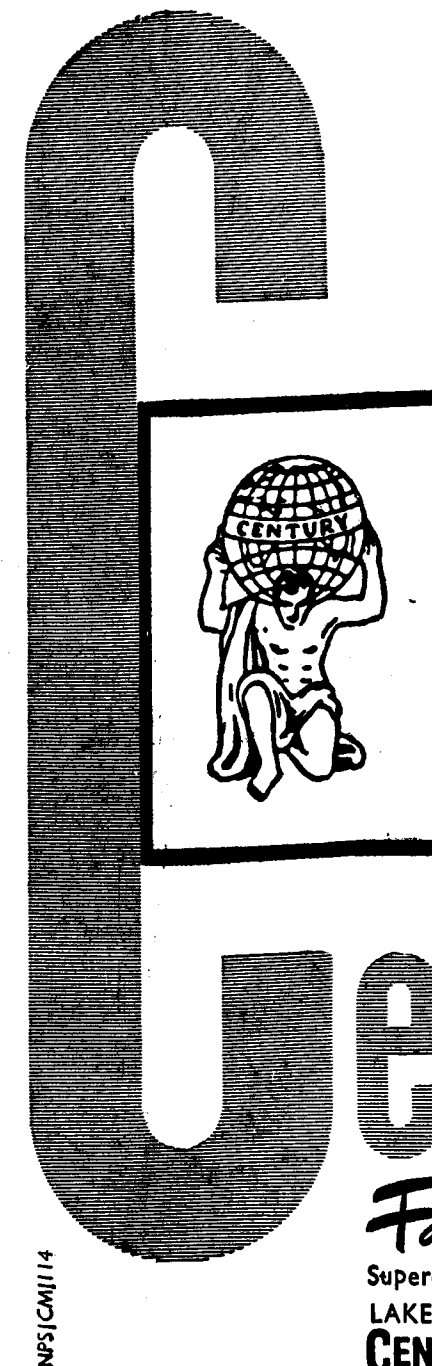
It has already been mentioned that foreign assistance was the major factor in the improvement recorded this year in the balance of payments. External assistance authorised to India in the form of loans, grants and P.L. 480 assistance amounted to Rs. 652 crores, including Rs. 16 crores from the East European countries, in 1962-63 (April-March) as compared to Rs. 425 crores during 1961-62 (April-March). The rate of utilisation also increased significantly and at Rs. 447 crores was higher by about 32 per cent than last year; this included Rs. 33 crores of the assistance extended by the Soviet Union and East European countries. An important reason why the pace of utilisation of foreign aid was quicker in 1962-63, as compared to previous years, was that the share of untied assistance especially from the U.S.A., had increased considerably. According to information available so far, additional assistance of the order of Rs. 143 crores has been authorised during April-June 1963. Moreover, the substantial increase in the quantum of aid authorised during the period was coupled with a softening of terms and conditions. A considerable portion of the loan assistance received during the year came from the U.S. and I.D.A. which carried only a small service charge of $\frac{1}{2}$ of 1 per cent and no interest payment and is repayable over a period of 40-50 years including a grace period of 10 years.

Consortium Aid

As noticed earlier, the bulk of the assistance authorised during the financial year 1962-63 was extended by the members of the Aid India Consortium. It will be recalled that the Consortium members had promised to make available the assistance of Rs. 1,125 crores for the first two years of India's third Plan; of this, Rs. 1,042 crores were authorised by the end of April 1963. At the eighth meeting of the Consortium held at Paris in June 1963, the members promised further assistance of the order of Rs. 436 crores for the third year of the Plan (1963-64) and at its subsequent meeting on August 7, 1963, the Consortium increased its total commitment for the year to Rs. 501 crores; this compares with the estimated requirement of Rs. 598 crores. It is encouraging to note that the Consortium members have recognised the need for a larger proportion of aid being made available in the form of non-project assistance with as much of the aid as possible in the form of grants or long-term loans at low rates of interest. While a larger component of untied aid is of help in securing raw materials in the cheapest markets and ensuring a fuller working of existing capacity and generally in the flexible adaptation of the investment programme, it places a greater responsibility on the Government, to utilise the untied aid for such augmentation of production as would be of help to the balance of payments situation.

Besides the assistance extended by the foreign governments and international institutions, efforts continued to be made to encourage the flow of private capital from abroad. Consents for issue of capital to non-residents, which broadly reflect the investment intentions, granted during 1962 were higher at Rs. 47 crores as against Rs. 34 crores and Rs. 19 crores in 1961 and 1960, respectively. The services of the Indian Investment Centre are being increasingly utilised by foreign as well as Indian entrepreneurs seeking foreign collaboration agreements. A Committee has also been set up by Government to evolve some definite guide lines for policies in regard to foreign collaboration agreements.

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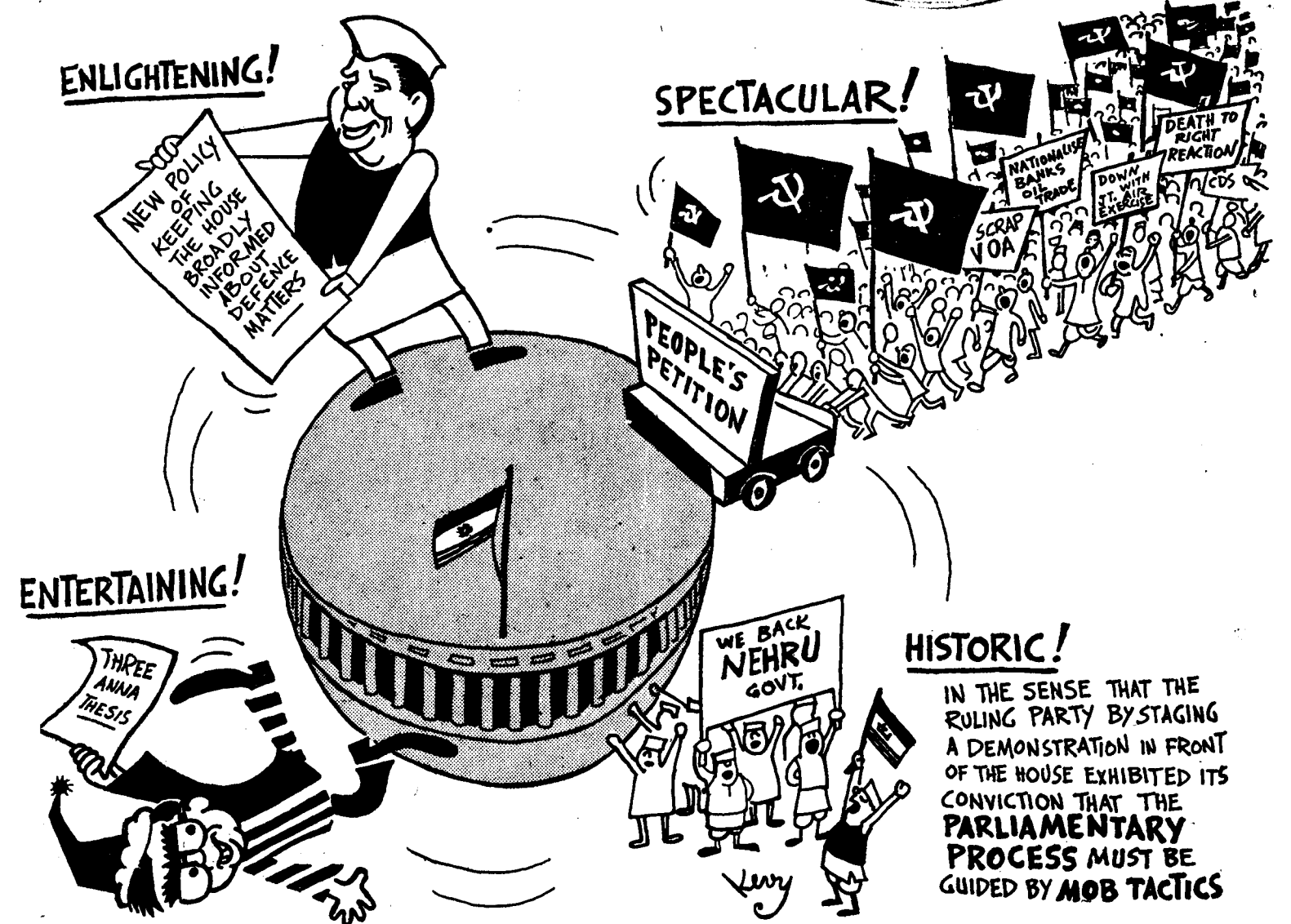
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Task for TTK

DURING THE recent session of Parliament two themes dominated discussion. One, naturally, was the continuing Chinese aggression, made all the more menacing by the Peking-Pindi axis. The other, equally naturally, was the state of the nation's economy, especially the progress made in its agriculture and industry since the beginning of the third Plan and particularly after the emergency has emphasized the supreme importance of mobilizing national resources and building up the economic strength of the country which is the basis of its military strength.

There is, of course, an obvious nexus between the two themes. The only answer to the threatening postures of our hostile neighbours is increased defence preparedness; and defence preparedness, it is becoming increasingly evident, must result from a very rapid and large expansion of our industrial production and industrial facilities. There has been an attempt at some quarters to decry as a senseless slogan the exhortation to the nation to devote its energies and resources in full to both defence and development. The argument here is that, with agriculture stagnating, industry growing less slowly than before and population rising, it is unrealistic to plan ambitiously for both defence and development. This reasoning is rather difficult to follow. Is it the contention that because the economy is not expanding as fast as it should, attempts to correct this situation and step up the growth of the economy should be abandoned? On the contrary, is it not true that because of the very fact that our development effort has not been yielding adequate results, efforts should be made to improve its quality and vigour? Secondly, where is the inconsistency in asking for the maximizing of effort in defence and development alike? Has the country any choice at all? If defence preparedness is the supreme obligation — and it must be conceded that it is — can this responsibility be discharged without more vigorous development of the economy? In fact, amidst all the confused thinking there has been in the economic and defence fields in recent years, the only bright feature has been that, since the emergency, informed opinion has largely rallied to the idea that the maximization of defence and development is a programme which is one and indivisible and that it should be pursued as an integrated project. From this point of view, concern over external aggression and prospects of further hostilities and the consequent anxiety that defence preparedness should be rapidly promoted emerges logically from the anxiety over such weaknesses as there have been in the development effort in the last three years and indications that prevailing attitudes and policies are not conducive to a rapid development of the economy in its agriculture and industry.

The Lok Sabha had an excellent — even if rather odd — occasion for recording its anxiety over our inadequate and slackened economic development when the 'three-anna' controversy raised by Dr. Lohia succeeded in creating opportunities for a lively discussion of the quality and success of our development effort. While the fact that the country has made appreciable progress in the last 15 years in the fields of economic development and social welfare cannot be gainsaid, it is surely hard to deny either that the nation's capacity to defend itself effectively or provide the mass of the people with a reasonable living will not be assured unless and until the tempo of economic development generally and industrial expansion particularly is raised very considerably. This is a point over which there can really be no disagreement and the latest annual report of the Central Board of Directors of the Reserve Bank of India has surely made a very reasonable observation when it points out that "the economy has now to adjust itself on a long-term basis to the needs of an enhanced defence

budget and of continued development without which a large defence effort cannot be sustained."

The problem of this long-term adjustment in the sense of measures taken with a clear awareness of the implications of large-scale industrialisation and economic development in the long run is certainly the most challenging theme today for the Government in the economic sphere. Other issues, such as prices, however important in themselves, are clearly secondary in significance. As the Finance Minister very rightly pointed out in the Rajya Sabha last week what has most seriously gone wrong with our economy lately is that the tempo of economic activity has slackened. The increase in the price level is only a symptom of this basic malady. Mr. Krishnamachari indeed suggested in a weak moment that the Government could hold the price line through controls provided Parliament would authorise it to do so. But surely it is not what Parliament, supreme as it is as a law-making body, desires to dictate which is relevant to the price issue. The story of King Canute is a familiar one and even if both Houses of Parliament and all State Legislatures are to pass unanimous resolutions authorising the Government to freeze prices by controls, it is doubtful that the job can be done.

What is at issue is really not whether there is Parliamentary sanction for controls or not, or even whether public opinion wants controls or does not. What matters is: Can controls work efficiently in the sense that they will really be effective in the prevailing circumstances in preventing prices from rising? Mr. Krishnamachari himself gave the answer in the negative when he said that prices had been rising primarily because production was not keeping pace with demand. This demand he was careful to point out was not being boosted by monetary inflation but was a physical phenomenon in the sense that the supply of goods and services was just not moving in step with the needs of a growing population slowly and painfully emerging from a historic state of gross under-consumption. It follows that the only way that the price situation could be dealt with in the short period is to take steps which would lead as quickly as possible to a greater production of consumer goods. We have been taking the view in these columns that one of the important reasons for rising prices is that the growth of production of consumer goods industries has been seriously lagging behind the growth of general industrial production which itself has slackened. Sugar has certainly been a glaring example of how reduced production could boost prices, but it is by no means an isolated instance. Over the entire range of India's consumer goods industries there are today numerous cases where insufficient production is responsible for the pressures on the price line.

If an increase in production is the short-term answer to the current trend of rising prices, an increase in investment is the only real solution to the long-term adjustment

of the productive apparatus of the economy to the needs of defence and development of which the annual report of the Central Board of Directors of the Reserve Bank has spoken. The Finance Minister has indicated that he is conscious of the problem and some of his observations have been taken to mean that he would be moving in the direction of liberalising credit facilities through the banking system and availabilities of industrial finance through institutional lenders. While any step that we may take to facilitate the freer functioning of the economy would be welcome, it is doubtful that much can be achieved in terms of long-term needs unless the basic problem of stepping up the rate of investment is squarely faced. There is an unfortunate tendency to ignore the fact that so long as the rate of investment in this country remains as low as it is, no considerable expansion of the economy can be expected. While it is certainly not wrong to talk ambitiously about defence and development, it is definitely pathetic to imagine that there could be big defence and development in the absence of a dynamic and determined programme to increase the rate of investment in industry.

Mr. K. K. Birla, speaking recently to the Indian Chamber of Commerce and Industry, Calcutta, gave certain comparisons which are relevant in this context. He said that in the United States the new capital raised by corporations in the decade ending 1961 averaged about Rs. 5,900 crores per annum. In Japan this average was Rs. 445 crores and in the United Kingdom Rs. 437 crores. For our country the comparable figure, Mr. Birla said, was hardly Rs. 60 crores. Even this low rate of new capital investment in industry has declined since the emergency instead of being stimulated by the need for more urgent industrialisation. What would therefore matter is whether Government would be able to reverse this tendency and create conditions for a rapid and progressive rise in the rate of investment in industry. For some reason or other financial circles in the country have tended to assume that the new Finance Minister will be both willing and able to engineer this basic revolution in the economic and investment climate. It is very much to be hoped that their calculations are not ill-founded.

We are aware that, in a country of mass poverty, it is extremely difficult to step up the rate of savings and investment substantially. At the same time, unless this task is undertaken resolutely and competently, that mass poverty will remain. Not that efforts have not been made to increase or mobilise savings, but experience has shown us clearly that much of this effort has been either misconceived or misdirected. The annual report of the Board of Directors of the Reserve Bank points out that the five-year target of additional taxation fixed for the Centre in the third Plan has already been exceeded. It also adds that additional taxation in the Centre and the States in the current year is expected to raise the ratio of Central and States tax revenues to national income from 9.6 per cent at the end

of the second Plan to over 13 per cent and commends this as a "considerable" achievement. But this achievement has had the unfortunate effect of slowing down economic activity and the complication which the super profits tax and the compulsory deposit scheme have created is a warning that the transference anyhow of finances from individuals to the public fisc does not necessarily increase capital formation or improve economic activity.

It is therefore necessary that a new attitude should be brought to bear on the basic problem of mobilising resources both within the nation itself and from abroad for the purpose of stepping up very considerably the rate of investment of new capital in the expansion of industry. It has been suggested often enough that there ought to be a new deal, in fiscal terms, for individual incomes and savings as well as for corporate earnings. Great hope is being placed in the Finance Minister's pragmatism and dynamic outlook by many in this country and abroad who seem to be confident that new policies and new attitudes will soon be forthcoming. Here again we do not know how far this optimism is justified. After all, it cannot be ignored that, in his previous

Alternative Means of Corporate Finances

PERHAPS THE most crucial question that an entrepreneur often faces is the sources from which finance is to be raised for the growth and sustenance of corporate activity. An effort has been made by Mr. N. D. Joshi of the Company Law Administration to evolve a general concept of financial efficiency and trace the basic elements which determine the skilful management of company finances in such a way that the growth of the company, desirable from an overall economic view-point, is not starved for want of adequate supply of funds, with due regard to their costs and the terms and conditions under which they are obtained.

To achieve a full reward of financial efficiency, three necessary conditions have been laid down for raising funds. In the first place, the costs of all funds raised after due consideration should be equal to the returns earned on their use. Next, the pattern of costs of all funds should follow a specific sequence in the sense that it should be in the ascending order of trade finance, deposits, bank loans, debentures, preference capital and equity capital. The third condition is that, as far as possible, the proportion of equity capital in the total capital employed should be maximum and it is added that the more adventurous the company, the higher should be the percentage of equity capital. This is essentially on the basis that since it is equity capital that bears risks it should be employed to the maximum in bearing the strain of adventure.

Relying upon the data for 1955-60 extracted from balance sheets and profit and loss accounts of 271 of the biggest public limited companies which constitute nearly 56 per cent of the paid-up capital of all the public limited

companies, an attempt has been made to (a) examine the structure of relative costs of different types of funds used by the companies, (b) compare the costs of funds with the rate of returns and (c) find out how far their financial structure responded to the considerations of costs and returns during the period. The cost of funds to a company is the price it pays for their use, which may vary from year to year like the payment to equity shareholders. Returns, on the other hand, are calculated on tangible assets and on combined equity. It is added that in the case of small companies the returns of shareholders are inclusive of all types of income received by such group of people in the form of dividends, salary, commission, interest, etc. It appears that this latter concept is likely to cause an error because salary and commission is retained by the entrepreneur (if he receives dividends too) in return of his additional services which do not form a part of the company's capital.

tenure as Finance Minister, Mr. T. T. Krishnamachari himself was responsible for fiscal innovations, all of which did not have happy consequences for the capital market or the economy of the country. But, as has been said often enough lately, and as his own observations in Parliament testify, Mr. Krishnamachari seems willing at the present time to consider measures which will put new heart and new money into the industrial economy of the country and energise current production as well as investment in future expansion. In some ways it is not a good thing that basic economic policies could be initiated normally only once a year when the budget comes to be presented. Since these are not normal times it is perhaps possible for the Finance Minister to ignore this limitation and act sooner rather than later in revising existing fiscal measures which have been demonstrated to be obstructive of the growth of investment in industry. The reform of both personal and corporate taxation in order to stimulate savings and investment having become imperative, there is really no reason why this urgent task should not be taken up promptly or that the Finance Minister should wait for February. There is no magic in any month.

The analysis indicates that "the overall pattern of costs of funds of 271 companies studied here for each year for the five-year period between 1955-56 to 1959-60 generally satisfies the standard of financial efficiency, namely that the relative pattern of costs of different types of finances should be in accordance with attendant risk and conditions attached to them". It is further pointed out that the companies earning very low rates of return have failed to maintain the correct pattern of costs according to terms and conditions under which different types of funds are supplied. The brunt was borne in these cases by equity and preference shareholders. It seems that in the case of companies earning a return of six per cent or more on combined

equity, proper sequence of returns was noticed so that ordinary shareholders were paid more than preference shareholders who, in turn, were paid more than debenture holders. In case of sugar, automobiles, cotton and electricity industries, where earnings were more than eight per cent, it is indicated that payment to ordinary shareholders was less than the overall interest rate paid on loan capital. Such cases of divergence from norm have to be studied in larger details and one cannot agree with the author's conclusion that by doing that the interests of the shareholders were neglected.

An attempt has been made to assess the effect of age-pattern of companies on the cost of finances. The analysis shows that the highest percentage of ordinary dividends was recorded by companies registered in the period 1930-39 and the lowest percentage was recorded by those registered in 1954-55. Preference dividend was less than debenture interest for companies floated during 1948-53, while the debenture interest was less than interest on other loans for the same age group of companies. Preference dividend was less than interest on loan capital for companies registered up to 1960 and during 1930-53.

Other interesting trends regarding the costs of finances during 1955-60 that emerge in this study are that dividends to ordinary shareholders went up during these five years by 3.02 per cent in case of these 271 companies, while interest on the loan as a whole rose by 1.39 per cent and preference dividend and debenture interest rose by 0.21 per cent and 0.04 per cent respectively. It is further observed that during these years the preference dividend dropped in case of trading companies, remained constant in managing agency group, chemicals, plantations, electricity, cement, rayon, shipping, coal, cigarettes, oil, cotton, miscellaneous industrial companies and increased in other industries like sugar, paper, automobiles, jute. During these years the cost of debenture went up in the case of engineering cotton, paper, cement and jute companies and remained the same in other industries. Dividend to ordinary shareholders went up in all industries, excepting shipping and plantation companies, the rise being highest in case of rayon companies of 11 per cent followed by coal companies of 9 per cent.

In an effort to determine the break-even point where costs of different types of finances are equal to the rates of returns, the data has been analysed to determine the yields on various types of funds employed. It appears that more than half of the companies studied here earned a rate of return above five per cent on tangible assets and on combined equity. The break-even point where costs of finances of different types were equal to the rates of return happened to be around six per cent approximately. The break-even point of companies belonging to fast-growing industries such as paper, cement, automobiles etc. are higher than those of companies belonging to other industries showing thereby that fast growing companies can afford

to pay comparatively higher cost of finances.

The study also throws some light on the manner in which the financial pattern of big companies has changed during these years. One of its indications is that relative importance of equity finance declined during these years in paper, sugar, electricity, managing agency, cement, shipping, coal, cigarettes, oil, rayons, cotton and jute companies. In some industries like engineering, automobiles, plantations, chemicals, trading, the share of equity capital actually increased. It is also stated that oil, shipping, coal and cigarette companies on the whole did not attempt to raise their equity capital although these companies undertook considerable expansion and financed such expansion out of other sources. It may be pointed out that in the first instance the period of five years is not enough to arrive at such a conclusion. It is not necessary that every company should correspond its expansion with the increase of equity capital. Moreover, there are peculiar conditions in every industry that determine the source of finance that has to be tapped. Such conclusions, therefore, should not have been stated in a derogatory tone. In fact it is clearly indicated that the sheer size of finance required for growth seems to have compelled these companies to go in for other sources like bank loans, and perhaps the need for more short-term finances required by some of them deflated the percentage of equity capital. It is further stated that in some industries, such as oil, a substantial part of the profits was ploughed back in the business with the result that there was a considerable increase in the net worth of these companies.

Towards the end of the study data has been examined in details regarding the companies that earned very high rates of return on tangible assets according to the yardsticks of financing efficiency. The top 16 companies earning above ten per cent rate of return on tangible assets did satisfy these yardsticks in the sense that the relative costs of different types of finances did correspond to the terms and conditions and the costs of non-equity funds were less than the return on tangible assets. Apparently all other companies could not have followed the underlying conditions of financial efficiency. The author believes that non-compliance with these conditions restricts the supply of risk capital. To substantiate his point he indicates that during these years bank deposits have increased by Rs. 828 crores while equity capital of non-Government corporate sector increased by Rs. 166 crores. "This shows that the pool of risk capital has not been augmented proportionately to the augmentation of the pool of total savings". This at least is faulty logic. It is hard to believe that anyone would expect a major part of the newly created money to flow into the hands of those who put it as risk capital. Bank deposits, on the other hand, reflect a general rise in buying capacity with the people, and have got to be much larger than the newly created risk capital.

Concealed Taxation?

THE REPORTED decision of the Government of Maharashtra to introduce, in the current session of the legislature, the Bombay City (Inami and Special) Tenures Abolition Bill, 1963, in the guise of a land reform measure, is unfortunate. The provisions of the Bill leave no doubt in one's mind that it is a taxation measure, pure and simple, intended to augment the revenues of the State Exchequer. Instead of achieving the objectives of land reform as envisaged by the Planning Commission in the third five-year Plan, the proposed bill, if enacted, is likely to lead to exploitation, result in social injustice and gravely imperil the economic and financial structure of the city of Bombay.

It is not clear why the bill has been suddenly revived after having been shelved once in 1957 and, again, in 1959. Except for a few minor changes, the bill that is due to come up for consideration is practically the same. Consequently the criticisms levelled against the original bill in 1957 and the subsequently revived bill in 1959 hold good today.

The object of the proposed legislation is "to abolish Inami tenure and certain special land tenures in the city of Bombay". It may be noted here that the tenures that would be affected by the bill are mostly situated in the industrial and residential areas of the city and are covered, to a substantial extent, by industrial structures and residential buildings both for industrial and non-industrial workers. The rents of these in most cases have been either subsidised by the employers or frozen at the pre-war level under the Rent Control Act. This apart, the tenures in the city of Bombay, an essentially urban area, are fundamentally different from tenures obtaining elsewhere in the city. Moreover, these properties having been long in existence — some of them from pre-British days — interests in them have changed hands several times. There are, moreover, small holders who are entirely dependent on the income of the property on these tenures for their livelihood. A substantial portion of the tenure lands in the city — 6,842 acres — falls under the category of "redeemed land", i.e., a special tenure land in respect of which the cess, assessment or, as the case may be, rent has been redeemed long ago. And, on the lands so redeemed several industrial and commercial undertakings and banks have been set up.

It is not merely the proposed abolition of this type of tenures in the city of Bombay that is objectionable but also the proposed arbitrary basis of assessment and the proposed reduction of the period of grace from 50 years in the earlier bills to 20 years. To mention one instance, if the proposed bill is enacted as law, a textile mill, which according to present assessment, has to pay Rs. 25, will be called upon to pay Rs. 11,200, during the first five years, and this amount will steadily rise in subsequent quinquenniums to Rs. 1,12,000 at the end of 20 years. There must be hundreds of cases of this kind and the irony of it is that, when purchasing the lands, the parties were under the impression that, inasmuch as the lands had been redeemed, they would

remain virtually as free-hold lands.

The bill will not only hit the well-to-do sections but also a considerable number of tenants occupying buildings constructed on the tenure lands. As a result of the proposed steep increase in assessment consequent on the abolition of tenures, these tenants will have to pay higher rents. This apart, the bill would lead to a sharp depreciation in land values with all their attendant repercussions. For example, the credit structure of business and industry in the city will be adversely affected, because it is on the basis of the prevailing values that banks and others have extended credit to the parties concerned. It is pertinent to point out here, in parenthesis, that, although the levy of full assessment is to be in gradual stages, for purposes of affording credit, the creditors will only take into account the incidence of the final assessment.

The Maharashtra Government could certainly have been more frank about its intentions in bringing forward such a bill. It is obvious — although this is not implicit in the statement of objects and reasons — that the measure has been conceived purely as a revenue-raising device. It has been estimated that the State Exchequer will benefit to the extent of about Rs. 6 to 7 crores per annum. But, to an almost corresponding extent, it should be noted, the Central revenues will suffer. For the assessment would be a deductible item for purposes of income-tax. This is an aspect which the Central Government cannot afford to ignore. As at present, being urban in nature, the lands in Bombay city are a fruitful source of revenue to the Centre by way of income-tax, wealth tax, gift tax and estate duty. As a result of the proposed legislation and the consequent heavy assessment, the values of these lands are bound to suffer depreciation, both as to capital valuation and as to income potential, which will, in turn, result in affecting revenue payable to the Centre. In short, the proposed bill is not likely to tap any additional source of revenue; instead, it is feared, it will only divert the existing revenues from the Central Government to the State Government.

What should occasion much concern is the fact that the textile industry bids fair to be the worst hit by the proposed bill. The likely addition to the already existing burdens on this industry will place it in a very unfavourable position *vis-a-vis* the cotton mill industry in the other centres of the country. This is something which the Maharashtra Government does not appear to have taken into account. It is to be hoped, therefore, that the authorities would drop the bill altogether. They should, in any case, give serious thought to the representation of the Bombay mill-owners that the bill should revert to the basis of assessment as laid down in clause 18 of the 1959 version, exclude from the scope of the legislation the redeemed lands (nearly 280 acres out of the 440 acres of land, the tenures in respect of which are proposed to be abolished, belong to cotton mills) and provide for adequate compensation for lands, the tenures of which are sought to be abolished.

Highlights of the Week

POLITICAL & POPULAR

THE NEW Finance Minister announced in Parliament on Saturday his eagerly awaited decisions on the revision of the Gold Control and Compulsory Deposit measures. The Compulsory Deposit scheme has been virtually scrapped except to the extent that income-tax payers will continue to have the option to discharge a part of their tax liabilities by making a refundable interest-bearing deposit as provided for in the budget. Those parts of the Compulsory Deposit Scheme which relate to land revenue payers, urban immovable property holders and sales tax payers, which have not yet come into force have been given up. Salaried workers who are not in the income tax paying category (and to whom the scheme has already been applied) will have their deposits refunded with interest with the least possible delay.

The result is that there is no longer anything "compulsory" about the Compulsory Deposit Scheme. On the contrary, in the form in which it will remain it will be a concession granted to income tax payers on whom the tax has been increased in the current year's budget. These decisions have been taken in the light of the views expressed by State Governments and on a consideration of the administrative difficulties inherent in the extension of the scheme to land revenue payers, urban immovable property holders and sales tax payers. In the budget estimates it was anticipated that the total collections under the complete scheme might amount to between Rs. 65 and 70 crores, out of which the Centre might retain Rs. 40 crores, releasing the balance to the States. As a result of the changes now announced, the entire proceeds which will be from income tax payers, will go to the Centre. In the Budget the amount thus accruing has been estimated at Rs. 12 crores, but the present estimate is nearer Rs. 8 crores.

Minor Revision

In the case of Gold Control the revision has been far less drastic. The policy itself has, in fact, been reiterated in its essentials, but a considerable concession has been granted permitting the conversion of the existing gold ornaments in excess of a purity of 14 ct into ornaments of like purity. The main purpose of this relaxation of the Gold Control rules is stated to be to provide licensed self-employed goldsmiths with some employment pending the long-term process of their rehabilitation. The implication is that ultimately this concession may be withdrawn when the problem of rehabilitating unemployed goldsmiths has been accomplished. The Finance Minister also announced that a Gold Controller would be appointed in the Department of Revenue of the Ministry of Finance to take charge of matters of gold policy and administration. This implies that the Gold Control Board may be wound up and that the Central Excise Department will cease to be responsible for enforcement. Mr. Krishnamachari indicated that the Government would be bringing up before Parliament at a very early date a bill which would take the place of the present Gold Control Rules issued in the form of amendments to the Defence of India Rules.

Incidentally, answering a short notice question in the Lok Sabha last Saturday, the Finance Minister disclosed that about 42.97 million grammes of non-ornament gold valued at approximately Rs. 23 crores at international prices had been declared under the Gold Control rules by dealers, refiners, institutions and individuals. He said that the Government had not made any assessment of the total quantity of non-monetary gold in all forms held in this country, but an article published in the April, 1958 issue of the Reserve Bank of India Bulletin estimated this quantity at about 3266 million

grammes, the value of which at the international price would be about Rs. 1,750 crores. The Finance Minister added that this estimate was not based on any precise data. The following is the text of his statement:

"I had indicated in reply to questions in this House that I would make a statement before the House rose on Gold Control and the Compulsory Deposit Schemes.

Basic Objective

"My distinguished predecessor had on more than one occasion outlined in this House the basic objectives of Government's gold policy. While there can be no denying the important role that gold continues to play in the social outlook and habits of people, we cannot minimise its effects in the form of a drain on our resources in foreign exchange and otherwise. The basic features of the gold policy initiated by my distinguished predecessor were aimed at a curtailment of the facilities to market gold, particularly in its primary forms, so that the smuggler who got past the Customs point did not feel free to dispose of the gold openly and without challenge, and secondly at reducing the demand for gold by stopping the production of gold ornaments of a higher purity than 14 carat. Government feel that both these objectives are basically sound and justified by considerations of national interests. There can be no going back on them. Nevertheless, the many problems which have been thrown up in the administration of the gold control in its present form had to be reviewed. We had also to consider whether and to what extent changes were necessary, even if they be of a transitional character, to alleviate hardship to the class of people, who have been working on gold as a means of livelihood, having at the same time due regard to the sentiments of the people, who as I have said before, have a great deal of attachment to gold and gold ornaments.

"On the problem of those working on gold we have to consider firstly the self-employed goldsmiths and secondly those employed by the bigger goldsmiths and jewellers. While we have a programme of rehabilitation of the self-employed goldsmiths, we had recognised that the fringe of the problem has been barely touched, and it would take much more than the amount of money we have allotted for this purpose so far as well as a great deal of time, before we can successfully rehabilitate most of them. While we propose to proceed with this task of rehabilitation of goldsmiths, who depend purely on the manufacture of gold ornaments for their livelihood, we cannot do all that has to be done in a day.

Conditional Facility

"Government have, therefore, decided to grant licences to self-employed goldsmiths on a nominal fee and to permit them on certain conditions to convert existing gold ornaments in excess of a purity of 14 carat into ornaments of like purity. This will restore to them the facility to carry on what was their main avocation. Out-workers i.e., those goldsmiths who worked on gold in their own houses to execute orders received from licensed dealers, will be permitted to handle limited stocks of primary gold upto 14 carat. Government hope that these measures will facilitate the continuance in the long-term process of rehabilitation.

"I would emphasise that these relaxations do not involve any change in the Government's basic long-term policy to discourage the use of gold generally and the production of gold jewellery of high purity. If any one wants new ornaments to be made from primary gold he can only get 14 carat ornaments to whichever source of supply he turns. There will be no sale or display by dealers of jewellery of a purity exceeding 14 carat. The facility to convert existing ornaments into new ornaments of purity above 14 carat is necessarily a limited one and intended to benefit those who

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Redeemable at par on the 26th September, 1975.

Subscriptions will be received in cash or cheques from the 26th September,
1963. But the lists will be closed without notice as soon as the total subscriptions
amount to approximately Rs. 350 lakhs and in any case not later than the close of
business on the 1st October, 1963.

Applications will be received at (a) the branches of the State Bank of Hyder-
abad within the State of Andhra Pradesh, wherever they exist and at Bombay and
Madras, (b) the branches of the State Bank of India at Delhi, Calcutta and Banga-
lore and at places within the State of Andhra Pradesh, wherever the branches of the
State Bank of Hyderabad do not exist, and (c) the Government sub-treasuries in the
State of Andhra Pradesh at places not covered by items (a) and (b).

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 Andhra Pradesh and at all offices of the State Electricity
Board.

possess such ornaments and want them to be re-shaped, and
to enable the self-employed goldsmiths to continue to earn
a living for the time being.

"Apart from these changes to which I have just referred,
Government propose to make certain changes in the
administrative set-up in order to make enforcement more
effective. The present rules provided for the establishment of
a Board to advise Government and to be in over-all charge of
the implementation of policy. The responsibility for enforce-
ment of these rules is, however, entrusted to the Central
Excise Department. After a careful examination of the mat-
ter, Government have come to the conclusion that bifurcation
of responsibility for policy making and for implementation
is not wise. Government, therefore, have decided to centra-
lise the administration by appointing a Gold Control
Administrator, located in the Department of Revenue, who
will be in charge of matters of gold policy and administration
and who will seek the assistance of States administrations in
this task.

"When the Gold Control Rules were originally framed, it
was considered that the most convenient method was to issue
them in the form of amendments to the Defence of India
Rules. Considering the application of these rules to a very
large section of the community, both in regard to the use
of gold in industry and in regard to the use of gold as orna-
ments, Government feel that these rules should be replaced
by a statute, subject of course to the approval of the Parlia-
ment. Government, therefore, intend to bring up before
Parliament at a very early date a bill which might cover
both the short-term and the long-term objectives of Govern-
ment's gold policy.

Compulsory Deposit Scheme

"I now turn to the other matter which has been exercis-
ing the minds of the members of Parliament during the
session, namely, the Compulsory Deposit Scheme. As the
House is aware, three out of the five schemes contemplated
under the Compulsory Deposit Scheme Act, 1963, namely
those relating to land-revenue payers, urban immovable pro-
perty holders and sales tax payers, have not yet been brought
into effect. These schemes have to be implemented through
the States and local authorities concerned and draft schemes
were referred for their comments to State Governments. The
replies received have indicated numerous practical difficulties,
notably in the case of land-revenue payers. Not only the rates
at which tax on land is levied, but also the periods, methods
and agencies of collection vary widely from State to State.
In regard to the two other schemes also, it has been
represented that collection would pose difficulties. In many
cases, the municipal authorities do not impose any urban
property tax and would thus have no ready basis for col-
lecting compulsory deposits. The States have also complained
that the sales tax payers scheme would impose additional
burdens on their already hard-pressed sales tax authorities.
Besides, the out-turn from these two subsidiary schemes is
expected to be comparatively small.

"Quite apart from the administrative problems, there
were indications that many State Governments were far
from happy about the idea that an additional levy, even
though it was in the form of savings rather than tax, be
imposed upon land owners and the relatively lower income
urban groups. Since the main beneficiaries of the Compulsory
Deposit Scheme were the State Governments themselves and
the entire collection from the land revenue paying class would
have gone to them, the Government of India felt that it was but
fair to ask the State Governments to express their considered
opinion once again on the scheme as a whole. Accordingly, I
wrote to the Chief Ministers of all the States asking them
for their opinion as to whether these three schemes should
be implemented, modified or given up. The replies I have
received from them show that almost all of them are in
favour of abandoning the scheme for the land revenue payers

and most of them would prefer to see the schemes for the
urban property owners and sales tax payers also given up.
Some Chief Ministers have drawn pointed attention to the
fact that the levy of a compulsory deposit on land owners in
particular and the urban population generally would affect
the contribution to voluntary savings, a consideration which
we cannot ignore.

"In the light of these comments, the Government of
India have made a review of the Compulsory Deposit Scheme
as a whole. It is important to ensure equity of sacrifice
between people who belong, broadly speaking, to the same
income groups or to the same economic levels. We cannot
exempt the land revenue payers from this scheme without
giving relief to salaried workers as well.

"The Government of India have, therefore, decided that
schemes in respect of land revenue payers, urban immovable
property holders and sales tax payers, which have not yet
come into force, should be given up. As regards salaried
workers who are not in the income-tax paying category,
Government feel that similar relief should, in equity, be given
to them. Arrangements will be made to refund the deposits that
have already been made with interest with the least possible
delay. Income-tax payers, however, stand on a different foot-
ing. So far as they are concerned, the rate of income-tax on
them has gone up and they have the option to pay a part of
the increase in the shape of a contribution to the Compulsory
Deposit Scheme. A mere withdrawal of this scheme might
mean a greater hardship to them, because in lieu of a refund-
able deposit they would have to make an outright payment
in the shape of a tax. The scheme for income-tax payers will,
therefore, continue. I trust these changes will have the sup-
port of the House.

"The decisions which I have just announced would mean
a substantial loss of resources. Government, however, hope
that the loss would be more than made up by an increase in
voluntary savings. The House will be glad to know that dur-
ing the first 5 months of the current financial year, small
savings collections have been at a record figure of Rs. 31
crores, which is more than double the collections in the cor-
responding period last year. Government propose to intensify
their efforts for the collection of small savings and they trust
that State Governments who receive two-thirds of the col-
lection from small savings will also join in this effort with
renewed vigour."

WAGES IN JUTE INDUSTRY

THE CENTRAL Wage Board for the Jute Industry in its
report submitted to the Central Government a few day ago
and laid on the table of the Lok Sabha last week, has recom-
mended a general increase in the emoluments of all categories
of labour and clerical staff working in mill premises, linking
of their dearness allowance to the Working Class Consumer
Price Index and introduction of a standardised bonus scheme.
They will apply to all the jute mills now in existence, includ-
ing the spinning units, and also those that might be started
hereafter. Following are the more important recommenda-
tions of the Board:

No contract labour should be employed in connection
with the manual work in the jute mills. Even when contract
labour is employed, the principal employer should be liable
for payment of wages to the contract labour and it should
be the principal employer's responsibility to see that all laws
relating to labour are fully implemented.

The total minimum wage in the jute mills in West Bengal
at the working class consumer price index number of 425 for
Calcutta with the base year 1939 as 100 should be Rs. 81 per
month. It should consist of (1) Basic Wage, (2) Wage Board
Increment, and (3) Variable Dearness Allowance.

The existing eight basic wage groups in the jute mills in
West Bengal should be reduced into the following three groups:
(a) Basic wages of all workers within the existing wage groups

I to IV, i.e., Rs. 34.67, Rs. 35.75, Rs. 36.84 and Rs. 37.92 should be equated and fixed at Rs. 40.17; (b) Basic wages of workers within the wage groups of V to VII, i.e., Rs. 39.00, Rs. 40.09 and Rs. 41.17 should be equated and fixed at Rs. 41.17; (c) Basic wages of workers in the wage group VIII, i.e., of workers who are now at Rs. 42.25 and above, will be more or less the same, i.e., Rs. 42.25 and above.

The rate for the double (pair) loom weavers should be 80 per cent, instead of the present 75 per cent of the basic wages on the production of the two looms.

In addition to the basic wages, all categories of workers (except the clerical staff whose case has been dealt with separately) should be paid an increase of Rs. 8.33 per month inclusive of the interim relief of Rs. 3.42 per month. This increase should be shown as a separate item "Wage Board Increment", in case of all categories of workers. The Wage Board Increment should be treated as a part of the basic wage for all purposes like bonus, provident fund, etc.

Dearness Allowance

The present dearness allowance of Rs. 32.50 should be considered as the dearness allowance fixed at the working class consumer price index number of 425 for Calcutta with base year 1939 as 100. The dearness allowance should be a variable dearness allowance and the rate of increase or decrease should be 20 nP. per point rise or fall in the average working class consumer price index number for Calcutta. The dearness allowance should be revised every six months in the months of February and August on the basis of the average consumer price index number of previous half years — July to December and January to June, respectively.

The wages fixed by the Board whether time rates or piece rates, are on the basis of a 48 hour week. If for any reason the working hours in a week are less than the normal 48 hours, the wages of the workers should be calculated in the following manner: (i) The dearness allowance should not be reduced whatever may be the number of working hours; (ii) the basic wages also should not be reduced if the working hours in a week are not less than 45; (iii) when the working hours are less than 45 in a week, the basic wages fixed on the basis of 48 hours' week may be reduced proportionately. The conditions laid down in clauses (ii) and (iii) should apply only to the time-rated workers.

All categories of workers (except the clerical staff) in jute mills outside West Bengal should be paid Rs. 8.33 per month inclusive of the interim relief of Rs. 3.42, as "Wage Board Increment".

The rate of dearness allowance of all categories of workers including the clerical staff in Sri Hurdutroy, Rameshwara, Katihar and Raigarh jute mills should be the same as recommended for the jute mills in West Bengal. Fluctuation in the rate of dearness allowance in these mills in future should also be governed by the working class consumer price index number for Calcutta in the same manner as recommended for mills in West Bengal.

The rate of dearness allowance of all categories of workers including the clerical staff for Nellimarla and Chitavalsah jute mills, Arun Jute Rope and Twine Co. and Hindustan General Produce Co. should be fixed at Rs. 36.63 per month at the average working class consumer price index number of 479 for Vishakapatnam for the last 6 months of 1962 with the base year 1935-36 = 100. Further variation in the dearness allowance will be governed by the general formula with Visakhapatnam, index taken into consideration. Similar arrangements have been suggested for the jute mills workers in U.P. and Eluru area.

The piece rates in Sri Hurdutroy, Rameshwara Katihar, Raigarh, Nellimarla and Chitavalsah jute mills should be the same as the standardised piece rates applicable to the jute mills in West Bengal. In Raigarh Jute Mill, however, the

standardised piece rates in jute mills in West Bengal will be applied in a phased manner.

The employers in J.K., Maheshwari Devi, Mahabir, Sri Krishna and Shree Bajrang jute mills should fix the time rated wages of different categories of workers on the basis of the new minimum wage fixed by the Board maintaining the differential now in existence. In the case of piece rated workers, the piece rates should be so adjusted that the minimum earning operative is able to earn not less than the minimum wage recommended by the Board on the basis of the existing work loads and other existing conditions. Other piece rates should be fixed by keeping the present differentials intact. All operatives, both time rated and piece rated, should get the "Wage Board Increment" and dearness allowance. The intention of the Board is that the total pay packet of all workers should increase by at least Rs. 4.91 per month (in addition to the interim relief). In the case of a dispute between the employers and the workers about the wage rates and/or piece rates, as revised by the employers, the State Government concerned should take necessary steps to settle it.

The amount of expected earnings for the various piece rated occupations should also be reckoned as the minimum (fall-back) wages in the case of Sri Hurdutroy, Rameshwara, Katihar and Raigarh and Mellimarla and Chitavalsah jute mills for a month of 298 hours provided the workers do not adopt 'go-slow' methods. In Shree Bajrang jute mills the employers should work out the amount of expected earnings for the various categories of piece rated workers working with diligence and efficiency and be considered as minimum (fall-back) wages for a month of 208 hours provided the workers do not adopt 'go-slow' methods.

A standardised scheme of bonus is recommended for all mills in the country. But if bonus at a higher rate is payable or practice that award, agreement or practice should continue to remain in force and bonus would be payable thereunder and not under the recommendations of the Board.

Basis for Bonus

The bonus for the year 1963 is payable on the basis of the basic wages drawn by the workers in the year 1962, the Bengal should be calculated either according to the basic wages drawn by the workers in each mill in 1962 or by assuming whichever is higher. In future years the bonus will be paid according to the wages drawn in the preceding year.

Age of retirement of men workers should be 58 years and of women workers 55 years. It will, however, be open but this should be without prejudice to the right of workers to claim gratuity.

The Board has come to the conclusion that there was no need of granting night shift allowance. But it has recommended that any existing practice in this connection favourable to the workers should not be disturbed.

The new wage structure recommended by the Board should come into effect from 1st July, 1963, and its recommendations should remain effective upto 31st December, 1967.

After the Government accepts and publishes the recommendations, the payment of wages, etc., at the new rates should start as early as possible and in any case not later than the wages for the week ending 2nd November, 1963 (payable in the following week). The difference in emoluments between the new and old wages, etc., from 1st July till the date from which the new wage structure is actually introduced should be paid on or before 23rd November, 1963.

Problems of Indian Poverty

By K. SANTHANAM

IT IS COMMON experience that a person is his own worst advocate. The desire of Dr. Lohia to focus national attention on the problem of poverty during the no-confidence motion in Lok Sabha was altogether commendable. Unfortunately, the entire subject was side-tracked by his fantastic assertion that 270 million of people in this country were having a per capita income of three annas per day. Even if that were the truth, it would not have meant much. As Mr. Gulzarilal Nanda stated in his reply, "that a very large mass of the people of this country are steeped in poverty is not in question".

Probably, what Dr. Lohia wanted to say was that the per capita income of these people had not increased as a result of the three Plans. Even that of course would have been palpably false. No one can question the correctness of Mr. Nanda's statement that the estimated average per capita expenditure for 60 per cent of the population counting from the bottom was 7.5 annas a day. Nor is there any doubt that for the vast majority of the population living conditions have improved. Still, if Dr. Lohia had been more careful, he could have formulated the issue of Indian poverty in terms which it would have been difficult for the Government spokesman not to concede.

Fundamental Mistake

I feel that one of the fundamental mistakes of our planning is to assume that poverty is a general condition almost similar to all sections of the people except in the degree of its incidence. On the basis of this assumption, it is natural to conclude that, if the national income of India can grow at a reasonable rate, employment opportunities expand and social services develop, poverty will be lightened at least proportionately to all sections, though social justice would require that the distribution of the increased national income should be in inverse proportion to the per capita income of the various sections. It is now more or less generally accepted that the tendency has been in the opposite direction and that the more prosperous sections of the people have benefited more from planning than the less fortunate classes. Yet it is generally assumed that even though the poorer sections may not have benefited as much as they should, there are none whose conditions have not improved to a significant extent.

I think that this method of approach is not satisfactory. Indian poverty is not a single problem. In my view it consists of many problems, each of which requires a distinct evaluation and separate treatment. Though this is true of both urban and rural poverty, I propose to confine myself in this article

to the condition of the rural masses. The problems of these masses can be stated as follows:

- (1) Is there any section of the population which has not benefited at all by the total increase of national income as a result of planning, and therefore unlikely to be benefited by future plans unless the character of these plans is radically altered? What is its proportion to the total population and what are the changes that are necessary to improve that condition?
- (2) What is the proportion of population which, though it may have been benefited to some extent by planning is still living below the margin of subsistence, that is to say, does not get more than two-thirds of the minimum food, and half the minimum clothing that it should have? Why have 15 years of planning been unable to raise this section above the subsistence level and what changes should be made in the plans so that its standard of living may be improved as speedily as possible?
- (3) What is the proportion of the people who, though above the subsistence level, are still below the poverty line, i.e. whose incomes are just enough for their essential necessities, and leave no margin for any cultural or social activity?
- (4) What is the proportion of the rural population which can be said to be above the poverty line and what is the proportion of the increase in the total rural income which is appropriated by this class?

I do not claim to have adequate material to give correct replies to all these questions. But from the official publications of the Planning Commission and the National Sample Surveys, it is possible to give some tentative answers which may find general acceptance.

From the figures quoted on page 392 of "Eastern Economist" of August 30, 1963 we find that 14.89 per cent of the rural population have got a monthly per capita expenditure of less than Rs. 8. In Indian conditions, it is better to think in terms of families rather than individuals. Assuming the average family to consist of five persons, this means that 15 per cent of rural families have an income of less than Rs. 40 per month, or Rs. 480 per year. I do not think it is a bad guess to suggest that out of this 15 per cent, 10 per cent are likely to have an annual income of about Rs. 300 per year. This class will consist of families whose bread-winners are dead, disabled, or sick. It may also consist of families of landless agricultural labourers in areas where rainfall is scanty and, therefore, there is little scope for work, or in



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those areas where population is so dense that a large number is compelled to be idle for the greater part of the year. It is difficult to imagine how improved agriculture, increased industrialisation or the expansion of social services can benefit this destitute class. I am convinced that only a system of direct poor relief is likely to benefit them. Assuming that the total number of rural families is 70 million, the number of these destitute families may be of the order of seven million, and if an annual relief of Rs. 100 per family can be given in the form of grain and clothes, it will cost Rs. 70 crores a year. Undoubtedly, this will be a severe burden on our public finances, but denial of such relief means an inexcusable and heartless neglect of people who live in a perpetual state of deprivation.

Nearly 70 per cent of the rural population have a per capita income of less than Rs. 15 per month. Deducting the 10 per cent of destitutes, 60 per cent of the rural families get an annual income of less than Rs. 900. From the National Sample Survey Report No. 74 on Land Holdings I find that 71.23 per cent of land holdings are less than five acres out of which 10 per cent have no land at all. In this connection, it should be remembered that the irrigated area is about 20 per cent of the total cultivated area. Therefore, the income of this 60 per cent of families who are living below the subsistence level has to come out of five acres of dry land or one acre of irrigated land. It is hardly likely that this class has benefited considerably from efforts to improve agricultural implements. As it operates only 15 per cent of the cultivated land, its benefit is also likely to be of the same order. This class must have benefited also by the promotion of Khadi and village industries. It is stated in this year's August issue of the "Khadi World", the official publication of the Khadi and Village Industries Commission, that by the end of 1961-62 opportunities for employment were created for 1.5 million part-time spinners, and in other village industries for an additional 170,000.

Drop in the Ocean

It is no exaggeration to say that out of over 40 million families in this class, the provision of part-time work for 1.7 million, likely to give an additional income for a family of Rs. 100 per year, is a mere drop in the ocean. It may also be conceded that this class has benefited by the spread of elementary education, particularly where the children are provided with mid-day meals. Perhaps, the one step which can benefit most this class is to provide mid-day meals, free clothing and books to the children. Extension of public works in the rural areas and provision of employment when there is no work in the field are likely to assist this class. But as Plan expenditure on these items has been a small fraction of the total, it will not be wrong to conclude that this class has not benefited proportionately in the increase of national income.

Poverty is a relative term and any line which may be drawn separating the poor and the well-to-do is bound to be rather arbitrary. Still I do not think that there will be serious objection to considering that families with a per capita income of less than Re. 1 per day are below the poverty line. This will mean an income of Rs. 1800 per annum for a family of five persons, and any rural investigator will be able to demonstrate that with this income no family will be able to do anything more than feed or clothe itself. This class consists of 20 per cent of the rural families with holdings between five and 15 dry acres and one to three irrigated acres. This class has undoubtedly benefited by all the measures taken to improve agriculture, but much of this benefit has probably been neutralised by fluctuations in prices and loss of harvest due to drought or floods. It is imperative that steps should be taken to stabilise prices and provide crop insurance if the progress of this class is to be sustained. This class ope-

rates 40 per cent of the cultivated land.

To borrow the striking caption of the cover page of "Eastern Economist" of September 13, the anatomy of rural poverty is there as follows:

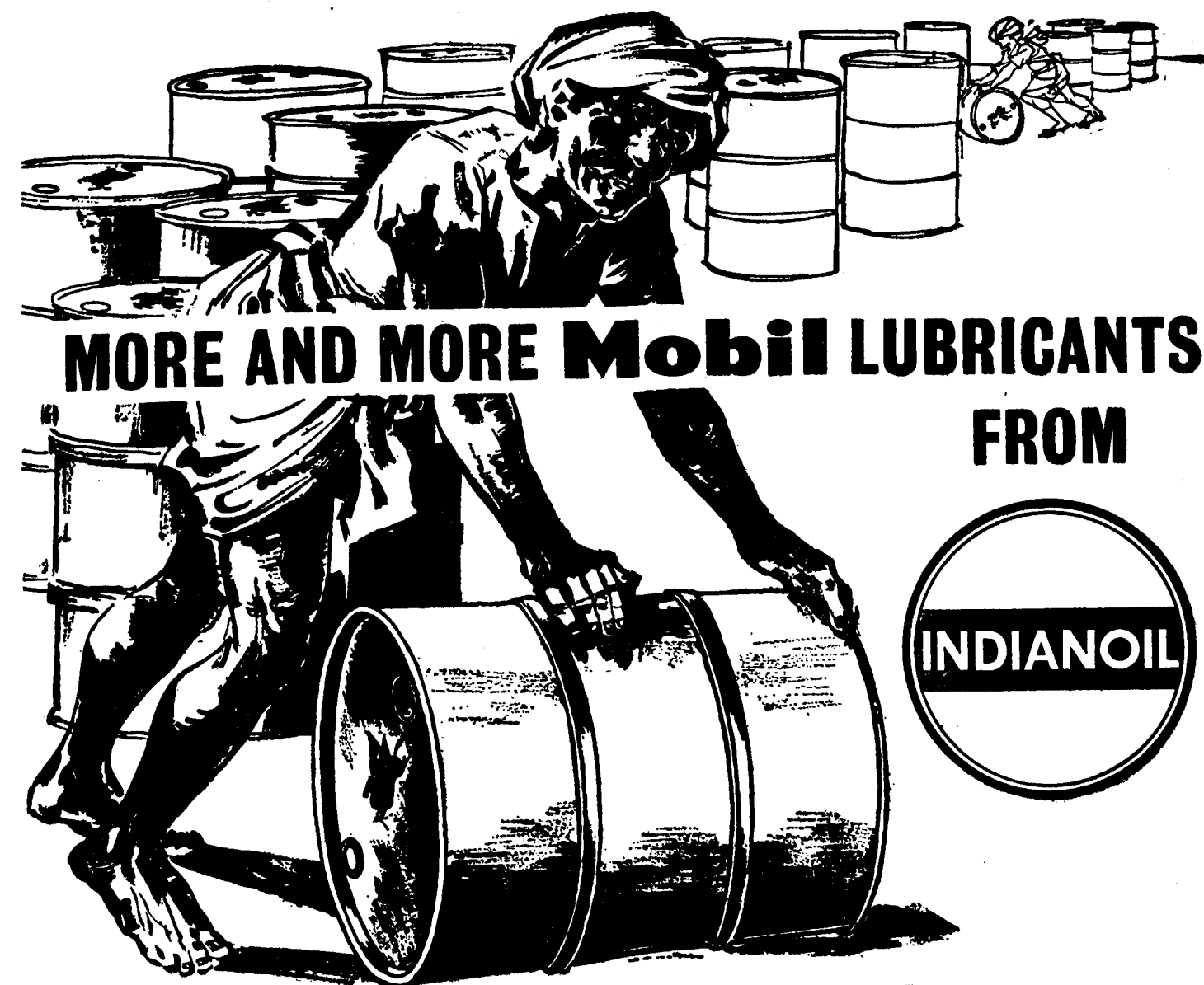
Destitutes — 10 per cent or seven million families; Below subsistence level — 60 per cent or 42 million families; Below the poverty line — 20 per cent or 14 million families; Above poverty line — 10 per cent or seven million families.

I have no basis for any estimate of the share of each of the last three classes in the total increase of income of rural India. But as the top 10 per cent operates on 45 per cent, the next 20 per cent on 40 per cent, and the third 60 per cent only 15 per cent of the cultivated area, their benefits also are likely to be in the same proportion. The bottom 10 per cent has not benefited at all. Social justice requires that conscious steps should be taken to assist the disinherited and weak sectors and secure a more equitable redistribution of increasing prosperity.

Eastern Economist 20 Years Ago SEPTEMBER 24, 1943

Engrossed as he is in devising so-called anti-inflationary measures the Finance Member apparently has little time or inclination to look ahead and examine the impact of high taxation on industrial development in the future. That the weight of taxation is extremely heavy and burdensome and will have adverse effects on enterprise and initiative in the future cannot be denied by anyone. Even those students of economics, who often institute comparison between India and Great Britain and U.S.A. in respect of the incidence of taxation without sufficient regard to the difference in their industrial and economic development will now concede that India compares favourably both as to the proportion which total tax revenue bears to total expenditure and that which direct taxation bears to indirect. As has been pointed out recently by the Governor of the Reserve Bank of India, "the proportion of tax revenue to total expenditure during 1942-43 was 50 per cent in U.K., 55 per cent in India; around these figures in other Empire countries and 26 per cent in U.S.A. Of taxation again the increase in direct taxation has been far greater than in the total has undergone significant increase in many countries. In the U.K. this proportion has increased from 56 per cent to 64 per cent between the pre-war and 1942-43, while revenue increased from 24 to 61 per cent. In Canada the percentage of direct to total taxation has increased from 37 to 64 per cent and in U.S.A. from 50 to 73 per cent". The country bears the high taxation at present with fortitude recognizing the inexorable demands of the war, but the response minimized is all the greater. One of the serious defects in our fiscal policy in the past has been a lack of balance between our fiscal development and economic development. An up-to-date and twentieth century tax system has been sought to be built upon a nineteenth century economic structure and on a scheme of public and social expenditure which is antediluvian and an anachronism. It has resulted in burdens without compensations, in taxation being merely restrictive and in all-balanced expenditure. There is perhaps no other country where the scale of beneficent public expenditure is so low, as revealed by conditions of literacy, health, sanitation and medical aid.

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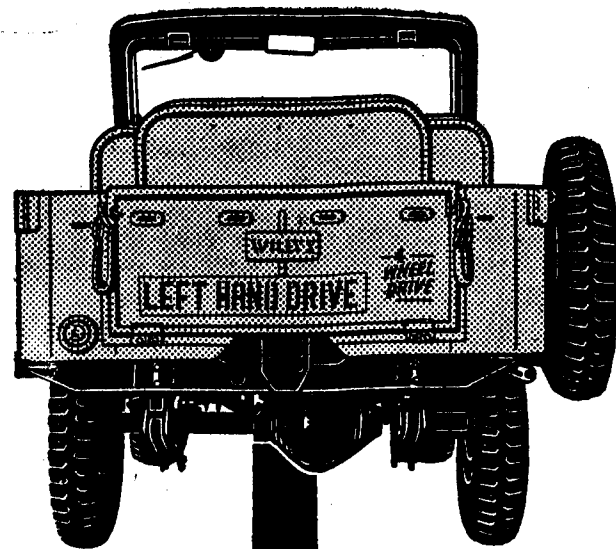
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BUY NATIONAL DEFENCE CERTIFICATES

FROM THE PRESS GALLERY

Mr. Chavan has Arrived

By Our Parliamentary Correspondent

NEW DELHI, Tuesday:

BEFORE THE Lok Sabha adjourned "sine die" last Saturday, the Defence Minister, Mr. Yashwant Rao Chavan, replying to a two-day debate on the NEFA reverses, had made a speech which confirmed the impression created by him earlier while speaking on the same subject in the Rajya Sabha that the Defence Ministry is now led by a Minister who can be relied upon to give it political leadership of the highest integrity and competence.

Mr. Chavan's two speeches in Parliament last week were indeed the biggest thing that has happened to boost the morale of the people after the sad days of October-November — barring, of course, the exit of Mr. Krishna Menon from the Defence Ministry. There has been for some time now a whispering campaign that Mr. Chavan has not been as effective as he should be and that he is perhaps not equal to the challenge of administering such a complex portfolio as Defence. Such doubts must now disperse and disappear. It is clear that the present Defence Minister has been unostentatiously going about his duty of getting a firm grasp of the difficult problems of his charge and charting his own strategy and tactics for the proper discharge of his responsibilities.

In handling the debates in the two Houses, Mr. Chavan clearly demonstrated that he was master in his own house. It is often said that the Defence Minister is not an impressive debater, that he lacks the oratory of Mr. Patil, the virtuosity of Mr. Menon or the assurance of Mr. T. T. Krishnamachari. But Mr. Chavan does know his business and while he relies more on the soft word that turneth away wrath, he showed last week that he could be deadly when he wanted to. The way he disposed of Mr. A. D. Mani in the Upper House and that precious pair, Mr. Frank Anthony and Mr. Nath Rai, in the Lower House was a treat. Lately, Mr. Frank Anthony has been scaling new heights in Parliamentary irresponsibility, while Mr. Nath Rai is settling down more and more into a pattern of political conduct which it is not unfair to describe as a state of juvenile delinquency. If Mr. Frank Anthony had been reduced to a rag doll after Mr. Chavan had exposed the hollowness of his manufactured bitterness, Mr. Nath Rai fared even worse. More in sadness than in anger the Defence Minister rebuked him for spreading demoralisation among the people through indulgence in such extravagant charges as that every secretariat in the Government has a pro-Chinese Communist cell — and after that even the usually irrepressible Mr. Nath Rai looked like a drowned, very dead, kitten.

The discussions on these occasions in the two Houses were perhaps the best debating performances of the Monsoon session. They certainly elicited an unusually large number of impressive individual contributions. Mr. A. B. Vajpayee (Jan Sangh) and Mr. M. N. Govindan Nair (Communist) in the Rajya Sabha and in the Lok Sabha Mr. Prakash Vir Shastri, Mr. Indrajit Gupta and Mr. K. C. Pant, among others, made notable contributions. An interesting feature of the debates in the two Houses was that the Communists joined others in criticising the Government for its military unpreparedness on the eve of the Chinese attack. Equally interesting was the clear division in attitudes between the Communists on the one hand and non-Communist Opposition groups on the other where apportionment of responsibility was concerned. While Mr. Prakash Vir Shastri, Mr. Frank Anthony and Mr. Nath Rai held the former Defence Minister to be the villain of the piece, Mr. Indrajit Gupta suggested

that the blame should rest mainly on the military chiefs or rather on one particular General. The dominant impression left by speeches of the critics was that it was in the public interest that the Government should not shirk the issue of individual responsibility. In the circumstances, it was all the more to the credit of Mr. Chavan that, through his conciliatory and tactful speeches in the two Houses he very nearly, if not quite, succeeded in persuading Parliament that no useful purpose would be served by attempting to court-marshal a General here or impeach a Minister there. His clear and categorical assertion that there had been no political interference with the actual conduct of the military operations and his assurance that the Government had not withheld from Parliament any material in the report of the inquiry into the NEFA reverses which might support a contrary view were certainly reassuring.

In constructive terms, the debates on the NEFA reverses seem to have succeeded in imparting a new realism to the conduct of this country's defence policy. Mr. Chavan assured the two Houses that greater attention would be paid to the testing of the battle qualities of commanding officers, evolving a more satisfactory pattern of relationships between jawans and officers, the principle of merit in the making of promotions and the establishment of an efficient and adequate organisation for military intelligence. The Defence Minister pointed out that while the Government would continue to invite and accept offers of military equipment from all and assistance from friendly sources abroad, the policy would be to build up defence production within the country as rapidly as and to the greatest extent possible. Mr. Chavan, however, admitted that progress in this field would necessarily be determined by the state of the nation's individual and technological capabilities. Significantly, the Defence Minister served notice that the nation ought not to be unduly surprised if his Ministry was not able to spend all the money allotted to it in the Central budget this year.

The Seventeenth Amendment

After a seven-hour debate, the Lok Sabha last week, referred the controversial Constitution (Seventeenth Amendment) Bill to a Joint Select Committee of the two Houses of Parliament. The Swatantra Party's motion for circulating the Bill for eliciting public opinion was lost by 189 votes to 29. This led to a protest walk-out by the members of the Swatantra Party and Akali Dal.

The impressive array of voting in favour of the Law Minister, Mr. A. K. Sen's motion to refer the Bill to a Joint Select Committee, however, did not mean that there was unreserved or uncritical backing for it. The debate all through was very acrimonious. Mr. Sen too could proceed with his reply only amidst frequent interruptions from all sections of the House, not excluding the Congress benches or even the Communist members who generously supported the measure. The Swatantra Party objected to the very principle of the Bill. The Praja Socialist and the DMK members lent only qualified support. They wanted an assurance that no harm would be done by this amendment of the Constitution to small peasant proprietors and that adequate compensation would be paid for the land acquired.

The Bill seeks to redefine the expression "estate" in Article 31A of the Constitution by including within its scope lands held under the ryotwari settlements and also other lands in respect of which provisions had normally been made in land reform enactments. It further seeks to amend the Nineth

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Schedule by including in it 144 State enactments relating to land reforms, with a view to removing any uncertainty or doubt that might arise in regard to their validity.

The Law Minister, in his reply to the debate, endeavoured to impress upon the House that by incorporating this amendment in the Constitution, the Government did not intend to deprive the tiller of his land. It was meant to confer on him proprietorship rights by taking away excess land from those who never cultivated it themselves. Mr Sen contended that the whole object of this legislation was to make the peasant the core of the country's agricultural life.

The Rajya Sabha, subsequently also agreed to the motion for its reference to the Joint Select Committee. The debate in this House too was quite acrimonious and critical. Explaining the Jan Sangh point of view, Mr V. K. Chordia said that there could be no two opinions that the tiller of the land should be given the ownership of it. If, however, proprietary rights were ended by nominal compensation and a new type of zamindari was created in the garb of co-operative societies, it had to be resisted. The Swatantra Party declined to associate itself with the Select Committee.

Committee for Public Sector

Just before the House adjourned, the Minister of Industry, Mr. Nityanand Kanungo, moved in the Lok Sabha two motions to provide for the setting up of a 15-member Committee of the two Houses of Parliament—ten from the Lok Sabha and five from the Rajya Sabha—to scrutinise the working of the public sector undertakings. Discussion on the motions will take place during the next session.

The functions of the proposed Committee will be: (i) to examine the reports and accounts of the public sector undertakings; (ii) to examine the reports of the Comptroller and Auditor-General on these enterprises; (iii) to scrutinise, in the context of the autonomy and efficiency of the public sector undertakings, whether their affairs are being managed in accordance with sound business principles and prudent commercial practices; and (iv) such other functions as are vested in the Public Accounts Committee and the Estimates Committee of Parliament in relation to these concerns. It has, however, been stipulated that the Committee shall not examine and investigate matters of major Government policy, as distinct from business or commercial functions of the public sector undertakings, and also those relating to day-to-day administration.

The members of the Committee will hold office for a period of five years. One-fifth of the members will retire every year by rotation. They will be those who would have been the longest in office since their last election. Lots will be drawn to determine who amongst the Members who were elected on the same day, should retire.

The Committee's jurisdiction will extend to seven public sector undertakings — (a) the Damodar Valley Corporation; (b) the Industrial Finance Corporation; (c) the Indian Airlines Corporation; (d) Air-India; (e) the Life Insurance Corporation of India; (f) the Central Warehousing Corporation and (g) the Oil and Natural Gas Commission — set up under Central Acts and to those established under the Companies Act and whose reports are placed before the Parliament. It will also cover the following four undertakings administered by the Defence Ministry: (a) Hindustan Aircraft Ltd., (b) Bharat Electronics Ltd., (c) Mazagaon Docks, and (d) Garden Reach Workshop.

Management Reorganisation

The Minister for Steel and Heavy Industries, Mr. C. Subramaniam, detailed in the Lok Sabha last week steps for reorganising the management of the public sector undertakings under the charge of his Ministry. To begin with, these important changes are being made in the managements of the Durga-

pur steelworks and the Sindri fertilizer factory. The reorganisation programme has been designed in the light of the industrial management practices in multi-plant organisations in other countries and is aimed at placing a larger measure of operating authority at the plant level and minimizing the need of scrutiny by the Ministry or by the Headquarters at Hindustan Steel and the Fertilizer Corporation of India in the day-to-day operations of these plants.

The authority to appoint, promote and discharge persons within the plant organisations at Durgapur and Sindri is to be handed over to the General Managers. They will, in return, delegate appropriate sub-responsibilities to the heads of the units under them. The General Managers will remain responsible to their Boards of Directors and to the Chief Executives for the efficient operation of their plants.

The plant managements at Durgapur and Sindri are also to be given authorities to decide within the ambit of their budgets, how many senior or junior posts they should have. They will be free to recognize merit by promoting employees from one grade to another or by giving advance increments. Specialized bonus schemes may also be introduced in these two plants on the advice of their managements.

The second important change being made is that the responsibility of timely purchases of replacements and stores will be that of the General Managers and their Purchase Departments who will have the authority, if necessary, to override the Financial Advisers' advice. This is being done to ensure uninterrupted production. The idea is not to side-track the Finance Officers of the plants, but to control their powers in the interest of efficient functioning of the undertakings.

A new office is also to be established at the two plants. It will be known as that of Commercial Manager or Commercial Superintendent. One of the important functions of this officer will be to provide a good liaison between sales and production so that production can be undertaken efficiently for satisfying the needs of the consumers.

Specialised Talent

Mr. Subramaniam was convinced that in many of the public sector undertakings there was need to bring in more specialized and experienced talent to the office of the Personnel Manager. He also considered it essential to define the staff and service functions of the Personnel Managers as also the Financial Advisers and Chief Accounts Officers; their role, he said, should be to tender advice to the General Managers and not to hinder working of the plants by considering themselves as administrators of personnel and financial rules and regulations.

Mr Subramaniam was of the opinion that excessive manpower adds to costs in many of the public sector plants, particularly the Sindri unit. In the steel and fertilizer industries, he added, labour employed per ton of product was several times more than in the comparable operations abroad. One of the causes of this over-manning, he pointed out, was excessive leave and absenteeism. There was need to tighten up the procedures in this regard. To give the General Managers specialized legal advice, particularly at Sindri, an experienced labour lawyer might be employed, said Mr. Subramaniam. This was intended to relieve the management of its uncertainties in labour law interpretation and for handling competently claims and litigations should they arise.

In regard to the Auditor-General's role in auditing public sector undertakings, Mr. Subramaniam stated: "The Auditor-General of India, under our Companies Act has the authority to designate chartered accountants, giving them such special instructions as he sees fit to carry out the work of auditing our public sector enterprises. He has long since designated an approved list of chartered public accountants. They are presently auditing our public sector enterprises. In addition,

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the Auditor-General has his staff located at the plants to go into matters which chartered accountants in this and other countries do not deal with. I would personally have very much preferred that at Durgapur and Sindri these auditors could be withdrawn and the audit confined to the examination by the chartered accountants as in other countries which also have public sector plants. Till, however, this can be done, it is the intention that a separate officer be nominated in each plant to deal with whatever audit queries may be received and to leave the General Manager and his operating staff free to devote their entire time to the efficient running of their units."

Car Prices

Replying to a half-an-hour discussion raised by Mr. Sinhasan Singh (Congress) who complained that the prices of cars manufactured in the country were higher than world prices, Mr. Subramaniam expressed the opinion that as long as the production in the car manufacturing units in this country was not raised to the economic level—which according to some was 100,000 vehicles per annum and according to some others 60,000 vehicles — there was no possibility of their production costs coming down to levels comparable to those in other countries. There was also the fact that the cost of indigenous components was high. Due to a low priority being accorded to the manufacture of cars, their production had gone down further recently. In July and August this year, no Ambassador car could be produced owing to paucity of matching imported components (production, of course, was expected to start this month as some foreign exchange had been allocated). The indigenous content of this car is expected to be raised to 90 per cent by the end of the current year from the present level of 80 per cent. Car manufacturers had asked for increase in prices on the ground that the cost of production had gone up. A cost examination was completed recently and the matter is under the consideration of the Government. In deciding how much increase should be allowed in the price of cars, the Government, Mr. Subramaniam said, would take into account the higher cost of procuring indigenous components, compared to their cost elsewhere. He also said that manufacturers' applications for the expansion of capacity would be considered after they had stepped up the indigenous content to 90 per cent. This, it was expected, would be by 1964.

Gauhati Refinery

In a detailed statement he made on the working of the Gauhati Refinery, the Minister for Mines and Fuel, Mr. O. V. Alagesan, stated in the Lok Sabha that the damaged kerosene refining unit of this undertaking had now been repaired and recommissioned. Since the second week of August last, the refinery had been operating to its full or nearly full designed capacity which was 2,250 tons per day. He assured the House that the refinery would henceforward operate satisfactorily and its products would be available according to the optimum expectations.

Mr. Alagesan also told the House that since early September, the Railways had made special efforts to meet the full wagon requirements of the refinery. The despatches had now increased to 66 wagons per day; during the first two weeks of this month over 20,000 tonnes of products had been despatched. This represented a substantial improvement over the movements in the previous month.

The Minister confirmed that the trouble in the kerosene refining unit had been caused by the difficulty of maintaining the water content of SO₂ within the permissible limit of 0.08 per cent. The water content, he added, had been varying from 0.06 to 0.25 per cent. The reason for this seemed to be the malfunctioning of the fractionating column (drying column) which was intended to separate the water from

SO₂. The high water content had contributed to excessive corrosion of the steam re-boilers in the kerosene unit which, after consequential rupture had further increased the water content, causing more corrosion. Similarly, the inter-coolers and the compressors in the kerosene unit had been badly corroded and the working of the compressors adversely affected. With the assistance of the Rumanian experts, under the leadership of the Deputy Minister for Oil of the Rumanian Government, the kerosene unit had now been completely overhauled. The Rumanians had also arranged for the supply, at their cost, of the replacement parts and spares needed. The Minister expressed warm appreciation of the co-operation which the Government of Rumania had extended in this matter.

Question Hour

Manufacture of MIGs: The Minister for Defence Production, Mr. K. Raghuramiah, giving further information on the manufacture of MIG aircraft, revealed in the Rajya Sabha last week that the project report on the scheme was in the final stages of completion. The two factories under this project were to be set up at Koraput in Orissa and Nasik in Maharashtra respectively. Detailed survey and demarcation of the two sites, the Minister added, had been completed and acquisition proceedings were under way. The State Governments, which would act as the agents of the Government of India for civil construction work, had mobilized their engineering departments for the job. The detailed estimates of the first phase of construction programmes of the two plants had been completed and were under administrative approval. Construction work would begin as soon as the tendering was over. A technical training school had been started at Nasik on August 16 and the training scheme for the Koraput factory was being finalized. A limited company in the public sector under the name Aeronautics (India) Ltd., had been formed to implement the project. Both factories were expected to be commissioned in 1965. Replying to another question on this subject on a subsequent day, Mr. Raghuramiah further stated that the MIGs to be manufactured in India would be of the improved type.

New Air Force 'Drome: The Minister for Defence, Mr. Y. B. Chavan, stated in the Rajya Sabha that an alternative site had been selected at Hindan, near Ghaziabad for an airfield for the exclusive use of the Indian Air Force, and that construction work would be taken in hand shortly. After the Hindan project was completed, the Air Force would use the Palam airport for certain limited purposes such as the needs of Communication Squadron (including the V.I.P. Squadron) and transport units.

Aircraft Maintenance: The Deputy Minister for Civil Aviation, Mr. Ahmed Mohiuddin, replying to a short notice question in the Lok Sabha, denied that there had been any deterioration in the maintenance of the IAC aircraft. During the period January-August this year, the IAC viscounts had reported engine trouble on five occasions and fire warnings thrice. The figures for the corresponding period in 1962 were one and three, respectively. All the three fire warnings this year had been false and were due to some wrong contacts in electric communication. The manufacturers were contacted and they had suggested certain modifications which were carried out in all the existing viscounts. Fire-fighting equipment at the Indian airports, the Minister added, were being augmented.

In reply to more questions on civil aviation, Mr. Mohiuddin gave the following information:

New Air Service. The IAC's plan to operate the Calcutta-Bhubneshwar air service upto Visakhapatnam with a Fokker Friendship as part of the next winter schedule may have to

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be reviewed as a sequel to the loss of one of its viscounts recently.

Helicopter Service: The Government of India has under examination the economies of operating a Helicopter service between Calcutta and Dum Dum.

Caravelle Aircraft: Three Caravelle jet aircraft will be delivered to the Indian Airlines Corporation between November and January next. They will cost Rs. 5.71 crores.

Investment in Public Sector Steel Plants: The Minister for Steel and Heavy Industries, Mr. C. Subramaniam, disclosed in the Rajya Sabha that an investment to the tune of Rs. 698.12 crores had been made upto March 31, 1963, in the three public sector steel plants — Rs. 224.78 crores in Bhilai, Rs. 271.38 crores in Rourkela and Rs. 201.96 crores in Durgapur. Providing for depreciation and interest on loans up to that date, the Hindustan Steel Ltd. (which operates the three public sector steel plants) was estimated to have suffered a loss of Rs. 61.55 crores.

Mr. Subramaniam gave the following further information in regard to steel:

Steel Equalisation Fund: The balance in the Iron and Steel Equalisation Fund on January 31, 1961, was Rs. 40.56 crores. A sum of Rs. 74.24 crores was credited to this Fund between February, 1961, and July, 1963. Out of this, a sum of Rs. 51.97 crores was spent on account of subsidy on imports, payment to the main producers on account of increase in retention prices in the past periods, adjustments of freight with producers and re-rollers, charges on TCA steel, etc. This left a balance of Rs. 62.83 crores at the end of July this year.

Arrears with Steel Importers: Against the provisional amount of Rs. 49.14 crores claimed by the Iron and Steel Controller from the importers, a sum of Rs. 37.25 crores had been realized upto July 31, 1963. The balance of claims amounted to Rs. 11.89 crores. This does not take into account the counter-claim of importers on account of transport charges and subsidy payment. These are to be set off against the gross amount due. The delay in the finalization and realization of the amount due from the importers is due to such factors as delay in the delivery of materials for want of adequate financial arrangements on the part of the consignees, delay in the production of consignees' receipts, etc.

State Steel Costs: The works cost of steel ingots in all the three public sector steel plants, has come down between October, 1962, and May, 1963. The decline in the case of Rourkela and Bhilai has been only marginal. But in the case of Durgapur it has been of the order of 15.9 per cent. Durgapur at present has the lowest works cost for ingots.

Blast Furnaces: The Government of India proposes to license additional pig iron manufacturing capacity both in the public and the private sectors. The question of installation of a number of large and small blast furnaces is under study and firm decisions will be taken shortly. It is proposed to set up another blast furnace at Bhilai Steelworks in anticipation of the fourth Plan expansion programme.

The following information was given by Mr. Subramaniam in respect of some heavy industries.

Small Tractors: Of the three firms which had been licensed in 1960 for the manufacture of small tractors/power tillers, licences of two have been revoked because they had not made any progress in implementing their schemes. In view of the great demand for small tractors/power tillers, one more firm has been licensed in May, 1963, for the manufacture of power tillers. Schemes of two more firms have also been approved in principle. No import of small tractors or power tillers had been allowed so far. A proposal to import power tillers, however, is currently under consideration. There are no separate targets laid down under the third

Plan for the manufacture of small tractors and power tillers. The overall target for tractor manufacture by the end of 1965-66 is 10,000 numbers per annum.

The Minister for Agriculture, Dr. Ram Subhag Singh, in reply to another question, disclosed in the Rajya Sabha that 1,800 tractors were proposed to be purchased from the Communist countries—the Soviet Union, Poland, Czechoslovakia and Rumania—with a view to stepping up farm production. He hoped that in three or four years' time, India would be self-sufficient in tractors. At present 2,200 tractors were manufactured in the country annually.

Machine Tools: In a statement laid on the table of the Rajya Sabha, along with HMT's annual report for 1962-63, it was disclosed by the Minister for Steel and Heavy Industries that Hindustan Machine Tools Ltd., was planning to set up a fifth machine tools factory at Hyderabad. It already had two factories at Bangalore and expected to commission a third one at Pinjore (Punjab) in November this year. A fourth factory was being established by it at Kalamassery, near Ernakulam. The capital cost of each of the new factories was estimated at Rs. 7.75 crores out of which the foreign exchange component would be about Rs. 2 crores. The capital costs of the new units would be met entirely from the internal resources of HMT.

Successful Working

Hindustan Machine Tools earned a net profit (before levy of taxes) of Rs. 2.15 crores in 1962-63 as against Rs. 1.27 crores in the previous year. It declared a dividend of 10 per cent in the third successive year and attained the target capacity of 2,000 machine tools per annum with a monthly production rate of 165 machines from November, 1962, onwards.

HMT Watch Plant: The watch manufacturing unit of Hindustan Machine Tools will attain a level of 84 per cent to the remaining 16 per cent of "critical items," an assessment will be made later whether they can be manufactured here. The plant will be attaining a manufacturing capacity of 360,000 watches per annum in 1967-68. Adequate arrangements are being made for the sale and servicing of HMT watches.

Coking Coal: Mr. Alagesan told the Rajya Sabha that the known reserves of coking coal in India were about 2,800 million tons—approximately 5.6 per cent of the total proved reserves of coal, both coking and non-coking. Reserves of more than 5.6 per cent. The Government, he further said, were aware of the limited reserves of superior grade coal and had adopted the following measures with a view to ensuring their conservation: (i) stowing in coal mines; (ii) washing of inferior grade coal, particularly coking coal, with a view to improving the quality so that the direct consumption of superior grade coal could be reduced; (3) protective measures for safety of coal mines and in particular for removing the threat of danger to collieries from fires and floods and regulation of methods of working in coal mines; (4) classification of coal under various grades, to enable allocation of superior grades to only those categories of consumers who required these essentially; (5) blending of weakly coking coal in the mixture for coke oven plants in order to reduce correspondingly the consumption of good coking coal; and (6) conducting studies in development of technological improvements in the use of coke in steel plants.

Replying to another question, also in the Rajya Sabha, Mr. Alagesan admitted that stocks of Grade III coal had been of late increasing at the pithead; currently there were about three months' stocks at the pitheads.

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"There's a word for service," said Tata.

"Impeccable...smooth...prompt," suggested Fison.

"No, no," said Tata.

"Quiet...personal...careful," offered Ralli.

"Got it!" said Tata, a gleam in his eye.
"Integrated!"

Fison and Ralli agreed. Tata had a way with words.

Together they said, "We offer the farmer an integrated service. The finest range of fertilizers and pesticides in India. And what's more, we advise him on their use."

"A comprehensive service," said Ralli.

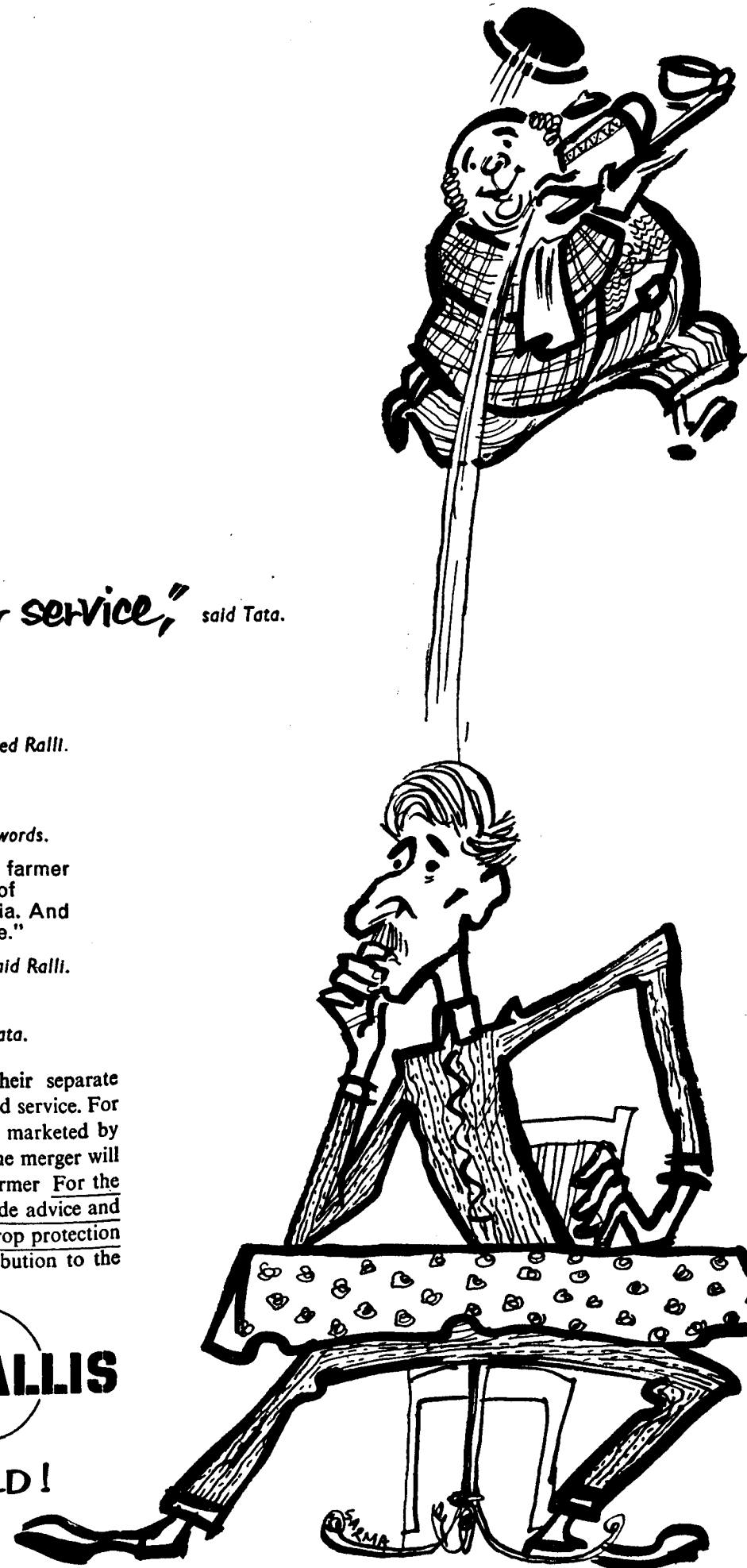
"A complete service," said Fison.

"An integrated service," said Tata.

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TATA-FISON RALLIS

COVER THE FIELD!



WINDOW ON THE WORLD

Finance Ministers Meet

From Our Special Correspondent

PARIS:

WHEN THE finance ministers assemble at the end of this month for the annual sessions of the IMF and the World Bank, they will no doubt exchange congratulations on their management of international monetary affairs. Finance ministers, more even than other politicians, are given to self-congratulation. It is an occupational disease with them, for their position requires that they exude confidence and complacency: living between the twin dangers of deflation and inflation, they are expected in the former case to inspire confidence among hesitant business men and, in the latter case, to discourage speculators by a show of confidence in a depreciating currency. For Stafford Cripps, the pound was perfectly sound right up to the day of devaluation and for Harding prosperity was assured right up to the day of the big crash. So when the clan foregathers, as this month in Washington, one cannot look for sessions of self-criticism.

Yet, amid the paeans of self-praise, there would be room for expressions of astonishment at the curious state of Western monetary affairs. The world's most powerful economy is losing blood at the rate of \$3,000 million a year and has been doing so since 1958 despite periodic assurances that the haemorrhage was about to dry up—and throughout it all, resources have been underemployed, notably human resources. (The millions of unemployed, apart from constituting an economic scandal, explain the revolt of the Negroes.) To the north, Canada has achieved the same feat of defying the economic textbooks by combining unemployment with an external deficit and, on this side of the water, Britain has done even worse by running together substantial unemployment, a precarious payments balance and rising prices. As if to demonstrate that every absurdity has two extremes, the Common Market countries have achieved the contrary (and contradictory) combination of overfull employment, inflation and massive payments surpluses. The economics primers say that the countries with millions out of work should have the payments surplus, and those with inflation and overfull employment should have the payments deficit; but the finance ministers have "changed all that."

Classic Treatment

Still, we should be grateful to them for not reading their primers too closely (though this sort of literature is even now popular in Basle, at the headquarters of the Bank for International Settlements.) Because if they had, they might have come to the conclusion that the classic treatment for the U.S. deficit was a stern deflation, and that the classic remedy for the Common Market's runaway prices was, similarly, a ruthless deflation. In that event, we would be headed for a slump of (at least) the proportions of 1930. Indeed, there are people in the USA and others in Continental Europe urging just such courses for each nation's predicament, presumably without seeing the catastrophic consequences that would flow from their advice being heeded simultaneously on both sides of the Atlantic.

How far we are from that may be seen by comparing the policies currently followed in the USA, to right the payments deficit, and in France, to correct the price-inflation. In neither case is there resort to measures that would damage the other

party by a competition in deflation. Washington proposes tax reductions to stimulate business and investment at home, while Paris carefully abstains from raising bank rate lest funds be attracted across the ocean, to the further embarrassment of the dollar. Exactly for such reasons, of course, theorists can claim that both policies are doomed to remain ineffectual: because they shrink from deflation, the USA will not succeed in stopping the outflow of gold and France will not master her price-inflation. One would prefer to reserve judgment; the carefully blended series of measures taken in each country will require time to have effect and meanwhile we have avoided the worst of both worlds, a coincidence of two deflations each decided upon for different reasons.

The fact stands that the malady has not been attacked at the root: capital is flowing out of the United States to accumulate idly in the reserves of France and West Germany. In the country whose gains have been by far the largest, France, this inrush of dollars has led to the creation of an equivalent volume of francs (minus the pre-payment of international debt) which is the main culprit of the secular inflationary trend, apart from the accidents referred to here last week. At the same time, because a proportion of these swollen reserves is left in the bank accounts in New York, they are, to that extent, still supporting the American credit structure although theoretically "lost" by the Americans to the French. It is difficult to decide how important is this fact that the same sums of dollars are being counted twice over, so that they lie at the base of two credit pyramids, but the inflationary impact of the flow of dollars into the Common Market is not to be denied.

The Two Remedies

There would be two ways (if we may state the obvious) of dealing with this situation: to stop the dollars going from the USA to the Common Market, or else, once they had arrived, to put them back in international circulation again. To take the first: this obstruction could be either (in fact or a discouragement to their arriving in West Europe. Minor steps of both sorts have been taken. As to the hindrance to their leaving the States, this is what Washington is aiming at with its equalisation tax on foreign loans floated in New York and its 15 per cent surcharge on U.S. purchase of foreign stock. But this is notoriously inadequate because, apart from the exclusion of Canadian borrowing from the tax (and Canadians are the biggest borrowers in New York, the measure does not cover direct investment by American corporations in the Common Market. Yet this is the biggest single item in the payments deficit. As for the discouragement to their arriving in Europe, even less has been done. France last month forbade her banks to borrow abroad on acceptable terms (thus shutting out some floating capital) but she has not succeeded in getting her partners in the Common Market to discuss restraint on U.S. direct investment. In the name of liberalism and non-discrimination, the pro-American European refusal to consider the one step that could best assist the USA's payments balance (and their own inflation).

To take the second: the Common Market is not putting back into circulation the dollars it is accumulating, because its financial markets are inefficient and expensive. It is in Paris and Frankfurt that Canada, Japan and the World Bank should be borrowing the money now collected in New York, to the

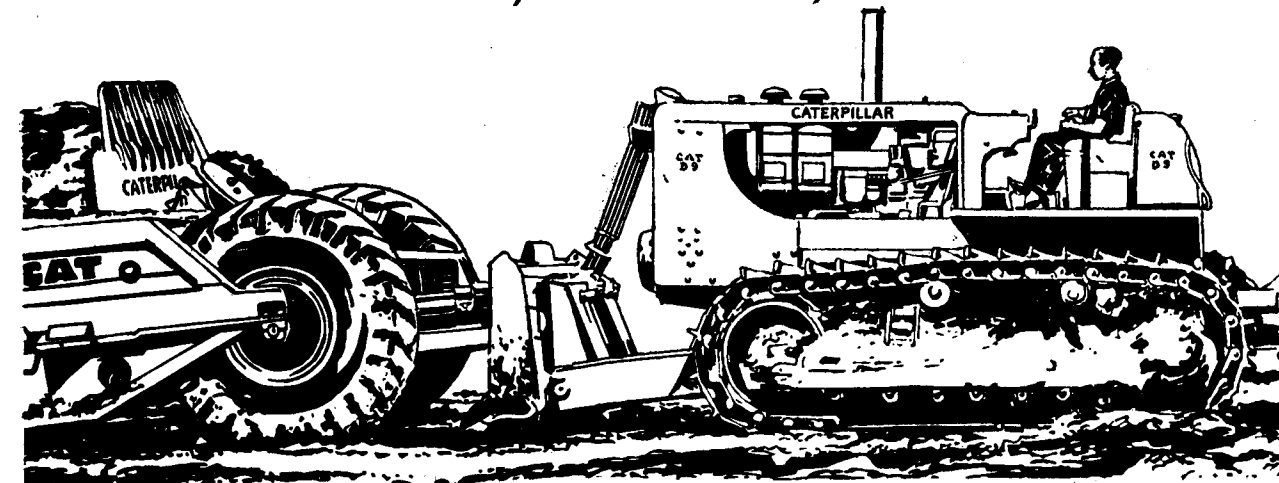
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detriment of the dollar's health. But the small size and high cost of loans in those European centres mean that borrowers will prefer to pay the equalisation tax in New York, where they can raise their money at one swoop and at a price that is still competitive. So funds will, in all probability, continue to quit the USA and to get stuck in Europe's sluggish financial mechanism. Reform and concentration of Continental financial markets would be a long task, but one does not see even a beginning being made in that direction. Other means of putting back into international currency the funds that France and West Germany do not know what to do with are similarly neglected, or inadequately explored. Such means would be the granting of untied loans to certain developing countries on a large scale, or the conversion of gold reserves into stockpiles of raw materials. It is here, incidentally, that we find the only genuine problem of "international liquidities"—not their absolute size but their velocity of circulation.

One cannot predict what will go on in the wings of the international monetary assembly this month (it is usually more important than what is said in public) but it is quite unlikely that anything will be done towards finding solutions at this fundamental level. We cannot deny the finance ministers the satisfaction of congratulating themselves on having avoided disastrous measures, on having discouraged speculation against the major currencies and on having shown themselves more thoughtful of other nations' troubles in seeking to repair their own. But they are left with their real problem, the flight of capital from underemployed economies to countries strug-

gling with inflation.

There exists the hope, explicitly stated by American leaders, that this paradox will be removed "by natural means" given time. Tax reductions, the maintenance of cheap money and various other stimulants to investment will decide U.S. capital to stay at home, once the wages and prices spiral in the Common Market makes that region less attractive to the giant corporations. For the medium-term future, this seems excessively optimistic. That half of the hypothesis that lies within Washington's power, the stimulation of investment opportunities at home, is surely well founded, but the other half is less so: one cannot see, that is, the Europeans letting their prices and wages get so far out of line that this region ceases to interest American investors—especially when these latter take account of the common external tariff which is more easily jumped by investments in Europe than by exports from the USA. Eventually, a closing of the gap between European and American prices and costs is, no doubt, a certainty but given the room for expansion in the Common Market this fact could leave Europe a more profitable site for investment for as much as a generation to come. Besides, the measures just taken by the French Government show that the Europeans will not sit idle while prices soar; similar steps will surely be taken in Italy before long, and to the extent that they succeed, the solution "by natural means" is postponed. Before such means begin to correct the anomalies in current capital movements, the Western finance ministers will be obliged to tackle the problem directly. If it is not this month, it must be later.

The Battle of Washington

By PAUL BAREAU

LONDON:

THE LINES of battle are being drawn for the great debate which will take place at the annual meeting of the International Monetary Fund to be held this year in Washington. The main issue stands out clearly: it is the adequacy of international reserves and of the mechanism for controlling their size.

On the one hand are ranged the traditionalists who believe that there is a sufficiency of world reserves and that the root trouble in the present international monetary situation is to be found in the persistent deficits that are being run by certain countries and notably by the United States. These deficits, they argue, could be cured by appropriate deflationary measures. To maintain them by the tricks of central banking co-operation and by the extension of international credit will merely ensure that the deficit countries will export their inflation to the surplus countries.

On the other hand there is the more forward looking and expansionist school of thought which holds that the rate of growth in the world economy is being held back by the inadequacy of international reserves; that the available amount of gold and international credit is inadequate to meet temporary balances of payments deficits. Those who argue thus contend that countries which are running temporary deficits in their balances of payments are given neither the time nor the means to correct them by the appropriate expansionist remedies and are, therefore, compelled in self defence to resort to restrictionist measures. These will affect them and in course of time infect others.

This, in many respects, is a replica of the familiar conflict on domestic economic policy. On the one hand are the

fundamentalists who argue that the rigid discipline of a monetary standard such as gold should be heeded, even to the extent of drastic deflation and creating unemployment. There are those, on the other hand, who argue that mankind was not made to serve any monetary standard but that monetary standards are there to further the interests of humanity. In this domestic context the debate has lost much of its fury; the fundamentalists are few and far between. But in the context of international monetary affairs, the fundamentalist school is still highly respected.

Denouncing the Myth

At the IMF meeting in Washington it will be expounded very forcibly by representatives of a number of Western European countries, including France and Germany. It will probably have a spokesman in the new Managing Director of the International Monetary Fund, the ex-Deputy Governor of the Bank of France, M. Paul-Pierre Schweitzer, who has just succeeded the late Mr. Per Jacobsson. In an interview which he gave before leaving Europe he indicated that one of the first "myths" he intended to denounce was the alleged inadequacy of international liquidity. He argued that there could be no such inadequacy since no one had ever heard of a commercial transaction which could not be financed for lack of credit facilities.

This argument holds a basic confusion. It is true that international trade is financed by credit facilities offered in the main by commercial banks and that these have so far proved adequate to satisfy the needs of creditworthy traders selling to equally creditworthy buyers. International reserves held by monetary authorities do not enter directly into the circulation of commercial credit. But there is a fundamental relation between the volume of world trade and the volume of international liquidity, this is because the greater the amount of world trade the greater will be the tendency for individual

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countries' balance of payments to drift into temporary disequilibrium. This tendency is being accentuated today by the move to ever greater convertibility of currencies and, therefore, by the greater ease with which short term capital flows from one market to another. It is, therefore, possible to argue that though world liquidity has nothing to do directly with the financing of international trade, the desirable expansion of world trade requires a greater volume of international reserves than exists today. M. Schweitzer's argument, that because no commercial transactions have ever been held back by lack of credit there is therefore an adequate supply of international liquidity, is a non-sequitur which it is astonishing to have to attribute to a citizen of France, that nation of logicians.

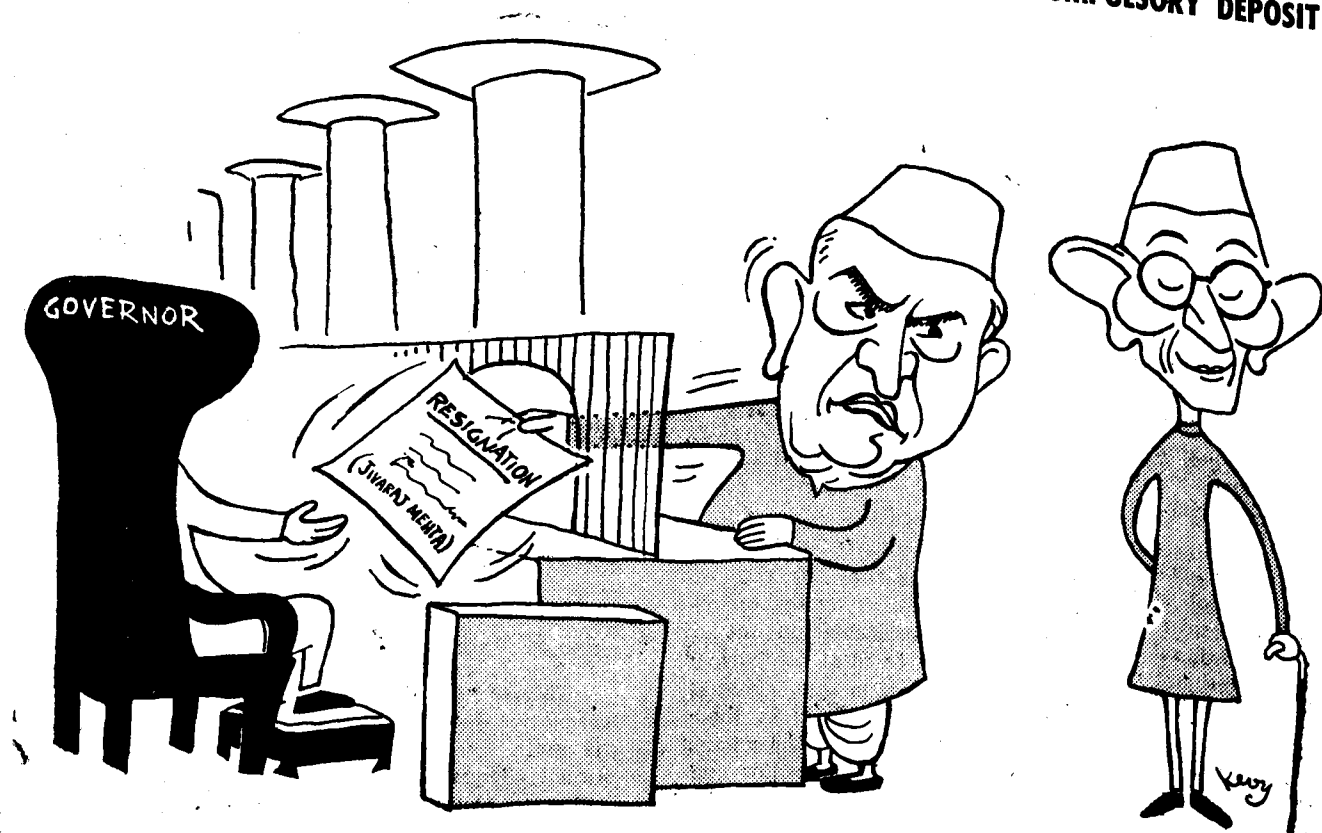
Book of Revelation

The expansionist view in the Washington debate will this year be expounded by the United States delegation who will be using as the basis of their argument a new "Book of Revelation" namely the report of the Brookings Institution on the United States balance of payments in 1968. This is a remarkable document the importance of which is to be found in the policy recommendations that are made after a lengthy and highly questionable estimate of what the US balance of payments will be in 1968.

This report commissioned by President Kennedy finds grave faults with the existing international monetary system, and suggests the creation of a new mechanism that would

provide adequate international liquidity. This, says the report, could best be achieved if industrial countries committed themselves to hold a substantial proportion of their reserves in an international institution, with creditor countries accumulating credits and debtor countries incurring overdrafts expressed in an international unit of account. The report admits that this would mean that the major countries of the free world would have to relinquish part of their freedom to choose the form in which their international reserve is held, but it sees little alternative to this. At present Western European countries are accumulating dollars in order to support the dollar and avoid destroying what is in effect an international dollar standard. But the readiness to accumulate dollars is becoming more reluctant and, argues this report, "there is a strong case for replacing this stopgap co-operation with more solid institutional arrangements."

This attitude is a very far cry from the rigid, closed minds with which the United States representatives at the IMF meeting a year ago shot down Mr. Reginald Maudling's suggestions for improving the international monetary system in the very direction indicated by the Brookings Report. This year the US and UK will probably be found arguing on the same side of the table and in favour of a more liberal and entrenched phalanx of conservatives most of them speaking with the accents of the Common Market countries. It will certainly be a lively debate. It may even be momentous.



(T.T.K. ACTED TOO LATE TO SAVE DR. JIVARAJ MEHTA)

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LISTENING POSTS

This Matter of Ministers

By Our Special Correspondent

NEW DELHI:

THE POINT of interest in political speculations in the Capital now naturally is what further changes the Prime Minister might be proposing to make in the composition of the Government or the structure of the various Ministries. It is now being assumed, more or less generally, that there will be two more Cabinet Ministers and that one of them will be Mr. Sanjivayya. The other name most often mentioned is that of Mr. Chagla. It is considered that the Prime Minister may not be in a hurry to make these additional appointments, but it is suggested that he cannot delay much longer the discharges and releases he is credited with wanting to effect among the existing Ministers below the Cabinet level. It is not a very agreeable task to retail here the names which figure in speculations in this connection. But it can be said that political opinion in the Capital will be surprised, agreeably or otherwise, if the pruning, when it comes, is not drastic.

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Mr. Asoka Mehta's appointment as Deputy Chairman of the Planning Commission has had a mixed reception. There is a danger that, with Dr. V. K. R. V. Rao already there, the Planning Commission may be turned into a mere talking shop. If Mr. Mehta wants to make a reputation it will be his first task to reconstitute the Planning Commission into a compact body concerned only with guiding policy-making. Over a period of years the Planning Commission has been permitted to deteriorate into a ubiquitous busybody poking its nose into details of day-to-day administration or departmental execution of policies and programmes. That the Planning Commission needs to be eased of deadwood is not open to doubt. Mr. T. N. Singh and Mr. Shriman Narayan are political light weights with no particular administrative or technical competence. It must always be a mystery why they were brought in at all. It is becoming increasingly scandalous that they could manage to go on. As for Mr. C. L. Trivedi, there is sufficient reason to relieve him on the ground of age, while a point in favour of Prof. Thacker's departure, which must surely be effected now, is that it is unlikely to make much difference if only because he has got into the habit of spending more of his time outside India serving world science than inside India attending to his chores at the Planning Commission or elsewhere.

★★

The appointment of Mr. H. C. Dasappa as a Cabinet Minister was widely expected and has been generally welcomed. If there is any criticism at all it is that he should have been given this opportunity earlier. But thanks to Mr. K. C. Reddi's stubborn over-staying taken with the unfortunate fact that Ministerships are still influenced by considerations of regional representation, Mr. Dasappa's entry into the Central Cabinet had been postponed until he is nearly 70. Nevertheless until not very long ago, as Chairman of the Estimates Committee, Mr. Dasappa did demonstrate that he had a vigorous mind and could work hard and it may reasonably be expected that he will address himself energetically to the responsibilities of the Railway portfolio. There is a general, but wrong, impression that the Railway Ministry has, so to say, settled down and that all that is needed is to keep it in its course. Actually, any Railway Minister who takes himself seriously must make up his mind to face some very important challenges. Recently, "Eastern Economist" published a series of articles to show that there is great need for an imaginative and informed revolution in the operational, organisational, and financial aspects of Railway administra-

tion. It is to be hoped that Mr. Dasappa will bring an open mind and a crusading zeal to bear on the task that has been entrusted to him.

The promotion of Mr. B. R. Bhagat as Minister of State in charge of Planning, is also a popular decision. He has certainly earned an opportunity for the display of his competence in a wider field than before, and although the Prime Minister is reported to have described his function as that of the Planning Commission's Public Relations Officer in Parliament, it is possible that he may in due course be able to play a more substantial role. That he was one of the more intelligent, hard-working and informed Deputy Ministers had been generally accepted and his further progress will be watched with friendly interest.

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According to the Government's present policy, the moratorium on the nationalisation of goods transport will continue till the end of the third Plan period.

In a number of States, the buses of the nationalised road transport undertakings also carry, apart from the passengers and their luggage, small freight consignments or what may be called 'unaccompanied parcels'. This practice is followed by State transport undertakings in Andhra Pradesh, Bihar, Gujarat, Kerala, Maharashtra, Mysore, Uttar Pradesh, Himachal Pradesh. In Madhya Pradesh, only newspaper bundles and news packets and in Madras (Kanya Kumari Branch of the Department) newspaper parcels and post mail bags are carried by buses as unaccompanied parcels. In Rajasthan, between Abu Road and Mt. Abu, where there are no alternative transport arrangements for the carriage of light packages, small parcels of vegetables and edibles are accepted at owners' risk and despatched in the daily goods service which the Rajasthan State Roadways operates over the route under the Railway Goods Out-Agency contract. The Roadways uses the passenger-cum-truck vehicles and, in case the quantity of goods demands it, a full-fledged truck is also used to carry the entire load.

Varying Standards

The type of traffic carried as unaccompanied parcels varies from State to State. In Andhra Pradesh, the services carry medicines and perishable articles. The Bihar State Road Transport Corporation carries fresh vegetables, fruits, canisters of milk, bundles of newspapers, saplings and baskets of fish. In Gujarat, the types of traffic carried under the Parcel Transport Scheme include commodities like silk goods, furs, vegetables, eggs, fish, fruits, ice, hides and leather; general merchandise, furniture within permissible size and weight, rubber tyres for cars and trucks, empty cans, etc. The State Transport Department of Kerala also carries all types of goods and articles which emit obnoxious smell. The Maharashtra State Road Transport Corporation carries milk cans. The Mysore State Road Transport Corporation carries articles of the different types which are generally required by the public. The Uttar Pradesh Government Roadways carries articles of small parcels, including fresh vegetables, fruits and poultry etc. In Himachal Pradesh, goods of all types, especially fruits and vegetables etc., are carried.

The freight rates for the unaccompanied parcels are not uniform. In Andhra Pradesh the charges range from 25 naye Paise per maund or part thereof for journey upto 16 miles (8 stages) to 100 naye Paise per maund or a part thereof for

journey over 96 miles (48 stages). In Bihar, the charges are 3 pies per 10 seers per stage or part thereof. In Gujarat, the rates charged range from 3 pies per maund mile or one anna per stage per maund to Rs. 1½ (one stage is equal to four miles). In addition to the freight charges, there is also a surcharge ranging from two annas to six annas according to value of freight and distance. In Kerala the rates are according to weight ranging from 13 kgs. to 102 kgs. and distances ranging from 10 to 250 miles. The rates of 13 kgs. for 10 miles distance is 31 naye Paise and for 250 miles it is 150 naye Paise. The rates of 102 kgs. for 10 miles distance is 87 naye Paise and for 250 miles distance it is 525 naye Paise.

As regards the maximum weight of package accepted for carriage as unaccompanied parcels, the Andhra Pradesh Corporation buses carry a maximum total weight of 12 maunds. In Gujarat, parcels weighing upto a maximum weight of 1½ maunds are carried. In case of parcels containing handloom goods, the limit has been relaxed to 1 maund 25 seers. The size of the parcel is also restricted to 3'x2.5'x2' or 15 cubic feet in volume. The Kerala State Transport Department has not fixed any minimum weight limit for the parcels. The maximum weight of newspaper parcel carried by the Madras State Transport Department in their Kanya Kumari Branch is 112 lbs. at a time and the maximum weight of each post mail bag is within one maund. The maximum weight of a single parcel carried by the Maharashtra State Road Transport Corporation is about 55 kgs. The maximum weight and size to each parcel that can be transported by the Mysore State Road Transport Corporation, is 1½ maund and 3'x2½'x2', respectively. It has been stated that the Rajasthan State Roadways carried packages having maximum weight of one maund in its bus-cum-truck vehicles operating between Abu Road and Mt. Abu. The maximum weight of a package carried by Uttar Pradesh Government Roadways buses is one and a half maunds. In Himachal Pradesh the maximum weight upto which packages are accepted is normally upto three maunds.

No special permits are generally required for enabling the carriage of unaccompanied goods parcels by the buses of the State Road Transport Undertakings. However, in Andhra Pradesh permits for the carriage of unaccompanied luggage are issued on the execution of an indemnity bond and in Maharashtra the regional transport authorities have been authorised to prescribe conditions to be attached to the permits, subject to which goods may be carried.

★★

In its 15th report, presented to Parliament last week, the Public Accounts Committee has urged upon the Central Government the necessity of taking "vigorous steps" for reorganising the Damodar Valley Corporation and, in the process, reappraising its functions in the field of thermal power generation. The latter reappraisal, the Committee says, is required in view of the rapid industrialisation occurring in the areas served by the DVC. A thorough investigation into the possibilities of exploiting the existing resources of the Corporation for the generation of additional hydro-electric power has also been suggested so that at least the original modest target of 250 MW of power could be achieved.

The PAC has also expressed grave concern at the continued shortfalls in the utilisation of the DVC's irrigation potential, which not only has jeopardised its financial interests, but also undermined one of the avowed objects for which it was set up. Considering that the barrage was opened nearly eight years ago, the Committee is perturbed over the inordinate delay that has occurred in taking up the execution of water courses and field channels. The scaling down of the targets for the kharif and rabi irrigation from the DVC system to 0.87 million acres and 55,000 acres, respectively, from the original targets of 1.03 million acres and 300,000 acres, has also been criticized by the PAC. The Com-

mittee feels that in the large interests of increasing agricultural production and promoting welfare of the people, due attention should be paid by the Corporation to the future irrigation requirements of the area. It suggests that the Corporation might examine whether any reduction in the water rates could yield more revenue.

The Committee has also expressed great concern at the non-utilization by the DVC of gas in its power plant and the delay in the opening of its navigational canal to traffic. Non-utilization of gas is estimated to have resulted in a loss of about Rs. 10 lakhs per annum, while quite a good deal of loss of revenue has been occasioned by the delay in the opening of the navigational canal to traffic. The Committee hopes that the Corporation will be in a position to adjust its power plants to utilise both coal and gas by October, 1963, and the charges for the supply of gas would be settled soon. Similar optimism has been expressed about the resolving of the various problems with the West Bengal Government in regard to the opening of the navigational canal to traffic.

Fishery Scheme

The Committee also regrets that the fishery scheme started by the DVC ten years ago has not yielded satisfactory results. It says that there was little justification in the Corporation continuing to run the fisheries when it had to attend to more important functions and could not deal effectively with the problem of poaching. The Committee suggests that the question of transferring the fisheries to the respective State Governments on royalty basis should be examined.

Some irregularities have also been pointed out by the PAC in the 1961-62 accounts of the DVC. Pertinent reference is made to the heavy amount of Rs. 1.81 crores outstanding on March 31, 1962, under "Sundry Debtors for Current Supplied". The expenditure of Rs. 5.38 lakhs incurred on investigations in regard to the underground power scheme at Konar has also been held excessive in view of the intractable nature of this expense. Among the other criticisms of the DVC's working by the PAC, mention may be made of the purchase of a diesel engine and spare parts by the Corporation's mechanized earthenmoving division at a cost of Rs. 51,000 and these having never been put to use, and departure from the normal procedure in not referring to the consulting engineers MAN's tender for the supply of turbines of specific sizes and designs.

★★

The allotment of foreign exchange for private imports of components, raw materials, spare parts, and essential consumer goods other than steel and petroleum products, was reduced by 5.5 per cent between April-September 1962 and October 1962—March 1963. The allotment for April-September 1963 was at virtually the same level as in October 1962—March 1963.

The exchange allotment for licensing of raw materials and components to small-scale industrial units on actual user basis was reduced by 10 per cent between April—September 1962—October 1962—March 1963. The allotment for April-September 1963 was at the same level as in April-September 1962.

The allotment of exchange for the licensing of raw materials and components to large-scale engineering and chemical units as actual users was reduced by 7 per cent between April-September 1962 and October 1962—March 1963, and was restored to the April—September 1962 level in April—September 1963.

Some large-scale industries making items of high priority from the points of view of defence, export promotion or essential civil consumption, such as jeeps, trucks, tyres, dry batteries and drugs and medicines were allowed to import raw materials without cuts.

Certain industries in the small-scale sector such as those manufacturing machine tools cutting tools, drugs, pesticides, industrial plastic goods, industrial glass products, industrial

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since the Jute Buffer Stock Association is also to lift more, thanks to the decision of the State Bank to increase the credit limit to Rs. 15 crores, jute growers may not have to worry about this year's large crop becoming a drag on the market.

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Though Mr Sankardas Banerji, Finance Minister, West Bengal, has told the annual meeting of the Indian Roads and Transport Development Association that it would be idle to expect spectacular results in road development in the State owing to the limited resources at the Government's disposal, the progress achieved so far is by no means insignificant. As against only 1,181 miles of road, there are now 5,000 miles of completed roads. There are plans to construct roads linking the coal fields with the Trunk Roads at a cost of Rs. 10 crores. During the present emergency a good job of work has been done by the State Government in improving roads in North Bengal. Mr. B. P. Poddar has drawn pointed attention to the need for expediting road development plans in the north-eastern States. Transport to and from Assam still depends to a large extent on river transport which has proved to be undependable owing to the possibility of strikes as happened at the height of the emergency last year.

The Gamble in the Monsoon

From Our Correspondent

MADRAS:

THE FAILURE of the South-West monsoon has given cause for considerable concern to the Madras State Government. Even though it has been claimed by the meteorological authorities that the earlier deficit in rainfall has been made up in August-September, the catchment areas of the main rivers have not benefited to a great extent and the shortage of water in many of the reservoirs is very low for this time of the year. Indeed, in Periyar, Papanasam, Manimuthar and some of the reservoirs in the Nilgiris the levels are so low that it will be necessary to resort to turn cultivation. It is even feared that the hydro-power stations in the Nilgiris would have to be worked to a greater extent than Periyar and Papanasam if water in these two projects is to be conserved and the needs of cultivators have to be met even though on a reduced basis. The Mettur reservoir also has not filled up to the desired extent and the inflow at the present moment is only half the irrigation discharge. The emptying of the lake early this year in order to expedite the work of construction on the Mettur Tunnel Scheme has no doubt been partly responsible for the present situation. The position is such that the cultivators in the delta areas cannot think of sowing a paddy crop which will require water over a period of six months unless, after the harvest of the current Kuruvai crop, there was an early onset of the North-East monsoon and the reservoir level increased significantly.

For the time being, it has been decided that the Kundah and Mukoorthi reservoirs should be utilised fully for power generation and that the whole position should be reviewed later in the year. There is need, however, for pursuing a cautious policy as the situation might get out of control early in the next year. Fortunately, on the power side, the position may not be very critical if the North-East monsoon proves to be reasonably satisfactory and the irrigation needs can be met in such a way that the cultivation programme is not seriously affected. It is anticipated that the fourth thermal unit at Neyveli will be commissioned in November and the fifth unit by March next. While it is reasonably certain that the fourth unit will be commissioned within the next three months, in regard to the fifth set it will be necessary to secure some parts from the USSR for completing erection because the other units have been commissioned with the stocks of spare on hand and the parts belonging to the last unit. Every effort is being made to complete the first stage of the project before the end of the current financial year. If these facts

If one goes by the example of the developed countries, the case for the development of roadways is indeed strong in our country. In the UK road transport carries roughly two-thirds of the goods, but in India the proportion is only one-seventh. The road mileage in India per square mile is 0.25 as against 3.25 in the UK. The immense leeway that is to be made in roads development in India will also be brought out clearly by the fact that only 14 per cent of the total road mileage is either blacktopped or concreted. Mr. Poddar has pointed out that judging by current norms road transport will not be able to carry all the load expected to account for during the third Plan. Out of the anticipated third Plan load of 342 million tons, road transport is expected to carry as much as 70 million tons. But according to Mr. Poddar, carriage by road will hardly exceed 23 million tons. Currently the transport situation does not seem to cause much worry because the railways are well able to carry whatever load is offering. This is because for the past two years industrial production has been stagnating. Now that steps are under way to re-energise the economy, it may well be that the transport position may before long begin to assume its usual character—shortage and bottlenecks.

prove to be successful, the Madras State grid can depend on the availability of an additional 100 mW. of power from a secured source. This will be greatly helpful in getting over the difficult period next year though Mr. R. Venkataraman has been pointing out that consumption of electricity has been regularly on the increase and that the additions to generating capacity whether by the State Electricity Board or by the Neyveli Corporation are being outstripped by the increased demands for power. The Madras State Electricity Board also expects to commission some more units in the Kundah and Periyar projects. But water availability is absolutely necessary for utilizing this new capacity. The dependence on the monsoon even with the successful harnessing of rivers for irrigation and power generation has thus been forcefully brought out.

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In Kerala too the position is not very comfortable as the reservoirs in that State have also not filled up to expectations. A difficult situation is apprehended early next year. Even otherwise, it is felt that at least 25 mW. of power should be secured from the Madras State. In its present predicament the latter is unable to give any definite assurance. But the request from the neighbouring State is being carefully examined.

Meantime, the Madras engineers have been exploring the possibility of securing supplies of water from some of the west-flowing rivers in Kerala in order to irrigate the arid tracts in Madurai and Ramanathapuram districts. The engineers of both States are having meetings and it is being examined to what extent surplus resources exist in some of the west flowing rivers and the needs of the backward areas of the two districts on the other side of the Western Ghats can be met. There is naturally an apprehension in Kerala that the State's needs should not be overlooked. But there is also some difference of opinion about assessment of water surpluses. Actually, the Home Minister of Kerala State has indicated that there is no surplus in the tributary of Periyar river which can help Ramanathapuram district. But the possibility of utilizing the waters of two other rivers in the same area are being explored. As the Madras Government have been successful in getting a share of the Siruvani waters for meeting the requirements of the Coimbatore area and concluded a satisfactory arrangement in the Parambikulam project, it is hoped that some supplies of water could be secured to irrigate areas in the Ramanathapuram and Madurai districts.

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EASTERN ECONOMIST

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The moving finger writes

I FOR one do not see what useful purpose the Finance Minister hoped to serve by displaying reluctance to disclose the name of the individual concerned after it had been stated in the Lok Sabha that "a Central Minister" had been allowed to keep a small foreign currency account consistent with the rules framed on the subject. Mr. Krishnamachari's invoking the legal safeguard that protects the privacy of a client's relations with his banker was, of course, beside the point for it had been conceded that the Government was, in fact, in possession of the information through the simple process of the holder himself having declared the account as the law stipulates. To that extent the client's relations with his banker had already ceased to be confidential. The only issue that remained was whether Parliament had a right to the information which the Government had already had. The convention in this matter surely is that Parliament, broadly speaking, should have access to information of public interest unless the Government could seek privilege or protection on demonstrably reasonable and legitimate grounds. Apart from all these considerations, in this particular case it was clearly to the advantage of the Government itself and of the Central Ministers collectively as well as individually, that the Minister concerned should be identified. As the transaction has been a wholly legitimate one, there is no reason at all why the Minister himself or the Government on his behalf (or for its own sake) should have hesitated or been reluctant to reveal his identity. It must be added, of course, that Mr. Nehru who was the "Central Minister" in question had himself been most ready and willing that the Lok Sabha should be given the information that was sought.

While on this question of the Prime Minister's small foreign currency account, I might perhaps pass on a story (that I heard some time ago) which shows Mr. Nehru in a very human light. It appears that when the matter of releasing the foreign exchange required for the education of one of his grandsons came up before the Reserve Bank, the question whether any special treatment should be given to this application was reportedly referred to the then Finance Minister, Mr. Morarji Desai. The story goes that Mr. Desai drew Mr. Nehru's attention to the fact that under the rules no foreign exchange could be sanctioned in this case. It seems then that the Prime Minister suggested that perhaps the small foreign currency account he had could be used for the purpose, but Mr. Desai rightly pointed out that the rules did not permit that procedure—all of which goes to show that the Prime Minister of the country could be as innocent as any ordinary mortal of the subtleties and intricacies of the foreign exchange regulations. Perhaps I should complete the story by adding that some other way, wholly legitimate and consistent with the rules, was found for the education expenses abroad of Mr. Nehru's grandson.

**

I am not surprised that the Home Minister reacted violently to the allegation of Mr. Dayabhai Patel in the Rajya Sabha that Mr. Nanda was in the habit of carrying with him hot food over a live coal brazier while travelling on IAC planes. This was a serious charge to make and I am glad that Mr. Nanda neither lost time nor minced words in refuting the accusation. At the same time, I must add that safety regulations on IAC planes do quite often seem to be treated in a cavalier fashion not only by the passen-

gers but also by the crew. I myself had the unpleasant experience of witnessing last year three such grave breaches of safety rules within a period of six months and, in fairness to Ministers, I must point out that it is not necessary that one should be a Minister to be able to cock a snook at the IAC safety regulations.

Thus, to go back to the incidents I have just referred to, there was the case of a Delhi businessman who was allowed during an IAC Viscount flight from here to Karachi to spend most of the journey in the cockpit and even remain there while the plane was landing at Karachi airport. The second case was that of the wife of an official of the All India Radio who was permitted to travel from Patna to Delhi on an IAC Heron flight with a large dog by her side and even allowed to visit the cockpit along with her pet while the plane was air-borne. The third episode was that of one of the air hostesses on a Viscount flight from Bombay to Delhi who very obligingly helped a passenger to light his cigarette after the no-smoking signal had gone up and the plane was preparing to land at Palam.

The worst of my story, however, is still to come. These incidents were brought to the notice of the management of the IAC in a formal report which I made to them. The net result was that after quite some weeks one of their officials was sent to me to explain how difficult it was for the management to take any disciplinary action against offending crew since unionism was very strong and could strike back. Over a cup of coffee, which he graciously accepted, this IAC official also pleaded with me that although the facts reported by me were found to be substantially correct, it would be fine if I did not insist on pursuing the matter further since the pilot concerned in one of the incidents mentioned by me already had "black marks" against him and that he would, therefore, be in serious trouble if any further misdemeanour were to be brought home to him. It did not occur to this worthy official of the IAC that a pilot who is permitted in this manner to accumulate "black marks" in virtual immunity is a menace to the life of those who would travel by IAC. It is needless to say that I did not agree with his arguments, but that does not seem to have mattered much. I in any case just do not know what action, if any, has been taken at all.

**

It is fine that, in the same week in which Air-India's Maharaja was mauled in Parliament by clumsy, puritanical claws, the company has been able to report a very creditable operational and financial year in 1962-63. The proof of the pudding is in the eating and I for one should imagine that those who are tempted to pass amateurish judgment on Air-India's publicity ought to give some thought to the significance of the fact that Air-India has been able to work at a profit at a time when the international civil aviation industry as a whole is deep in the red. I am not suggesting that the Maharaja's sales talk is always stuff for the family breakfast table, but it must surely be conceded that, by and large, he is a very pleasant and persuasive fellow and is working damned hard to his country's profit in a magnificently successful attempt to give the lie to the traditional complaint that Maharajas are parasites. Seriously, advertising and sales promotion are jobs for the expert and it is not out of place to remind the Maharaja's detractors that a cobbler should stick to his last.

V. B.

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Trade Winds

COTTON BUFFER?

THE COTTON situation in the country and the factors affecting production and marketing of cotton were discussed with Members of Parliament from cotton growing States at a meeting held recently under the chairmanship of the Minister of Food and Agriculture, Sardar Swaran Singh. On the question of the supervisory and survey system which are intended to prevent adulteration of cotton and to ensure orderly marketing of the commodity, some Members were critical of the working of the system while others felt that in the present context there was no need for its continuance. The Minister for International Trade explained the background to the various control measures in operation and indicated that the compulsory survey and supervisory systems had been introduced at a time when cotton prices were about to pierce the ceiling. They had been continuing during the last three seasons with suitable modifications. He, however, promised to review these measures and withdraw them in cases where the prices ruled between the floor and the ceiling.

It was pointed out at the meeting that prices of cotton in this country were higher than those of comparable staple lengths and varieties of cotton in the rest of the world. The Minister for Food and Agriculture informed the Members that action would have to be taken on two fronts, i.e., increasing the yield per acre, reducing the cost of marketing and streamlining the cost structure for the farmer. The Government of India is studying the question of setting up a buffer stock agency for raw cotton on the lines of one already in operation for raw jute. The proposed agency will enter the market to buy cotton stocks as and when the prices fall below the ceiling by more than Rs. 100 per candy. A buffer stock of one million to 1½ million bales is considered adequate. A portion of the imported cotton could also be held by the buffer stock agency.

After the partition of India we found ourselves heavily deficit in cotton. Special efforts were made to increase production and the statement below regarding production from the year 1950-51 onwards will indicate the increase in production of cotton year by year:

Year.	Area in acre- age under cotton culti- vation. (Thousand acres)	Internal Produc- tion. (Bales)	Internal Consump- tion. (Bales)	Import of foreign cotton. (Bales)	Exports of Indian cotton. (Bales)
(1)	(2)	(3)	(4)	(5)	(6)
1950-51	14,556	29,71,000	37,22,000	11,05,000	1,76,000
1951-52	16,198	31,33,000	41,66,000	10,83,000	2,00,000
1952-53	15,693	31,31,000	45,61,000	8,49,000	3,09,000
1953-54	17,182	39,65,000	47,07,000	7,19,000	1,34,000
1954-55	18,684	42,27,000	48,68,000	6,30,000	3,19,000
1955-56	19,978	40,01,000	50,74,000	6,08,000	6,12,000
1956-57	19,893	47,35,000	53,33,000	5,67,000	2,99,000
1957-58	19,996	47,39,000	50,99,000	5,66,000	2,92,000
1958-59	19,926	46,86,000	52,35,000	4,55,000	4,01,000
1959-60	19,252	36,78,000	52,04,000	6,85,000	1,59,000
1960-61	18,971	53,90,000	54,10,000	10,60,000	2,99,000
1961-62	18,710	45,00,000	57,31,000	9,69,000	3,20,000
1962-63	18,800	56,00,000	57,50,000	7,00,000	3,25,000
(Estimated)					
1963-64	18,800	57,00,000	58,25,000	7,00,000	3,25,000
(Estimated)					

N.B.—In addition Khadi production also consumes some bales of cotton per annum.

Three aspects clearly come out. (1) That the variation in annual production when the area under cotton has been between 19 and 20 million acres is as high as 26 lakh bales i.e. the variation is between an annual crop of 31 lakh bales and 57 lakh bales. (2) The consumption shows a steady rise, the present consumption being about 57 lakh bales. With exports of low staple Bengal Deshi of about 3 to 3.5 lakh bales per annum, the minimum quantity of annual production required to satisfy the current levels of consumption of cotton (and which is steadily rising) would be round about 61 to 62 lakh bales per annum. (3) India continues to be net deficit in cotton.

As much as 87½% of cotton grown is a dry crop. Only 12½% area is under assured irrigation. Seasonal variations therefore account for fluctuations in yield. Although the yield per acre has gone up from about 80 lbs. per acre to over 100 lbs. per acre, the yield is about the lowest in the world, the US average yield being 300 to 400 lbs. per acre. Due to wide fluctuations of crop in India which is due to low agricultural productivity and large dependence on weather conditions because of little assured irrigated crop etc., even in recent years the annual crop has fluctuated between 37 lakh bales in 1959-60 and 57 lakh bales (estimated) in 1963-64 making it very difficult for the cotton policy to be worked very effectively.

Prices Pierce Ceiling

The system of floor and ceiling prices for cotton operates for a number of years. The floor price continued at Rs. 495 per candy for the standard quality Moglai Jarila for ten-year period from 1951 to 1961 but this was raised by Rs. 105 in the year 1961-62 and another Rs. 100 in the current year, the floor price now being Rs. 700 per candy. The ceiling prices have been continuously raised from Rs. 550 to Rs. 947 per candy. Last year the ceiling prices were raised by Rs. 125 per candy to Rs. 947 per candy. In recent years prices are ruling nearer the ceilings sometimes piercing them. For the longer staple variety of cotton, the price rise in ceilings given was proportionately higher.

Import is being kept to the minimum required to make good the deficit between total consumption, taking into account our exports of 3 to 3½ lakh bales of very low staple Bengal Deshi Cotton, and the internal production of cotton. Imports have varied from 4 lakh bales in 1958-59 to 11 lakh bales in 1950-51 as per the annual deficit from year to year, the average imports being 6 to 7 lakh bales per year.

As and when we produce more cotton indigenously, less would be the requirements of imported cotton in the overall balance. There are, however, some factors which may also be kept in mind regarding imports. Our trade pattern with countries particularly in Africa, namely, Egypt, Sudan, Nyasaland, Tanganyika, Uganda and East African territories is such that they depend very much on India to purchase substantial quantities of cotton from them (for the last two decades or so it has been around 4 lakh bales).

If this pattern is disturbed our exports to these countries (as well as our relations with these countries) will also be seriously affected. The cottons imported from these areas are mostly of the longer staple variety of which we are in short supply and for which there is internal demand for finer fabrics like sarees and dhotis. Historically speaking since the last two decades and more, we have over 120 mills already in existence spinning higher medium and fine qualities for dhotis and sarees etc. With larger growth inside the country,

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it would be possible to adjust the import-export pattern of cotton by continuing to import longer staple cottons from countries particularly in Africa and exporting any surpluses of our lower staple varieties which are in demand in the world. The overall cotton position is such that there is no reason to suppose that this pattern cannot be maintained. It would be beneficial to grow more and more cotton and import some larger staple from friendly African countries and export our lower staple of cottons which have a world-wide demand.

The imports of cotton are now confined broadly to the categories of staple length 1.1/16" and above. Cotton production in India of these staple lengths is still small.

Our imports are also phased over the year as a whole whether under normal marketing or under PL 480 from U.S.A. and the receipts are of a monthly order of about 50 thousand bales, depending on our requirements.

PATENT LAW REFORM

CIBA, prominent in the drugs and pharmaceuticals industry has come out with its views on the proposal for abrogation of patents. The company feels that this will have international implications and will act as a strong disincentive to foreign investment. The CIBA statement points out that the Patent System stimulates technical progress in many ways. It encourages research and inventions; it induces an inventor to disclose his discoveries instead of keeping them a trade secret; it offers reward for the considerable expense of developing inventions to the stage at which they are commercially practicable. It also provides an inducement to the investment of capital in new lines of production which would not be profitable if many competing manufacturers embarked on them simultaneously. If India should now decide to abrogate patents, be it chemical, pharmaceutical, food or industrial,

there will be justified anger and criticism.

One of the major criticisms that had been levelled against the Patent System is that the majority of patents are held by foreigners. It is argued that this militates against the advance of Indian industry. But a large proportion of patents are in fact held by foreigners even in the industrially advanced countries as will readily be seen from the following figures.

	Average annual number of Patents granted during the years 1930 to 1937	Number granted to foreigners	Percentage granted to foreigners
Canada ..	9,269	8,368	90.3
Holland ..	2,674	2,164	80.9
Norway ..	1,428	1,031	72.2
Denmark ..	1,590	1,056	66.4
Switzerland ..	7,307	4,066	55.6
Great Britain ..	18,417	9,522	51.7
France ..	20,025	9,994	49.9

The Patent System has led to a marked development of the pharmaceutical industry resulting in better products, cheaper medical treatment and greatly improved standards of health. The abrogation of patents in the pharmaceuticals will give a death-blow to this industry. The Indian pharmaceutical industry has now reached the stage of development when its own inventions and processes will need to be safeguarded. New institutions devoted to research have recently started functioning in India both in the public and private sectors. The

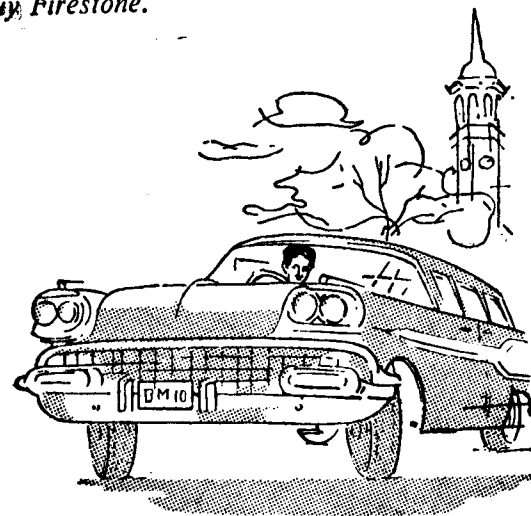
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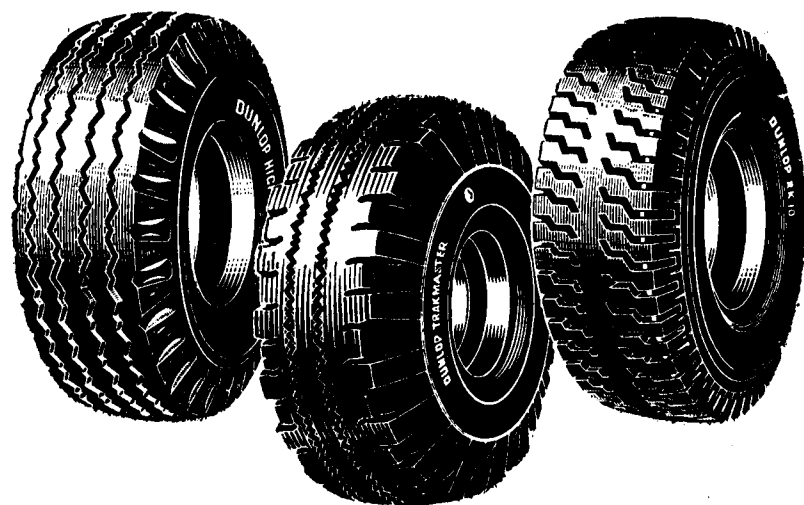
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Copies of loan prospectus and application forms are available at (i) all the offices of the State Bank of India mentioned above, (ii) offices of all the District Collectors in Orissa and (iii) all the Offices of the Orissa State Electricity Board.

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existing provisions in the law for compulsory licensing assure adequate safeguards against abuse.

HYDERABAD LOANS

The outstanding balances of the 4 per cent Hyderabad State Development Loan 1963 and the 2½ per cent Hyderabad Loan 1953-63 (H.E.H. the Nizam's Government 2½ OS Rupee Loan 1363-73 Fasli) issued in terms of the former Government of Hyderabad, Finance Department, Notifications Nos. 10/PD/53 and 30 dated October 21, 1953 and September 26, 1943 are repayable at par on October 15, 1963 and October 16, 1963 respectively and no interest will accrue thereon from these dates. To facilitate discharge of the loans on the due dates, the holders may tender their securities on and from October 1, 1963 at the Public Debt Office, Treasury or Branch of the State Bank of India or its Subsidiary Banks at which they are encased/registered for payment of interest. Full details of the procedure for obtaining the discharge value may be obtained on application from any of the above offices.

SUGAR MILLS IN THE SOUTH

In view of the increased per acre yield of cane in the South and its higher sucrose content, it has been agreed in principle by the Food and Agriculture Minister, Mr. Swaran Singh, that preference should be given in future to the Southern region in granting licences for sugar factories. The suggestion was made, at a meeting of the Board's Executive, which discussed the Government's sugar policy recently. The Minister for International Trade, Mr. Manubhai Shah, also agreed in principle with the suggestion.

TARIFFS ON TEA

An arrangement between Britain and the European Economic Community (EEC) for the simultaneous suspension of tariffs on tea and tropical hardwoods was signed in Brussels on 10th September. Under the terms of arrangement, the suspension takes effect on January 1, 1964 and will last until December 31, 1965. The arrangement benefits Commonwealth countries which now export these products to Britain and the Six, because from January 1, 1964 they will be able to sell these products to countries of the Six without the barrier of any tariff. The President of the Board of Trade, Mr. Frederick Errol, announced on July 31, 1963 that British duties suspended under the arrangement would affect tea, mate (a kind of tea) and all hardwoods except oak, ash, birch, maple, elm, sycamore, walnut, aspen, poplar, beech, Spanish chestnut, jarrah and karri.

INDUSTRIES IN MAHARASHTRA

At the 29th annual general meeting of the Mahratta Chamber of Commerce and Industries, Mr. S. L. Kirloskar, dwelt at length on some of the problems connected with industrialisation in Maharashtra State. Pointing to the crisis in the powerloom industry, he said that when the entire question of powerloom industry was under the examination of Asoka Mehta Committee, it was surprising that the excise authorities had started seizure of powerloom cloth. A fact finding committee on powerlooms in the State had moreover come to the conclusion that the increase in the excise levies on the cloth produced on powerlooms was not justified and had resulted either in the total closure or sealing of looms.

Referring to the power needs of Maharashtra, Mr. Kirloskar said that the Electric Power Survey Committee appointed by the Government of India has estimated the load forecast for the third five-year Plan for Maharashtra at 1201 mW. To provide firm generating capacity against this load and allowing 15 per cent standby on the installed capacity, the State's

installed capacity has to be of the order of 1,400 mW. The CWPC and the Planning Commission have now two schemes of thermal power stations under their active consideration—one of 300 mW. in the Nasik area and the other of 60 mW. at Gangakhed in Marathwada area. It is essential that these schemes should be sanctioned immediately.

AID FROM U.S.S.R.

An agreement for setting up a coal washery at Kathara in Bihar was signed recently between the National Coal Development Corporation, a Central Government undertaking, and the Soviet supplying organisation, "TJAZHPROMEXPORT". Under the agreement, the Soviet Organisation would supply equipments, technical aid and other materials valued at Rs. 2.047 crores out of the Indo-Soviet rouble credit agreement signed in February, 1961. The coal washery will have a capacity of 30 lakh tons of raw blendable coking coal per annum.

Equipped with modern machinery and equipment, the washery will use advanced technological processes and techniques. The coal cleaned at the Washery will be supplied to the steel plants and the rest to thermal power stations. Under the contract, the Soviet specialists would be deputed to India for rendering technical assistance to the NCDC in the erection, adjustment and commissioning of the washery. The Soviet Union had also extended assistance to India in setting up certain other coal mining establishments. These include two coal mines in Korba area of Madhya Pradesh with an aggregate annual capacity of 1.7 million tons, a quarry in Korba with an initial capacity of 1 million tons which would later expand to 2 million tons and the establishment of the central electrical and mechanical workshop at the Korba coalfields for repairing a variety of coal mining equipment.

PLAN FOR PARADIP PORT

According to the Japanese Technical Mission Survey the total reserves of iron ore in the Daitari area are over 55 million tons. The Mission examined the plans of the State Governments for mining and transportation of this ore by truck-trailers through an expressway, now under construction, for the export of 2 million tons of iron ore per annum commencing from the end of 1965. The Mission has made detailed technical suggestions on these aspects as well as on port construction programme both in the first stage and the ultimate phase. While the first stage visualises an export of 2 million tons of iron ore from the Daitari area, the Mission has recommended the early construction of a railway line from Paradip to Banspani in order to enable the exploitation and export of not only the iron ore of Daitari but of the high grade ore in the Nayagarh area of North Orissa. For the ultimate development of Paradip port it has suggested ten berths for miscellaneous cargo in addition to five berths for ore handling and has visualised the gradual development of various industries centring in the port such as machine repairing, ship building, food processing, oil refining, etc. The Mission has also dealt in its report with the mechanisation of farming, manufacture of agricultural implements, the development of fisheries, of small enterprises, electrical power and town planning of the new harbour city at Paradip.

PRICE SUPPORT FOR JUTE

Questions relating to the production, prices and marketing of jute were discussed recently at a meeting of Members of Parliament from jute growing States with the Union Minister for Food and Agriculture. There was general agreement that the jute industry should have an assured supply of raw material so that production is maintained unhampered at levels required to meet the demand for the manufactured goods. Some

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capital of Rs. 7.16 lakhs has been reserved for the technical collaborators, the Jost's Engineering Company. The balance of Rs. 6.86 lakhs is being offered for public subscription.

The company has been licensed to manufacture several models of drilling machines with a capacity of 1,200 machines per year. The factory is to be located at Ambattur, Madras, and the plant is likely to go into production by March, 1964, and reach full production capacity in a year.

SELECTED SATGRAM

Selected Satgram Ltd. proposes to issue 10,000 redeemable cumulative preference shares (9.5 per cent) and 20,000 ordinary shares, both of Rs. 100 each. These shares will be offered to the existing shareholders and to the public simultaneously. The original proposal was to issue equity shares worth Rs. 30 lakhs to the existing shareholders as rights issue. But it has now been decided to issue this capital of Rs. 30 lakhs in 20,000 ordinary shares and 10,000 preference shares both to the existing shareholders and the public. It has already applied for permission to modify the earlier proposal.

The present authorised capital of the company is Rs. 2 crores comprising 100,000 ordinary shares and 100,000 unclassified shares of Rs. 100 each. It is now proposed to create preference shares out of the unclassified shares. The additional capital will be utilized to finance to company's expansion programme. It has already acquired a new colliery and started a new pit sinking at new Satnagar colliery. Steps have also been taken for the expansion of collieries during the third Plan period. The Managing Agents have arranged for a medium-term loan of Rs. 50 lakhs from the Refinance Corporation for Industry which will partially meet the expenditure on expansion.

S. B. JOSHI

S.B. Joshi and Co., Ltd., will enter the capital market with a public issue of Rs. 19.36 lakhs divided into 1,93,575 equity shares of Rs. 10 each. The subscription list opens on September 26 and will close on October 8 or earlier, but not before October 4. The entire issue has been underwritten. The company has an authorised capital of Rs. 1 crore and will raise its paid-up capital from Rs. 10.64 lakhs to Rs. 30 lakhs. The proceeds of the present issue will be utilized for financing the company's expansion programme. Besides extending its construction activities the company will undertake the first stage of the factory for steel fabrication and the manufacture of industrial equipment such as winches, grabs and cranes. In steel fabrication the emphasis will be on steel bridges and the use of standard economical steel components for factories and other buildings. The capital outlay on the first stage of the expansion programme is estimated at Rs. 39 lakhs, which will be met partly by the present issue and partly by borrowings. The full expansion scheme which is expected to be completed in six years is likely to involve an outlay of Rs. 128 lakhs.

RAYMON ENGINEERING

The Directors of Raymon Engineering Works Ltd. propose to raise the company's authorised capital to Rs. 3 crores by the creation of further 21,51,700 equity shares of Rs. 100 each. The present authorised capital is Rs. 1 crore, divided into 20,000 redeemable preference shares of Rs. 10 each and 8,00,000 equity shares of Rs. 10 each. These shares were issued in 1960. Out of the total redeemable preference shares, only 4,830 shares were subscribed. The Directors now propose to cancel the 15,170 unsubscribed preference shares thereby reducing the authorised capital to Rs. 84.43 lakhs. This dimi-

nished capital will be increased now to Rs. 3 crores by the equity issue.

The company has made substantial progress during the year to March 31, 1963. The installation of machinery and equipment and also the commissioning of the forge, pressed steel and smithy shops have been completed. Negotiations are also proceeding to secure foreign financial participation for the installation of the plant to manufacture spirally-welded pipes for oil, gas, water, sewerages etc., of larger diameter. In this respect the company has been granted the manufacturing licence for such a plant with an annual capacity of 45,000 tons.

KHATAU'S HIGHER PROFIT

Khatau Makanji Spinning and Weaving Company Ltd. has proposed an equity dividend of Rs. 8 per share for the year ended June 30, 1963, against Rs. 16 for the previous year. The total distribution has, however, been maintained at about Rs. 9.58 lakhs, the capital serviced during the year amounting to Rs. 1.19 crores against Rs. 59.85 lakhs in the previous year as a result of the bonus issue in the ratio of one new share for every share held. Its performance for the year has substantially improved with the gross profit rising from Rs. 74.02 lakhs to Rs. 93.72 lakhs. The sales increased from Rs. 5.83 crores to Rs. 6.48 crores. The number of spindles in the company's mills has increased during the year from 103,840 to 108,504 and a further addition is expected in the current year. It may be pointed out that the company's capital has increased from Rs. 20 lakhs to Rs. 1.50 crores including preference shares worth Rs. 30 lakhs as a result of a series of bonus issues. A sum of Rs. 19.50 lakhs has been set apart for depreciation, Rs. 45.95 lakhs for taxation, Rs. 2.84 lakhs towards development rebate reserve and Rs. 11.25 lakhs towards development reserve. The proposed equity shares and preference dividend will absorb Rs. 11 lakhs. The company has also set apart Rs. 7 lakhs for special reserve created for SPT.

J. K. RAYON

The preliminary report issued by the J. K. Cotton Spinning and Weaving Mills Company Ltd., for 1962 showed a sizable decline in sales from Rs. 5.17 crores to Rs. 4.83 crores due to the prolonged strike in the rayon unit which lasted for about three months. Gross profit also registered a steep fall from Rs. 73.39 lakhs to Rs. 28.94 lakhs. After providing Rs. 69,748 only. A dividend on the preference shares has been recommended by the directors while no dividend is recommended for the ordinary shares.

WINDOW GLASS

The directors' report for the second year ended March 31, 1963 stated that the estimates of cost had to be revised because of certain additions and modifications in the machinery and buildings. The company is expected to commence production within three months. The Industrial Finance Corporation of India sanctioned a loan of Rs. 25 lakhs to the company. A sum of Rs. 10 lakhs was given in March and another sum of Rs. 12 lakhs in June last. The balance is expected to be received shortly.

MALABAR SPINNING

The Malabar Spinning and Weaving Company Ltd., working under Government management, has shown a net profit of Rs. 61,891 for the year ended December 31, 1962. The company has been working at a profit for the last three years and the directors have proposed redemption of the

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mortgage executed in favour of the Kerala State Government after paying the amount invested by the Government for the working of the Mills. The National Industrial Development Corporation Ltd. has consented to give financial assistance for rehabilitation and modernisation of the mills. The directors have made an application for financial assistance to the tune of Rs. 20 lakhs.

PYROTENAX

A loss of Rs. 28,296 for the first year ended December 31, 1962 has been reported by the Pyrotenax India Ltd., which was incorporated on July 7, 1962. The company has entered into two agreements with Pyrotenax Ltd., U.K., for the supply of technical know-how and information for the manufacture of mineral insulated metal sheathed electric cables and also for the supply of plant, machinery and equipment.

PROJECTS FOR ORISSA

The following statement giving details of heavy engineering projects for Orissa was placed in the Lok Sabha last week. The items of manufacture and annual installed capacity are given against the name of each firm.

Units for which licences/letter of intent to grant licences have been issued:

(1) M/s. Industrial Development Corporation of Orissa Ltd. Spun Pipes—12,000 tons, C. I. Specials—2,520 tons. (2) M/s. Orissa Industries Ltd., Cuttack, Steel castings—4,800 tons. (3) M/s. Daga & Co. (P) Ltd., Calcutta, Steel castings—3,000 tons. (4) M/s. Precision Machine Tools (P) Ltd., Balasore, (a) Guillotine Plate Shearing machine—72 Nos. (b) Universal Punching and Shearing machine—72 Nos., (c) Plate binding machine—36 Nos., (d) Angle & Section binding machine—120 Nos., (e) Radial drilling machine—72 Nos., (f) Forging hammers—72 Nos., (g) Pneumatic moulding machine—72 Nos., (h) Pendulum Swing Frame Grinder—20 Nos., (i) Industrial knives—Worth Rs. 6 lakhs. (5) M/s. Orissa Cement Ltd., Rajganpur. Box type railway wagon—32 Nos.

Applications for issue of industrial licences, under consideration.

(1) M/s. Industrial Development Corporation of Orissa Ltd.—Power Tillers. (2) M/s. Jaypore Sugar Co. Ltd.—Cement Plants & Heavy Structurals. (3) M/s. Utkal Machinery Ltd.—Presses.

AGRICULTURAL TRACTORS

The following firms are licensed under the Industries (Development and Regulation) Act, 1951, for the manufacture of agricultural tractors. The figures indicate annual installed capacity in numbers.

(1) M/s. Eicher Tractor Corporation of India Private Ltd., New Delhi—2,000. (2) M/s. Tractors & Farm Equipment Ltd., Madras—3,500. (3) M/s. Tractors & Bulldozers Private Ltd., Bombay—2,000. (4) M/s. Mahindra & Mahindra Ltd., Bombay—3,500. Of these, the first three are in production and their current ex-factory prices are: Eicher—Rs. 11,000; Zetor—Rs. 14,850; Ferguson—Rs. 15,750. The fourth firm is likely to go into production in 1964. In addition, the following firms are licensed under the Industries Act, for manufacture of power-tillers, sometimes called small tractors. (1) M/s. East Asiatic Co. (India) Private Ltd., Bombay—24,000 Nos., (2) M/s. Krishi Engines (P) Ltd., Hyderabad—3,000 Nos. None of these firms has started production as yet.

CAPITAL ISSUES

Fifteen companies have been authorized to raise fresh capital of Rs. 22.14 crores. The consent is valid for 12 months.

Sidhpur Mills Company Limited, Gujarat, is to issue bonus shares of the value of Rs. 10 lakhs. These will be allotted to the existing equity shareholders of the company in the ratio of one bonus share for every two equity shares held.

Hindustan National Glass Manufacturing Company Limited, Calcutta, is to issue bonus shares of the value of Rs. 8,30,000 on capitalization of its reserves. The bonus shares will be issued in the ratio of one bonus share for every five shares held.

Anglo India Jute Mills Company Limited, will also issue bonus shares of the value of Rs. 9,84,200 on capitalization of its reserves. They will be issued in the ratio of one bonus share for every five shares held.

Orissa Mining Corporation, Bhubaneswar, an undertaking of the Government of Orissa, is to raise capital of Rs. 50 lakhs in 50,000 equity shares of Rs. 100 each. The shares will be entirely subscribed by the Government of Orissa.

Durgapur Projects Limited, a Government of West Bengal undertaking, is to issue capital of Rs. 15 crores divided into 1,50,000 equity shares of Rs. 1,000 each to be subscribed entirely by the Government of West Bengal. Excepting one share, which will be issued for cash, all the other shares will be issued against transfer of asset to the company.

Isaac Holdens (India) Limited, Calcutta, will raise capital of Rs. 30 lakhs in equity shares of Rs. 10 at par.

Pressed Steel Tank Company of India Limited, a new company incorporated in West Bengal, is to raise capital of Rs. 110 lakhs divided into equity shares of the value of Rs. 80 lakhs and preference shares of the value of Rs. 30 lakhs. The capital is required for the setting up a factory at Faridabad for the manufacture of cylinders, both high and low pressure type.

Bhaskar Textile Mills Limited, Calcutta, is to raise further capital of Rs. 5 lakhs in 50,000 equity shares of Rs. 10 each for cash at par.

Shah Malleable Castings Limited, Bombay, will issue capital of Rs. 30 lakhs. These will be in equity shares of Rs. 10 each to be issued for cash at par. Of these shares, Rs. 14 lakhs will be subscribed by non-resident Indians in Kenya in sterling and the amount utilized in the import of plant and machinery. Shares of the value of Rs 11 lakhs will be offered to the public by prospectus.

Sylvania & Laxman Company Limited, New Delhi, will issue capital of Rs 80 lakhs. These will be divided into 8,00,000 equity shares of Rs 10 each to be issued for cash at par. Out of these, 3,60,000 equity shares of the value of Rs 36 lakhs would be offered to the U.S. collaborators Sylvania Electric Products and/or their nominees for cash at par. Shares of the value of Rs 24 lakhs would be offered to public for cash at par by prospectus.

Saurashtra Ceramics Limited will raise capital of Rs 30 lakhs—Rs 25 lakhs equity and Rs 5 lakhs preference—in supersession of previous consent for Rs 20 lakhs. Of these, the entire preference shares and equity shares of the value of Rs 14 lakhs will be offered to the public for cash at par.

S. F. Products India Limited, Calcutta, is to raise capital of Rs. 12 lakhs in 12,000 equity shares of Rs. 100 each. The capital is required for the manufacture of fans and blowers in collaboration with a Swedish firm who will subscribe to 69 per cent of the capital.

Mahindra Ugine Steel Company Limited, Bombay, a new company, will raise capital of Rs 3 crores at par. This will be

divided into Rs 2.5 crores in equity shares of Rs 10 each and Rs 50 lakhs in 9.3 per cent cumulative preference shares of Rs 100 each. Out of this, equity shares of the value of Rs 41.50 lakhs will be offered to Messrs. Ugine, France, Rs. 40 lakhs to International Finance Corporation, Washington and Rs 107 lakhs and the entire preference shares of Rs 50 lakhs will be offered to the public by prospectus.

Sree Vallappa Textiles Limited, Salem, will raise capital of Rs 25 lakhs. This will be divided into 19,000 equity shares of Rs 100 each and 6,000 cumulative redeemable preference shares of Rs 100 each, carrying a dividend of 9.3 per cent free of company's income-tax but subject to deduction of tax at source. All the shares are to be issued for cash at par. Of the above, equity shares of the value of Rs 10 lakhs and preference shares of the value of Rs 5 lakhs will be offered to the public by prospectus.

The Ganesh Flour Mills Company Limited, Delhi a public company, will issue debentures of the value of Rs 14 lakhs bearing interest at the rate of 7 per cent per annum and repayable after 10-12 years, for cash at par.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951—during the week ending 14th September, 1963. The list contains the names and full addresses of the licensees along with the articles of manufacture and annual installed capacity.

NON-FERROUS METALS

Ferro Alloy Corporation Ltd., Post Box No. 99, Shree Ram Bhawan, Tumsar (Garavidi, P.O. Shriramnagar Dist. Shrikakulam, Andhra Pradesh)—Manganese metal 1800 metric tons per annum; manganese dioxide 1,800 metric tons per annum.

ELECTRICAL FANS

American Refrigerator Company Ltd., 13/C, Russel Street, Calcutta-16 (West Bengal)—Industrial Blowers such as: (a) General ventilating (b) Fuse or high temperature Fans (c) Roof Exhausters (d) Air conditioning & heating (e) Dust or Material Handling (f) Chemical Fume Exhausters (g) Axial Aerofoil Fans and so on 6,000 pieces.

AUTOMOBILES

Steel Work Ltd., G. S. Road, Gauhati (Assam)—Trailers of various types including Jeep trailers—within the existing capacity of 564 trailers per annum licensed for Tinsukhia factory. **Mahindra Owen Ltd.**, Galeway Building, Apollo Bunder, Bombay-1 (Maharashtra)—Oscillating axles of 16 ton and 20 ton payloads—600 Nos.

TEXTILE MACHINERY

Shri S. Devaraj, 'Saraj,' Tatabad, Coimbatore-12. Proposed name: Sovereign Engineers Private Ltd., (Sulur, Palladam Taluk, Distt. Coimbatore, Madras) (1) Fluted Rollers 600 frames (3600 lines) (2) Spindles 2,40,000 pieces (3) Rings 2,40,000 pieces. **Textile Machinery Corporation Ltd.**, P. O. Balgharia (Balgharia, 24, Parganas, West Bengal)—Texmaco-Zinser Ring spinning and doubling Frames upto 600 Nos. **Shri K. S. Jankiram** 20/B Second Line Beach Madras-1. Proposed name: Madras Spindle Co. Ltd., (Madras, Madras State)—Spindles 3,74,000 pieces, Rings 2,70,000 pieces, Fluted Rollers for 240 Ring Frames (1440 lines). **Swastik Textile Trading Co. Pvt. Ltd.**, Motilal Hirabhai Market, Railwaypura Post, Ahmedabad-2 (Amraiwadi, Ahmedabad, Gujarat)—(1) Felt Calendar Combination 3 units. (2) Openwidth, Roll off securing and

crapening machine 5 units. (3) De-Twisting and opening machines 4 units.

INORGANIC HEAVY CHEMICALS

Travancore Cochin Chemicals Ltd., Udyogamandal (Elloor Udyogamandal, Kerala)—Liquid chlorine 9,900 tonnes, Hydrochloric Acid 100% 19,800 tonnes. **National Peroxide Ltd.**, Neville House, Graham Road, Ballard Estate, Bombay (Thana, Bombay, Maharashtra)—Hydrogen Peroxide (100% strength) 2,000 tons.

ORGANIC HEAVY CHEMICALS

Union Carbide India Ltd., 1 & 3 Brabourne Road, P.O. Box No. 2170, Calcutta (Trombay, Maharashtra) Acetylene Black 2,000,000 lbs.

DRUGS & PHARMACEUTICALS

Hind Chemicals Ltd., M/336, Rail Bazar, Post Box No. 227, Kanpur (Uttar Pradesh). Digoxin and other Digitatis Glycosides, 6 kgs.

VEGETABLE OILS & VANASPATHI

Hindustan Lever Ltd., Scindia House, Ballard Estate, Bombay-1. (Shamnagar, 24 Parganas, West Bengal). Vanaspati 115 tons per day (after effecting Substantial Expansion).

CHANGE IN NAME (Owner of Undertaking)

(During the week ending 14th September, 1963.)

From **Shri S. R. Sengotiah**, Tirupur to **M/s. Neela Spinning Mills Private Ltd.**, Tirupur.

LICENCES REVOKED

(During the week ending 14th September, 1963.)

M/s. Tata Iron and Steel Co. Ltd., Bombay-1. Ferrosilican and Ferro-chrome. **M/s. Garden Reach Workshops Ltd.**, Calcutta-24. Steam package boilers.



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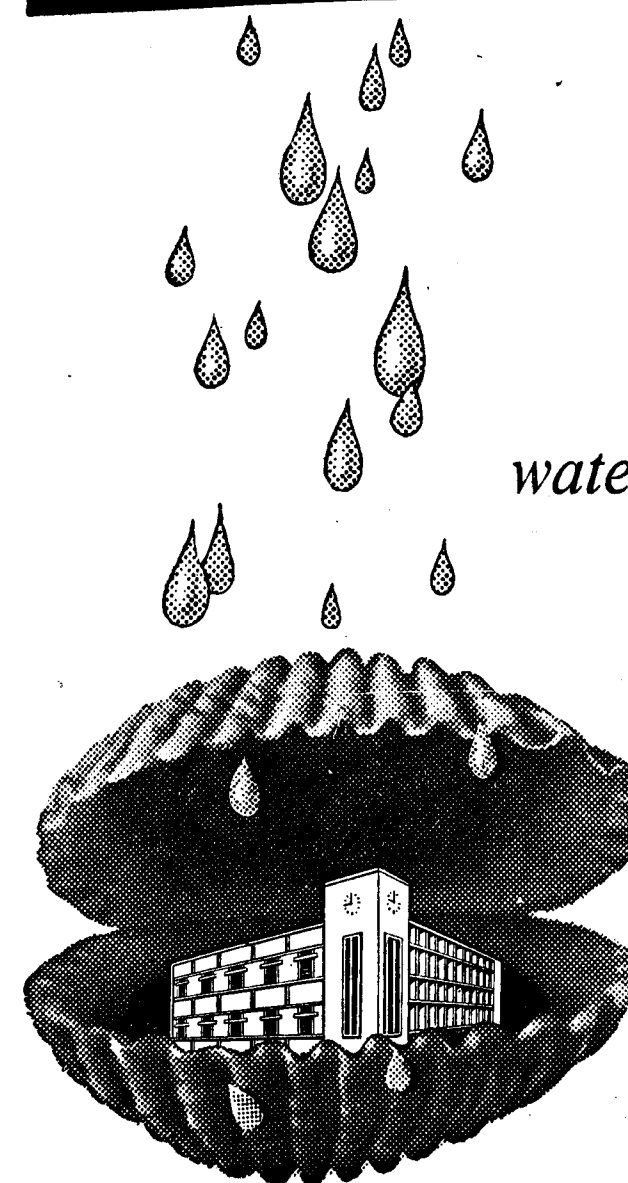
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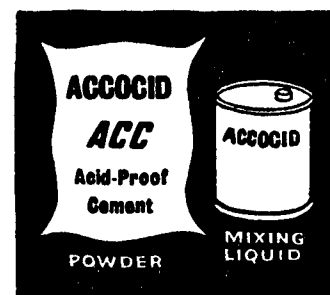
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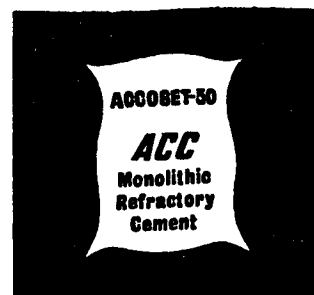
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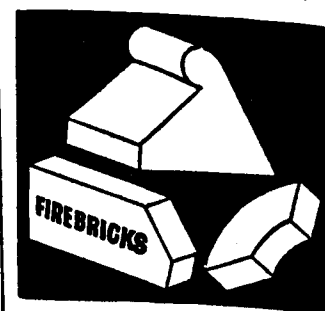
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BOOKS BRIEFLY

Not by Bread Alone

The Rich Nations and the Poor Nations: By Barbara Ward; Hamish Hamilton, London, October 1962; Pp. 148; 12s. 6d.

BARBARA WARD, no stranger to India, needs little introduction and there is a common theme that runs through her advocacies made repeatedly in her "Policy for the West", "India and the West" and the present volume. The second of these books is a collection of lectures given at Sapru House, and the volume under review, a series of talks broadcast in Canada. She writes with a fine and profound concern for the future of the West — the Atlantic community as she calls it in this booklet. She is quite right to assert that the notion of equality as a burning faith was an artefact exclusively of the North Atlantic Community but it does seem rather odd that she should go to John Lilburne for its origin. Is it not inconsiderate and ideological in reverse to ignore the French revolution altogether? Surely she has not taken Irving Babbitt's strictures on Rousseau to heart!

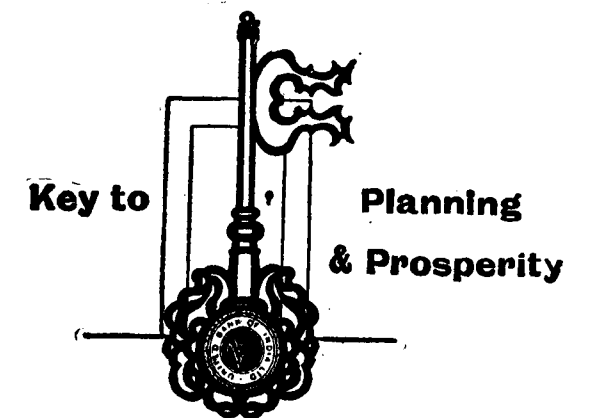
If she is proud of her tradition and its achievements, she is deeply sensible of its Christian message for the future. "What can freedom be said to mean when the nations ... have so little awareness of its wider moral dimensions? Am I free if my brother is bound by hopeless poverty and ignorance?" The United States is carrying more than its fair share of the burden in helping to defend the free world and in bringing capital and the blessings of science massively to bear upon the scarce resources of its over-populated, under-developed regions. To supplement this, Mrs. Ward argues, each member of the Atlantic Community ought therefore to contribute one per cent of its national income—the agreed minimum—towards this capital fund, and it behoves Western Germany, the recipient of more than just treatment after Hitler and of plentiful Marshall funds besides, to do even more. She feels that this is not merely good works but an underpinning of a world-wide pattern of consumption which can only be beneficial to the West ultimately. India, by whose achievements Mrs. Ward is not unimpressed, should have an annual aid of £300 million guaranteed to her in foreign exchange.

Partisan Analysis

Her exposition of the mechanics of contemporary economic development in under-developed regions is rather more controversial. It is incidentally a resume of the more extended argument found in "India and the West". A very able analysis incorporating many commonplaces from the academic thought of the West, it is nevertheless a partisan one. Innocuous as it seems, one is unable to accept the familiar argument that the growth of British power in India was the unintended result of the East India Company's attempts to secure stable conditions for trade. People in those days simply did not feel this detachment about territory which subsumes the wisdom of two twentieth-century world wars. It is hard moreover to believe that all that Clive, Warren Hastings and Wellesley did was merely to protect the spice and cloth trade. Undoubtedly, there was no grand design of Empire in the minds of the grasping factors whose keen appetite was whetted by the forbidden private trade; but if they had come here with an express 19th-century Imperialist brief, they would not have acted very differently although they would have felt a little more righteous and glossy about it all after Burke's apologies and Macaulay's exhortations.

For some time now, economists have been able to see and

explicate the classical development of Britain, France, the United States and the more compressed and heterodox growth to economic maturity of the Soviet Union through a single analysis. Britain, for instance, went through the primitive phase of capital accumulation when the public conscience was not so tender about grinding the faces of the poor and when markets were as wide as the navigable world itself (not just the new nation-state 'pace' Mrs. Ward). The Puritans rekindled the light of the Bible (Max Weber showed it was timely) and with the fervour so aroused, insisted with high-minded austerity that each one must generate his share of the unconsumed surplus that was necessary for economic growth out of feudal servitude. Like a happy childhood, this was innocence of growth. Planning was for those less well-born and the surpluses in Russia which today come mostly from profits of State undertakings and sales tax had in the first instance to be obtained through State-enforced consumer austerity. Mrs. Ward notes that even in Japan which decided to grow up the classical way, the State started the undertakings and sold them as going concerns to influential families. She is thus not opposed to planning and controls at all and observes without any cold war passions that steel mills such as Bhilai (and one may add Bokaro) are just beyond the means of private enterprise at the present stage. In fact she congratulates the Planning Commission for "giving Indian private enterprise the best decade in its history" and speaks approvingly of its desire to occupy "commanding heights of the economy". With sociological insight she notes that caste prejudices have prevented the social ascendancy, of any duration, of the merchant class which is so necessary for economic growth; that the entrepreneurs in India and the under-developed world generally have not been as enterprising as the textbook pioneers; that, lusting after the status symbols of a fading aristocracy, they



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use their new wealth to affect old forms of privilege much to the detriment of the economy.

Man does not live by bread alone, reminds Mrs. Ward. Literature achieved this insight long ago, bringing both Communism and the free market into focus within a single perspective. At the height of the left-wing commitment in the thirties, Cyril Conolly, sullen and cynical with a Latin urbanity, wrote that Communism was no more than muscular Christianity. Michael Oakeshott, Laski's successor in the London School of Economics, describes Communism, and all rational ideologies generally, as "an abridgement of (Western) experience". Marx and Engels were the greatest cribs of all. For the present state of affairs in free societies, he blames Bentham (how reassured the middle class was by his "greatest good of the greatest number"! The phrase and the world became a miracle harmonising the diverse pursuits of private gain. Nevertheless Bentham served to discipline the new class emerging into society). To Oakeshott, it was the early Christians who opened the floodgates. For him not even the stable Middle Ages with its firm world-view when people roamed Europe without passports and without a thought of economic development, for the demand, schismatic by implication, for equality in the name of God had already begun. Sceptical people such as these two have seen "the setting in of the rot" culminating in frightful things like planning as a continuous trend in history. To tell the truth, State-ism as a mode of cultural and economic aspiration began when Fredrick the Great asked the disaffected and fugitive Voltaire to his court in order to enrich his Kingdom's culture. Germany, a late-comer on the European scene, longed for a cultural identity and it was a tacitly concerted longing. Hegel incandesced as if on behalf of a whole aspiring nation, but his classical respectability would have

been outraged at the mention of economic planning and he would certainly not have recovered from Rostow's "take-off". The German Romantic movement, mere thoroughgoing than any other, was full of inchoate longings. It would, however, be reductionist and it would be turning a Freudian hypothesis — which is only a mode of viewing — into a whole truth to argue that the anguish of a Heine or a Wagner represented seemingly without a cause the urge to economic betterment, but that element was undeniably present in all nationalism. For culture, which so angered Goering, does help to distance the "sordid" objectives of day-to-day economics and even to shimmer with a sable Christian virtue like dying light caught for a few celestial moments in black marble, was a desperate prayer that a whole eternity be compressed into a German moment. Dostoevski knew all the secrets of the heart aching with private or public anguish and a hero of his carried about with him "a bit of Russia in his heart". The Grand Inquisitor never left bread out of account.

If Mrs. Ward's book is allusive and full of overtones, it is because she writes within the longest and most viable tradition known to history. To us it is European rather than North Atlantic. In conclusion, Mrs. Ward's is a noble Liberal-Christian thesis and she has taken over Karl Popper's more secular "open society" into her plan for the under-developed world the condition of which she sees as a moral challenge to the North Atlantic Community; but like all liberal resolutions, it must be judged strictly by performance. That Mrs. Ward's intentions have to be vindicated by the performance of others cannot detract from the merit or the sincerity of her case.

C. L. N.

Readers' Roundtable

BOKARO STEEL PLANT

Sir, — Considerable time and energy of the Government are being spent over the proposed Bokaro steel plant. Production of steel is supposed to be an indicator of the economic strength of a country. In totalitarian communist countries, a large percentage of the steel produced goes to the building up of a War Machine. In democratic countries, a large percentage goes for the production of consumer goods such as bicycles, electric irons and sewing machines, etc. In a communist economy, investment in a heavy industry such as steel is made possible by extracting surplus from agriculture and neglecting consumer goods industries. In democratic societies, heavy industries evolve when agriculture is put on a sound basis and the prosperity of farmers creates the demand for consumer goods which in turn makes possible the evolution of heavy industry.

It is necessary to examine whether, in the present Indian context, the Government should set up the fourth steel plant involving investment of scarce resources. A number of basic amenities are lacking so far as the bulk of the people is concerned. For instance, recently the Madhya Pradesh Planning and Development Minister pointed out that out of 70,000 villages, the Government had been able to provide drinking water supply only to 10,000. There are still villages where people have to trek as far as 14 miles every day for drinking water. The Prime Minister had also stated in a speech in March 1962, "The thought of it is irritating that people cannot

get good water yet. In some places they have to go miles to fetch their water. Greater importance could be attached to the common basic necessities of human life which everybody in India should have."

It is equally important to note that investment in agriculture and consumer goods industries yields greater and quicker returns (that is, increases national income) and provides larger employment than in heavy industries. According to Prof. P. C. Mahalanobis, investment of one crore of rupees results as follows:

Sector	Output	Employment created
Agriculture	Rs. 57 lakhs	4,000
Consumer goods Industries	Rs. 33 lakhs	1,150
Heavy Industries	Rs. 19 lakhs	500

The question, therefore, is should planning mean the setting up of heavy industries without relevance to the technological level of the country, cost considerations and the problems of poverty and unemployment, or should planning be conceived in terms of basic amenities and human welfare? I shall be grateful to your readers for guidance on this subject.

Bombay.

"ARISTIDES"

CHAIRMAN'S STATEMENT

Alind's Seventeenth Annual General Meeting

'An interesting, and in some ways, a challenging year'



MR. S. NARAYANASWAMY REVIEWS ACTIVITIES

Disturbing effect of SPT* Enhanced rolling and
conductor capacity* Improved metal position*
Tax impact on dividend* Productivity Team's
Report on cable Industry*

ADDRESSING THE SEVENTEENTH ANNUAL GENERAL MEETING HELD AT THE REGISTERED OFFICE, KUNDARA, ON 23RD SEPTEMBER, 1963, MR. S. NARAYANASWAMY SAID:

Before discussing domestic affairs, I would like to dwell briefly on the posture of public affairs. Since we met last, China has chosen to violate our northern frontiers in an effort to enforce her fantastic and historically unsustainable claim to her Himalayan territory, about which she has carried on an acrimonious debate with India for some years now. The Government of India have since proclaimed a state of emergency in the country. This has not unnaturally resulted in distracting attention of Government and the people and in the deployment of our energies from our more constructive preoccupation — with economic development. Government have expressed their resolve not to allow the state of emergency to interfere with implementation of the Plan despite some slight re-ordering of priorities rendered inevitable by the exigencies of Defence. Industry and trade have shown practical appreciation of the necessities of a changed political situation, created by the unexpected bellicosity of China — by placing their resources and productive machinery at the disposal of Government.

In the effort to mobilize resources for Defence, the Central Government have introduced certain taxation and savings measures. These, however, have tended perceptibly to slow down the tempo of development activity and to dishearten wage earners at all levels. The Super Profits Tax, which concerns the Corporate Sector exclusively, has had the disturbing effect of slowing down capital formation to a degree that must cause grave concern to all those that believe in the development of free enterprise and indeed to the Planning Commissioners who have made copious allotments of industrial capacity to the Private Sector. The latter cannot hope to play its allotted role without mobilizing the resources of the people through healthy capital formation. The accentuated rigours of Corporate Taxation have had the unwholesome effect of deflecting savings to channels that offer immediate and less uncertain returns, while being far less productive of added industrial capacity to the country. If as is frequently claimed, the country has to pay homage at the twin altars of Defence and Development, the resourcefulness of our tax experts must be harnessed in declogging the choked conduits of capital formation by total substitution of the Super Profits Tax by an alternative impost. The concept of progressive taxation of the Corporate Sector seems strangely contra-indicated for an economy that is developing from infancy to adolescence. It is my hope that recent changes of personnel at the highest level will lead to rethinking on this subject and intrepid action.

LOWER SALES, HIGHER PROFITS

1962-63 has been an interesting and in some ways a challenging year for ALIND. We have reported a contraction in

sales by about Rs. 44 lakhs or about 7 per cent over the previous year; but our taxable profits have been higher at Rs. 55.40 lakhs against Rs. 41.37 lakhs in 1961-62. This is contrary to the general trend in company performances during the year, where larger sales have been followed by reduced profits — this being in major part explained by increased cost of raw material, higher wages, fuel costs, power and other operational factors. The higher profits of ALIND for the year create the impression of uniformly higher profitability of working in every line of production which I am reluctant to dispel.

In an age when wide awake shareholders insist on being told as to how a company happened to fare better no less than how it happened to fare worse, when those alternations of fortune do occur, it is perhaps just as well to take you into confidence and say that the Company's programme of effective diversification of its production lines over the last few years has been vindicated as is presently reflected in the overall gainfulness of the year's operations. I may add that this policy of diversification continues to be implemented with zest by the management as is evident from the programme outlined in the report.

WIDENED SPHERE OF ACTIVITIES

The covered conductor capacity at Kundara is being stepped up and the enhanced capacity will be in full commission before the end of the calendar year. The Hyderabad covered conductor unit will also go into production in the last quarter of the year.

While the civil works connected with the erection of the plant for manufacture of "SOLIDAL" or low voltage plastic-insulated underground aluminium cables are under way, there has been some delay caused by delayed issue of import licences, in the placement of final orders with machinery manufacturers abroad. It is however expected that the Solidal plant will go into steam by August 1964.

The Company having received a licence for the expansion of its rolling capacity at Kundara, arrangements are being made to secure a second Properzi unit for continuous rolling of metal. This will bring the number of Properzi units operated by the Company to three including the one working at Hirakud. Arrangements have just been completed for obtaining the required foreign exchange through the Industrial Credit and Investment Corporation of India who have kindly offered us a loan in foreign currency for the purpose. With the completion of this programme, ALIND would have graduated with honours into the rank of comprehensive cable manufacturers, without losing its primacy of place as a producer of bare high tension conductors. I would like you to join me in congratulating the Managing Agents and top executives of the Company for their prudent but intrepid planning which has helped

the Company to widen the sphere of its activities with a minimum of additional capital.

SPT IMPACT ON DISTRIBUTABLE PROFITS

I now come to the somewhat less colourful aspects of the Report and Accounts. I presume several shareholders have smacked their tongues out of a sense of deprivation on seeing a sum of Rs. 39.50 lakhs being carried to tax provision. This provision includes a sum of Rs. 9 lakhs provided to meet Super Profits Tax demands. This somewhat copious but inevitable provision has compelled your Board to reduce the dividend for the first time in the Company's history. That the Company had to salt away in tax provision over 263 per cent of what is being distributed to shareholders as dividend may dishearten shareholders somewhat, but that is a measure of the impact of SPT on distributable profits of a Company, which in the past has sought to achieve a fair balance between distribution and ploughing back, a fact to which the Tariff Commission bore handsome testimony the other day.

BETTER METAL POSITION

The position as to aluminium metal has shown great improvement with the commissioning of Hindustan Aluminium Company's plant at Rihand. It is a matter of no small gratification to the management that dependence on external sources and allocation of metal through DLF and similar sources has to an extent been reduced. The Company has a modest share in the export trade in cables and is happy to report that such export has been economic. There is however no reason to expect a large off-take of Indian manufactures owing to competitive prices offered by manufacturers in world markets.

PURPOSEFUL REPORT OF PRODUCTIVITY TEAM

I should avail of this opportunity to dwell briefly on the Report and Recommendations of the Cable Industry Team of

the Indian Productivity Council published recently. It is a matter of satisfaction to us that the Team of which our General Manager, Mr. V. G. G. Nayar, was the leader, has produced a purposeful and practical Report. Among the recommendations made are: elimination of conflicting grades of wire in manufacture and sale and adhering to certain recognised grades only; insistence on conformity to rigid specifications in electric cables and where small producers are in the line an arrangement for joint or pooled testing facilities to establish their conformity to ISI standards; creation of manufacturing capacity for fittings and accessories for aluminium cables, particularly because of the switchover from copper to aluminium metal in cable manufacture in India; the need for excise relief on PVC and plastic material used in the Cable industry in order to maintain parity with the end price of imported raw materials used as alternatives. It is my hope this Report will receive the attention it deserves and be acted upon by both Government and Cable manufacturers, big and small.

Before I conclude I would request shareholders to bear with us in what I have reason to hope is a transitional phase in distributions. Having regard to the projects under implementation and those under examination, there is reason to look forward with confidence to the future. In this blue print of gainful expansions, the shareholder as resource provider will be restored his rightful place.

I want to tender the thanks of your Board of Directors and of you all to the Managing Agents, administrative and technical staff and all ranks of workers for the fine work they have put in during the year.

N.B.—This does not purport to be a record of the proceedings of the Annual General Meeting.

CHAIRMAN'S SPEECH

THE METTUR CHEMICAL & INDUSTRIAL CORPORATION LTD.

Caustic Soda production touches a new high

Dr. P. S. LOKANATHAN REVIEWS ACTIVITIES

Addressing the twenty-sixth Annual General Meeting of the Company held at Mettur Dam R.S. on 11th September 1963, Dr. P. S. Lokanathan, Chairman, said:

I have great pleasure in extending to you a cordial welcome to the Twentysixth Annual General Meeting of your Company.

At the outset I wish to express my deep sense of sorrow at the passing away of Sri K. K. Raman, Managing Director of our Managing Agents and an Ex-Officio Director of this Company on 29th October, 1962. He was largely responsible for the position this Company enjoys today as a premier producer of basic chemicals in South India and it is a matter of grief to us that he has not lived to see the fruition of the expansion programmes which he conceived with courage and vision.

I should also refer to the great loss sustained by the Board in the death of Sri M. S. M. M. Meyyappa Chettiar, who was a Director of the Company for about 10 years and took active interest in its affairs.

During 1962-63, sales at over Rs. 2 crores as against Rs. 1.5 crores in the previous year constituted a record. Caustic soda production at 10,380 tons was the highest reached so far and would have been still higher but for power shortage during June and July 1962. We are continuing to maintain and even exceed in some instances the figures of satisfactory production already reached.

Thanks to our having sustained satisfactory production, the net profits have shown a gratifying increase of about Rs. 10 lakhs over the previous year, thus making it possible for

us to maintain the normal dividend of 12½ per cent on the increased paid-up capital.

Shareholders will be glad to notice that the Income-Tax authorities have determined the appropriate proportion of the final dividend at about 50 per cent on which tax is not payable by this Company, under the provision of Sec. 85 and Sec. 101 of the Income-Tax Act, 1961.

Shareholders would also have noted with interest from the Directors Report, the satisfactory progress made in the execution of the expansion scheme of the Company. I am very happy to state that all details relating to the grant of a combined foreign exchange and rupee loan of Rs. 1.40 crores by the Industrial Finance Corporation of India have now been finalised and we are about to start availing the loan facilities shortly. This will be the fifth and the biggest loan granted to us by the Industrial Finance Corporation of India. I will be failing in my duty if I do not convey our most grateful thanks for the excellent co-operation and support we have invariably received from the Industrial Finance Corporation of India in the context of all our expansion schemes. The assistance we are receiving in the present instance is particularly valuable not only for the reason that the present scheme is larger than all the previous ones, but also for the reason that the major part of our foreign exchange requirements are being met by this loan. We look forward to the continuance of the fruitful support from the Industrial

ance Corporation of India in the years to come.

I would also like to express our thanks and appreciation to the State Bank of India for the excellent co-operation and facilities extended to us by them.

Our negotiations for the manufacture of Organic Chemicals have made very good progress. As a result of the visit of Sri R. V. Ramani to the U.S., a scheme of technical collaboration with a leading chemical manufacturer in the U.S. has been finalised and submitted to the Government of India for their approval. This collaboration would cover the manufacture of four new organic chlorine compounds.

We have already taken possession of a part of the land for the location of the No. 2 factory and civil works are about to commence. A major part of the shipments of Cell Plant and Chlorine Drying Plant have already arrived at Mettur.

Orders for equipment for the further expansion of caustic soda capacity from 40 to 60 tons per day with Hooker cells in the No. 1 factory have already been placed and it is hoped to commission this extra capacity in early 1964. The erection of the third Stable Bleaching Powder Plant is in an advanced stage and the plant will be commissioned before the end of this year.

The increase in the tempo of expenditure connected with the expansion schemes makes it necessary for us to make the further issue of Rs. 60 lakhs face value equity shares at par as well as Rs. 30 lakhs of preference shares, in such a way as to receive application moneys in January 1964. I expect that shareholders will receive intimation of this issue towards the end of the year.

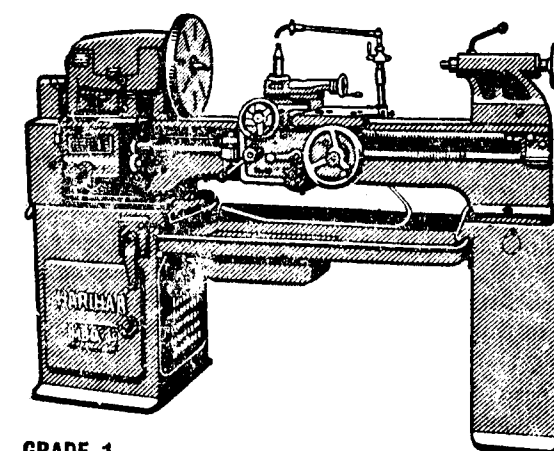
The Government of India were good enough to grant us an increase in price for bleaching powder in August 1962, consequent on the imposition of a Central Excise duty on chlorine and the levy of customs/excise duty and cess on packing sheets, which resulted in increased costs of production. Costs are, however, continuing to rise due to reasons beyond our control, — reasons such as the introduction of the Emergency Risks Insurance Scheme. It is my earnest hope that representations which have been made by the Alkali Manufacturers Association of India in this connection will receive the sympathetic consideration of the Government of India.

Excise duty on vegetable oils was abolished under the Budget proposals for the current year and this duty was transferred to vanaspathi and refined oil. Vanaspathi Price Control was also introduced effective from March 1, 1963. Thanks to the efforts of the Vanaspathi Manufacturers' Association the system of price fixation has been modified on a basis more acceptable to the manufacturers.

While the low level of water in the Hydro-Electric Reservoirs and the delay in the setting in of the monsoon again caused serious power shortages in the State, it was a matter of satisfaction to us that no cut in power supply was imposed on continuous process industries like ours engaged in the production of essential commodities. This was an extremely helpful concession extended by the State Government and I wish to convey my thanks to them for this gesture. This has helped us to maintain supplies of our chemicals for such essential purposes as Defence, Public Health and Sanitation at normal levels. In this context I should again like to emphasise the urgent necessity to develop thermal and atomic power resources in this part of the country in order to supplement our hydro-electric power resources, so that the wheels of industry may turn continuously and purposefully.

We have offered certain increases in emoluments by way of wages and dearness allowance to the Staff and Labour and this is under discussion with the concerned Unions and the Labour Department. It is hoped that the matter will be settled to the satisfaction of all concerned very soon.

Kirloskar



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COMPANY MEETING

THE IMPERIAL TOBACCO COMPANY OF INDIA LIMITED

Speech of the Chairman, Mr. F. A. Collett, at the Fifty-second Annual General Meeting of the Company on 26th September, 1963.

The year under review saw the beginning of the National Emergency with its manifold impact on all aspects of national life. The burden on industry generally of the consequential financial measures introduced in March has been great, but the tobacco industry is affected more heavily than most. In our case there was not only additional income taxation, which involved a further charge of Rs. 20 lakhs after the year's trading had been completed, but also the substantial rise in the level of Excise. This rise affects our business in several ways. Not only do the inevitable increases in selling prices restrict consumption and make the maintenance of adequate profit margins more difficult but the Company's working capital requirements are also increased because of the large amounts of excise and duty included in the stocks of manufactured goods.

I concluded my Speech to you last year with the words "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". Obviously we could not foresee the present National Emergency. The trading profits of your Company for the year fully justified my confidence, but the impact of the national financial measures on your Company, and in particular the increased working capital requirements, have obliged your Board with regret to recommend a reduction of the final dividend to 3 per cent, making a total of 8 per cent for the year as against 9 per cent last year.

The need for additional working capital is emphasised by the Company's cash position. Until very recently your Company has been in the position of being able to finance its business without resort to borrowing, but you will see from the Accounts that at 31st March last the Company was dependent on bank finance, albeit for a comparatively small amount.

Whilst the deterioration in the Company's liquidity is in part due to the purchases of our requirements of flue cured leaf tobacco at an earlier date than usual, the most important factor is the very much larger amount tied up in Excise on stocks on hand, due not so much to larger physical stocks as to the higher rate of excise applicable to those stocks as a result of the further increased rates announced in this year's Budget.

As this factor is so important, I think perhaps it would be appropriate if I deal with it in more detail.

Tobacco Excise Duty, with its attendant Special and Additional Excise Duties, is payable at the time that the leaf tobacco is taken into use in the factory, while the much heavier Cigarette Excise Duty (with its attendant Special and Additional Excise Duties) is payable when the finished cigarettes leave the factory.

The cigarettes are then despatched throughout the length and breadth of the country to the many distribution points which we maintain in order to give the ultimate consumer the sales service that he rightly expects. As cigarettes are, particularly during the monsoon, a perishable commodity, it is very much in our interests, and that of the consumer, that the period between the manufacture of the cigarettes and their consumption is reduced to a minimum.

Our Marketing and Traffic departments are constantly and persistently trying to reduce this transit period, and have indeed met with a deal of success. Nevertheless, despite our best endeavours, and with despatches from five factories in

different parts of the country, we have not been able to reduce it below an average of three to four weeks, and we are not therefore reimbursed for our outlay on Excise during this time.

With successive increases in the rates of Excise this outlay has been steadily mounting: and the 1963 Budget increased it by as much as Rs. 67 lakhs on approximately the same volume of cigarettes, with the result that we now have perforce some Rs. 2 crores of unremunerative capital permanently tied up at any one time in Excise.

I think that it is generally accepted that Excise is intended to be a tax on the consumer, and not on the manufacturer who is taxed by Corporation Tax and Super Profits Tax, not to mention the Excise element in the price paid for raw materials. It is not therefore reasonable to ask the shareholders for new capital to finance this outlay as there is no return on it at all. We have so far been fortunate in that our Bankers have been able to grant us overdraft facilities to enable us to carry this burden.

However, as is well known, in this stage of the country's development Bank funds are not unlimited, and are required for the finance of new development to broaden the base of the economy. We are therefore making representations to Government to allow the industry some credit on their excise payments as is done in many countries, in order that these funds may be put to a more useful purpose than at present, and can only hope for a successful outcome.

The cigarette trade is one of the largest producers of Excise revenue in the country, and consequently our policies are to a very large extent dominated by this impost. The effect of successive increases in excise rates over the last two years has been, and still is, far reaching, particularly as although Government revenue has continued to rise fairly steadily, the volume of business has not.

For the five years until the 1962 Budget there had been a steady increase in volume of some 10% per annum. As a result of that Budget the volume last year was virtually stagnant; and although it is more difficult than ever to forecast the effect of the 1963 Budget it seems highly likely that this year will see a regression in volume, though not in Government revenue, for the first time for several years. In fact, rising costs coupled with annual increases in Excise rates have forced our lowest prices up to a figure which many consumers can no longer afford to pay.

In these circumstances after this year's Budget, your Board was faced with two alternative courses: either to pass on the whole of the increased Excise rates to the consumer, thus accentuating the anticipated fall in volume of sales with the consequent laying off of labour in the factories, or, taking the long-term view that this is a temporary setback brought about as a by-product of the National Emergency, to absorb a large part of the Excise increase, thereby restricting price increases to the minimum, particularly in the lower price categories.

We have chosen the latter course because we considered it to be in the best long-term interests of the Company. This must inevitably result in considerably decreased profits for the current year.

In the developing stage of the country periodical increases in Excise rates are probably inevitable; but in the cigarette trade an Excise change means a complete overhaul of the entire business, particularly for a Company such as ours which sells cigarettes over the entire price range from Rs. 1.40 to 12 nP

for ten. Thus when the increases come regularly every year it is extremely difficult to maintain a consistent long-term policy, and considerable fluctuations in profits seem inevitable.

In our opinion Tobacco and Cigarette Excise rates have for the time being at least reached the maximum that the consumer can afford to pay, and the trade needs a period of stability: further increases in Excise must clearly be reflected by equivalent increases in prices to consumers, which in present economic circumstances can only result in further decline in volume of sale.

I mentioned to you last year the progress that we were making towards increased productivity through training and this objective has assumed even greater importance under present-day conditions. If volume, and therefore profits, are to remain stagnant or diminish due to the tax burden, any further development must come from greater productivity and greater efficiency. For this reason an intensification of our training programmes is being undertaken and our administrative procedures are being closely re-examined.

The urgent need for effective training, both of our Managers and Labour, has been recognised now for several years and during the past year the momentum in both directions has been stepped up. Wherever possible the fullest advantage has been taken of training opportunities offered overseas for Managers at the senior as well as the intermediate levels, and in this connection two senior Managers have attended sessions at the Administrative Staff College, Henley-on-Thames, in the U.K., and seven of our intermediate Management completed courses at the Training Centre run by our Associates in the U.K. in the recent past. In addition a further seven men have completed other forms of technical training in the U.K. and Australia.

This has not only helped our key personnel to keep up to date with latest developments and techniques but has also assisted us in equipping a larger number of our Indian national

staff to take over responsibilities previously held by foreigners in furtherance of the Indianization policy. At home six of our senior Managers were accommodated on courses at the Administrative Staff College at Hyderabad in the past year and two men attended fulltime Management Courses run by the Calcutta Management Association and Indian Institute of Personnel Management. Our own residential Training Centre in Calcutta is being utilized to the full in training Managers at all levels in general management techniques, as well as in imparting a greater awareness of the commercial aspect of their jobs as Managers. Altogether approximately 100 members of the Company's Management have completed courses at this Training Centre during the past twelve months.

The Executive Development Programme is also directed towards the particular objective of more intensive training of labour in which a large number of our Managers are now actively engaged. Our Labour Training programmes are being vigorously carried out in all the Company's branches with two objectives—first to increase the efficiency of operatives and secondly to improve the supervisory and leadership skills of the higher echelons of labour. By these means greater productivity is our aim, and the enthusiasm with which our Labour Training programmes have been received by the labour themselves has also helped to improve our Management's relationships with the work force.

I would like to close with a word about the future and little as I like to end my Speech on a depressing note, the very steep increases in Excise duties imposed by the 1963 Finance Act represent a substantially increased burden for your Company, and our trade has undoubtedly suffered severely. I can only forecast, therefore, that in the current year we must expect profits to show a marked decrease.

N.B.:—THIS DOES NOT PURPORT TO BE A RECORD OF THE PROCEEDINGS OF THE ANNUAL GENERAL MEETING.

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S. T. SADASIVAN,
General Manager.

RECORDS AND STATISTICS

Reorganisation of Central Excises

THE GOVERNMENT of India appointed in November 1960 a Committee headed by Mr. A. K. Chanda to examine in general the organisational and administrative set-up of the Central Excise Department and advise Government on such reorganisation as may be necessary for achieving maximum efficiency at minimum cost and further to recommend the steps to be taken wherever necessary for the rationalisation of the Central Excise Act and Rules and Procedures. The Committee has released its Report and we reproduce below a summary of their findings and recommendations:

Incentives in different forms have been provided including preferential rate of, or exemptions from, excise duties to give impetus to the growth of the village and small-scale industries. Two conditions should be fulfilled if small-scale industries are to make their full contribution to the national economy. Firstly, these industries should be largely complementary and not competitive with organised industries and, secondly, they must attempt at becoming self-reliant and self-supporting by adopting improved techniques and more efficient forms of organisation. In other words, reliance should not be on fiscal preferences.

Fiscal preference as an instrument of national planning and development is not new and has been used to protect developing indigenous industries. Excise levies are also being used to subserve this purpose. Differential rates of duty and exemptions have, however, in certain cases, led to fragmentation to avoid payment of duty.

Maximising Exports

Excise duties have been used to conserve foreign exchange and to reduce domestic consumption for maximising exports. Other objectives have also influenced the evolution of the tariff.

The tariff has also been used as a measure of economic assistance to individual units and to whole industries in times of distress. The use of differential excise levies selectively as an economic regulator has not always fulfilled the purpose intended; in some cases it has produced a contrary effect. It has also placed on the revenue administration responsibilities inappropriate to its main function.

Generally speaking, low priced articles of high common consumption are best suited for excise levies, as also luxury articles. Capital goods, in view of their place in the economic development of the country, should be lightly taxed. Commodities with relatively small revenue potential are best left alone. Administration of levy in these commodities is expensive and also difficult.

Increases in revenue attributable to new levies imposed in recent years have not been in proportion to the number of commodities added to the list.

It is not prudent to keep down the cost of collection by resorting to relaxation of standard checks.

The schemes for allowing drawbacks or sets-off of duty on raw materials and components used for making other excisable goods vary from commodity to commodity. They lead to a feeling of discrimination and do not always subserve the needs of internal economy or the export trade. A definite policy, even a philosophy should be evolved in taxing goods at different stages of manufacture.

Articles with low revenue potential should be taxed only

when they can be and are used as substitutes for other taxed articles. Levies that entail disproportionate costs of collection and on articles which are produced largely by small dispersed units should be avoided.

The revenue from taxing fabrications of taxed basic materials could, sometimes, be raised more economically by increasing the rates of duty on the raw materials themselves.

It is not possible to apply any one principle rigidly in selecting commodities for taxation. The major consideration should, however, be that a levy does not create such administrative problems as largely defeat its purpose and it does not create psychological complexes which retard production. It is best to explore the possibility of increasing yields by adjusting rates of established excises on goods already taxed before considering new levies.

Pattern of Levy and Control

Each major industry has its distinctive features and its own pattern of production and distribution. It must necessarily have rules suited to its needs. It is not possible to bring all commodities under a common code.

Abatement of duty on losses due to dryage and wastage of tobacco, though reasonable in itself, is a major source of friction between excise officers and assesseees.

Apprehensions expressed when the consolidating Act was passed in 1944 that consolidation of statutes for dissimilar goods will create complication have materialised. These are sought to be met by frequent amendments and adoption of principles which are applicable to some but not to all. There is thus complaint of discrimination. Relaxation of rules or checks is not the solution to the problem.

The normal scheme of excise control cannot be applied to many commodities. The scheme devised primarily for a few basic commodities is no longer suitable for the large range of goods now subjected to levy. A rationalisation of the law is necessary.

Central Excises and Salt Act

The Act should be made comprehensive to include all substantive provisions of law; procedural matters should be covered by subsidiary legislation.

Rates approved by Parliament are largely treated as ceiling rates and effective rates are introduced by notifications. This is an encroachment of the prerogative of Parliament which often has no information of the changes made. Neither total revenue foregone nor the revenue sacrificed in fostering growth of the small sector can be properly estimated. Revenue forecasts prove also incorrect and attract parliamentary and audit criticism. A scheme of subsidies should be considered as an alternative; if feasible, it would remove many of the drawbacks of the present procedure.

As revenue estimates are framed on the basis of rates actually intended to be imposed by notification and there is time enough after the introduction of the Finance Bill to make necessary enquiries which could not be made earlier on considerations of secrecy, parliamentary approval should be sought to rates to be finally imposed and not to rates which are subsequently treated as ceilings.

With the power sought to vary the rates upwards also,

the Indian provisions are now comparable to the UK scheme. The safeguards of the UK scheme should, therefore, be adopted to maintain parliamentary authority.

Full and complete research should precede framing of taxation measures. The unusual power to vary statutory rates by notification should be sparingly used; changes, if any, in rates proposed in the Finance Bill should be incorporated in the Act itself. Other changes made by notification should be and large cover the whole range of taxed goods and should be brought before Parliament for ex post facto approval.

Provisions and references to salt in the Act and Rules should be deleted.

Anomalies arising out of definitions, particularly of the term "Manufacturer", should be removed.

Tariff values should be determined with circumspection; the apparent conflict in the provisions relating to valuation and fixation of tariff values should be removed.

Provision should be made for determination of assessable value of taxable components of a manufactured article.

The law itself should provide for the status of a rule made when Parliament is not in session if it is later revoked when brought before Parliament. The question is important for regularising implementation during the intervening period.

(i) Courts of law should notify the excise officer of impending disposal of excisable goods under their control.

(ii) Infringement of licensing provisions should be brought within the ambit of departmental adjudication.

(iii) The ceiling for penalties should be realistic; it should be up to three times the value of goods involved.

(iv) Central Excise officers empowered to summon persons for conducting enquiries should have the authority to impound the documents required and to impose penalties if the summons are disregarded.

(v) The law should provide that a Central Excise officer seizing excisable goods should, on demand, give the owner the reasons therefor.

(vi) Provision should be made for review of original decisions.

The present arrangement of taxable items under different groups in the Schedule to the Act is unnecessary and should be discontinued.

The Rules

A common set of rules to regulate storage of excisable goods in the manufacturer's store-room and in bonded warehouses should be prescribed.

Common provisions of all compounded levy schemes should be consolidated.

Rules regulating refund on export should similarly be revised and consolidated; inoperative or out-moded provisions should be deleted.

Rules relating to exemptions and remissions of duty should be made more specific to conform more fully to the provisions of the Act. Delegation of powers to subordinate officers should be reviewed, rationalized and enlarged.

A period of limitation should be incorporated in Rule 10A. A common set of rules should be drawn up to regulate returns of excisable goods for reprocessing.

Failure to comply with supplemental instruction should entail penalties.

There is no up-to-date compendium of the rules and the rates of duty in force. A revised edition of the Central Excise Tariff should be published every half year as on 1st May and 1st December.

There is no uniformity in notifying procedural instruc-

tions to the Sections affected. The demand for a periodical bulletin of rules, notifications, interpretations, and instructions for public use is legitimate. Such a publication is also necessary for the excise officers. Supplemental instructions should be issued in printed sheets of a standard format.

Levy and Collection of Duty

It is not possible to be dogmatic on the question of the basis of levy for every commodity. Though specific rates lead to difficulties, especially for the small sectors of industry, their definiteness outweighs many of the disadvantages. Purely from the point of view of simplicity of administration, they are to be preferred to ad valorem rates. The present system does not lead to equitable results even when ad valorem rates are prescribed.

The administrative set up of the Central Excise Department is not suited for the proper administration of ad valorem duties. This is proved by the adoption, in a number of cases, of expedients to convert ad valorem to wholly or partially specific rates.

Constitutional, legal and economic objections to the present concept of assessable value for levy of duty ad valorem deserve consideration. The customs legislation which formed the prototype for administration of ad valorem excise duties has now itself been revised.

The tariff as now designed gives anomalous results for certain values of taxable tobacco products as it is arranged in slabs of values. This anomaly should be removed.

Specific rates are obviously feasible in those cases where the present tariff provides both for specific and ad valorem rates but as alternatives.

Specific duties should be prescribed where ad valorem levies are administered through specific rates fixed by exemption notifications.

Where specific rates of duty cannot be evolved, tariff values for goods chargeable ad valorem should be fixed after proper enquiry.

Determination of assessable value on cost of production plus a fixed margin is not practicable.

Determination of assessable value on list price less fixed deductions is of limited application.

Assessable value should correspond to ex-factory price less excise duty, without reference to any particular market. For this purpose, transactions in which there is no special relationship between the manufacturer and the purchaser should be distinguished from those in which there is such relationship.

In direct sales, assessment should be on invoice value, less duty and other post-clearance charges.

For transactions involving special arrangements between producer and buyer, rules should specify inclusions and exclusions to be made uniformly to arrive at the assessable value.

Payment of Duty

There should be no reversion to the system of post-payment of duty; its prepayment should continue.

Procedures for payment should be simplified by consolidating assessment forms into three basic documents.

One current account for all duties payable by a manufacturer for all products produced in the same factory should be authorised.

Departmental Treasuries should be set up in major centres of concentration of excise work.

The scheme for payment by cheque should be made more attractive by liberalising procedural restrictions and accept-

ance of a single cheque for all clearances made from a factory in the course of a day.

Payment of licence fee should continue through revenue stamps. Use of stamps for payment of other dues is not feasible.

Facilities for bonded storage of excisable goods in main marketing centres should be allowed in selected cases on recovery of extra costs incurred as supervision fees. The principle in selection should be to allow bonded storage for goods whose production is regionally concentrated and which are assessable at specific rates.

Structure of Control

A single multipurpose licence should be issued to cover all manufacturing operations at the same factory. Similarly, a single licence should be sufficient for wholesale purchase and warehousing of manufactured tobacco.

Brokers and Commission Agents not possessing or stocking unmanufactured tobacco need not be licensed.

Categories of licence fees should be fewer. The fee for a licence to manufacture more than one commodity might be made a multiple of a single manufacturing licence.

All manufacturing and major warehousing licences should be renewed triennially.

Renewal of licences should be staggered over the year instead of being concentrated in the months of November and December each year.

The penal fee for failure to renew licences in time should be substantially enhanced.

Powers of Inspectors to issue and renew licences in certain cases are adequate but Superintendents should be made the licensing authority for all other licences. Manufacturing licences or those where a transfer of ownership or premises is involved should be approved and renewed by Superintendents.

Licensing provisions should be made more stringent as a deterrent to revenue misdemeanours.

The utility of bonds for securing safety of revenue is limited. The work involved in their execution, acceptance, custody, etc. is not commensurate with the revenue collected.

Audit type of control should be extended to all public sector undertakings, and in the private sector to those whose products are normally assessable at uniform specific rates and/or whose book keeping is adequate for checking production and delivery. Licensee's own statutory auditors may also be appointed Government Auditors.

The standard procedure of control should be simplified; deliveries may be permitted without excise officers' counter-signature of gate passes, subject to surprise checks.

The procedures for routine verification and check of intake and utilisation of raw materials should be reviewed with a view to eliminating avoidable checks. Manufacturer's own accounts of raw materials supported by purchase vouchers should generally be accepted in lieu of officially prescribed accounts.

Revenue control should be ensured by periodical and systematic analysis of manufacturers' own accounts. Proper procedures should be formulated for this scrutiny. When results of such checks warrant, a deeper probe should be made.

Schemes of sampling of process materials and of physical attendance of excise officers should be reviewed to eliminate all those checks which do not contribute to the substance of revenue control.

Separate production and store-room entry books entail

duplication and should be amalgamated wherever possible. Forms of account, where prescribed, should take account of different characteristics of excisable goods. Where a manufacturer's own accounts are adequate for proper excise control, they should be accepted in lieu of officially prescribed accounts.

Routine test checks of daily production and packing should be made at the filling or packing stage in surprise visits. Tolerances should be authorised to conform to those commonly current in the trade or permitted by legislation such as the Merchandise Marks Act.

Quantities of excisable goods taken for chemical analysis should be the minimum necessary. Re-tests should be conducted on duplicate or triplicate of the same sample. Test results should be speedily communicated to the assessee. Re-tests in better equipped institutions should generally be permitted.

While some notice of removal of excisable goods is necessary, loading for clearance need not await the arrival of the excise officer.

Routine opening and verification of contents of packages at the time of delivery is unnecessary. The power to make such checks should be retained but exercised only in cases of well founded doubt.

Assessment disputes should initially be settled by the Superintendent, whose order should be appealable. The limitation for rectifying short levies is adequate. Resort to provisional assessments is to be deprecated.

Excise officer's counter-signature of gate pass should be dispensed with. Producers' own despatch invoice, etc., if it gives the information required, should be accepted in lieu of gate pass.

Existing formalities attendant on removal of samples are unduly detailed and rigid; a more liberal attitude would not endanger revenue.

Sector officers should be authorised to permit overtime clearances subject to subsequent approval by the Range Officer.

A common set of basic rules will obviate the need for frequent changes in compounded levy schemes.

Compounded levy schemes do not solve the problem of ensuring adequate revenue control where the small sector forms a large proportion of manufacturers. A better alternative would be to recast the tariff.

Multipurpose Excise Levies

Although relief from multiple levies is afforded selectively, there is neither uniformity in the pattern nor is there any evident or expressly stated principle in these reliefs.

The scheme recently introduced for giving credit of duty borne on specified components and raw materials used for manufacture of specified excisable goods entails additional documentation and leads to distortion of revenue accounts without meeting the general grievance as it is limited in scope.

The variegated pattern of selective ad hoc reliefs leads to contradictions and accentuates discrimination.

It is impracticable to achieve a single point levy uniformly.

Collection of duty on raw materials and components on delivery from the producing factory blocks up working capital of manufacturers using them for production of other excisable goods. Some relief is called for. It should be provided by permitting transfer of duty liability with the goods, the duty being collected along with that leviable on the final product. Similar relief should be provided for goods to be refined or reprocessed. Costs of administration of this relief should be

recovered as supervision fee. This will facilitate also the determination of ad hoc rates of refund on export.

A detailed study should be made of the administration of Added Value Tax System (TVA) in France and certain other countries to explore the possibility of introducing it in India in future.

Fiscal Preference

The tariff is riddled with preferences, privileges and exemptions. Their administration creates practical difficulties. It is doubtful also if their benefits always reach the persons for whom they are intended.

Increase in rates of duty has accounted for the largest contribution to increased revenue and extension of excise coverage the smallest.

The small increase in revenue relatively to a much larger excise coverage has stretched the administrative machinery; gaps between work-load and resources are bridged by ad hoc adjustments.

Schemes of fiscal preferences, besides reducing revenue potential, lead to fragmentation of larger units. Scope for malpractices and collusive frauds increases. The need then arises for greater administrative vigilance and more detailed schemes of surveillance over the free and preferred sectors. These in effect become paper controls. Idle capacity also increases and the role which the Plan assigns to small scale industry is defeated.

Fiscal concessions to units in the organised sector of industries are neither necessary nor beneficial.

Commodities of which the major part of the production is not concentrated in the organised sector units are administratively unsuitable for taxation.

Revenue foregone by schemes of fiscal preferences cannot readily be computed. Without reckoning the effects of limiting production in 1961-62 it may have been of the order of Rs. 80 crores with reference to tariff rates and Rs. 20 crores with reference to effective rates.

Fiscal preferences are largely ineffective in their promotional effect, firstly, because they come in dribbles with each assessment, and secondly, because the distributive trade depresses the purchase price corresponding to the quantum of duty preference and eventually appropriates most of the benefit to itself. This has been particularly noticeable in vegetable non-essential oils and matches.

Rate concessions should be substituted by cash bounties paid periodically. Assessment in all sectors would then be simpler as uniform rates could be applied. Units in the preferred sector may claim and receive the bounty periodically with reference to their past production. This will not involve extra work. Revenue security will improve and amounts incurred to assist the small scale sector will be known.

The principles and scales of subsidy for different classes of manufacturers should be determined after open enquiry by a body like the Tariff Commission which should also review the working of the schemes periodically.

Periodical cash bounties will ensure that fiscal aid reaches those for whom it is intended and that it takes a more effective and tangible form. Possible initial hardship for small scale manufacturers should receive due consideration when evolving principles and scales of subsidy.

Refund of Exports

Many provisions of the present multiplicity of production cannot be fully understood or applied. They also hamper exports as the full burden of excise duty is neither removed nor is it practicable to do so. Refunds are not always admissible of duty borne by raw materials and components and even where they are allowed, no abatements are given for wastages in manufacture.

There is no rationale in a bond not being allowed to cover

exports merely because the port of export is changed.

Different procedures govern payment of refunds which are made partly by the Central Excise and partly by the Customs Departments.

There is excessive documentation and repeated verification of the same manufacturing formulae where ad hoc rates of Customs and Excise drawbacks are authorised.

Whenever an excise officer supervises goods made ready for export, checks for customs purposes should also be entrusted to him. Goods may then be allowed to be shipped under his certificates or seals without routine opening in the docks at the time of shipment.

Procedures should be devised so that full refund of the total amounts is paid promptly after shipment.

Common procedures, applicable to all goods and all exporters, should be devised and consolidated to ensure that goods exported are relieved of the total customs and excise duty burden. Formal notifications that refund will be payable on export of specified goods are avoidable. This should be restricted to instances where special conditions become necessary.

The actual exporter should be entitled to refund on goods exported and executive restraints against this should be revoked.

Ad hoc rates of rebate on account of Customs and Central Excise duties should be fixed for as wide a range of goods as possible on broad estimates of the incidence of all such duties borne at every stage, including the duty borne by packaging materials. It is essential that the exporter should know the quantum of rebate which will accrue on the goods he exports. Subsequent procedures can thereafter be simplified.

The special procedure now restricted to specified ports should become the normal procedure.

Other refunds should also be speeded up. Verification of original payment may be made with excise records and refunds paid by cheques.

Adjudication, Appeals, etc.

Decline in incidence of detection of excise offences may be due to slackness resulting from inadequacy of manpower for enforcing the standard pattern of control. New techniques have, therefore, to be evolved.

An efficient enforcement and investigation agency should be created. Selected officers should be trained in modern methods of investigation.

Rewards for detection are small; diligence and initiative should be better rewarded.

Graduates with legal qualifications should be employed in cadre posts at Collectorate Headquarters for briefing counsel in law suits.

Powers of adjudication of officers should be substantially enhanced. The Deputy Collector should have the same powers of original decision as the Collector.

Appellate powers of officers require no change, but to expedite decisions, the Collector and his Deputies should hear appeals also on their tours.

If a licensee holds adequate excisable goods to cover penalty and duty, his appeal should be heard without pre-payment of the dues.

While the present appellate channels may continue, the final stage of the revision application should be abandoned; instead, an Appellate Tribunal which would go both into the facts of the case as well as points of law should be set up. The Tribunal should have one member of status and experience comparable to that of a serving or retired High Court Judge and one or two members with working experience of technical excise work. The Tribunal should not be subordinate to the Chief Excise Authority, but there is no objection to its being within the Ministry of Finance.

(To be continued)

REVENUE FROM COMMODITIES TAXED: 1954-55-1961-62

(Rs. Lakhs)

Commodity	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
1. Cement	221	229	253	1,100	1,436	1,695	1,863	1,936
2. Soap	138	153	175	180	199	212	234	246
3. Footwear	84	86	99	101	111	126	157	185
4. Art-silk	44	43	73	76	92	150	178	408
5. Woollen Fabrics	2.10	52	55	56	59	59	63	80
6. Paints and Varnishes	9.42	99	105	118	127	137	150	213
7. Electric Fans	4.48	27	33	45	53	67	120	122
8. Electric Bulbs	1.74	27	31	30	32	39	74	148
9. Electric Batteries	5.67	73	90	83	96	116	181	179
10. Paper	20.19	271	317	537	684	809	886	1,032
11. Vegetable Non-essential Oils		38.85	611	1,034	995	139	1,177	1,059
12. Refined Diesel Oil and Vaporising Oil		19.15	304	700	881	2,352	3,760	3,991
13. Diesel Oil not otherwise Specified		49.28	85	141	171	279	491	682
14. Furnace Oil			131	144	157	265	531	589
15. Rayon Yarn			31	115	146	252	319	597
16. Motor Vehicle			15	35	20	79	1,010	1,026
17. Asphalt Bitumen and Tur						174	296	252
18. Silk fabrics						0.37	5.77	4.60
19. Pig Iron						4.45	120	121
20. Aluminium						8.22	108	102
21. Tin Plates						5.07	136	158
22. Internal Combustion Engines						9.00	156	137
23. Cycle Parts						8.50	127	137
24. Films						3.47	77	69
25. Electric Motors						3.61	87	102
26. Soda Ash							1.34	31
27. Caustic Soda							2.44	49
28. Glycerine							0.48	12
29. Coal Tar Dyes							6.78	113
30. Patent or Proprietary Medicines							3.90	403
31. Toilet Products							1.00	111
32. Plastics							5.41	105
33. Cellophane							2.78	34
34. Cotton Yarn							32.38	529
35. Woollen Yarn							3.24	132
36. Glass and Glassware							7.31	220
37. Chinaware							2.06	92
38. Copper and Copper Alloys							5.84	187
39. Zinc							0.36	13
40. Air Conditioning and Refrigerating Machines							1.65	86
41. Wireless Sets							3.84	33
Total	531.60	1,167.28	2,408	4,495	5,259	8,244.69	12,387.58	15,825.60

GROWTH OF EXCISE REVENUE

(Rs. crores)

Year	No. of commodities taxed	Gross Central Excise Revenue	Total tax revenue	Excise revenue as percentage of total tax revenue	Year	No. of commodities taxed	Gross Central Excise Revenue	Total tax revenue	Excise revenue as percentage of total tax revenue
1920-21	2	2.85	60.85	4.68	1956-57	30	190.57	578.72	32.93
1925-26	3	3.21	72.86	4.41	1957-58	32	274.44	704.33	38.96
1931-32	4	6.19	75.62	8.19	1958-59	32	312.74	722.66	43.28
1938-39	8	8.72	81.87	10.65	1959-60	32	364.23	823.18	44.25
1948-49	15	50.09	385.18	13.00	1960-61	41	413.16	917.77	45.02
1953-54	15	93.52	424.64	22.02	1961-62	58	481.79	1063.53	45.30
1954-55	19	107.91	460.25	23.45	1962-63	67	550.59*	1190.24*	46.26
1955-56	27	146.86	492.22	29.84	1963-64	67	696.32**	1501.08**	46.39

*Revised estimates.

**Budget estimates.

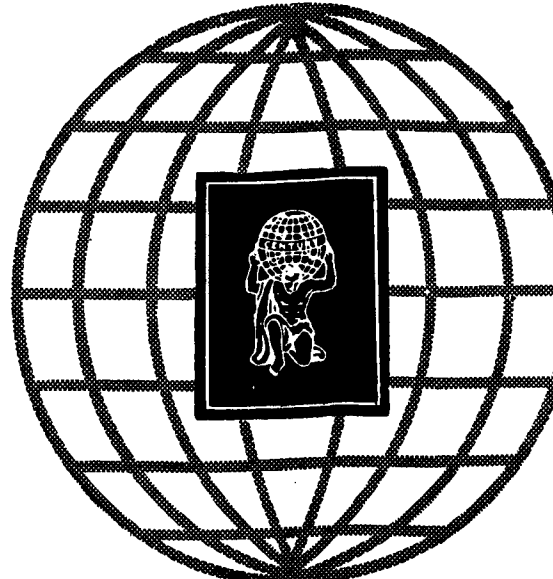
Notes:— (1) Figures in columns 3 and 4 include refunds and drawbacks and shares paid or payable to the States.
 (2) Column 3 excludes all cesses but from 1955-56 includes cesses on copra and oilseeds.

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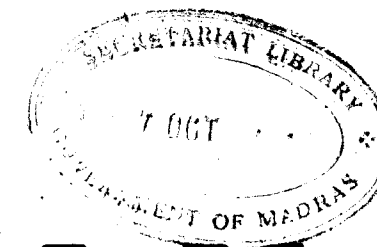


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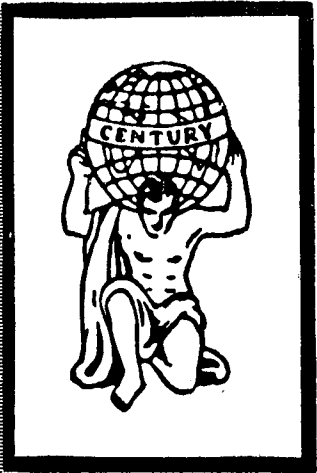


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Dear Defence Minister...

YOUR TWO fine speeches in Parliament in the closing week of the Monsoon Session on the NEFA reverses and the state of our defence preparedness have justly been acclaimed by the nation for their candour, realism and sincerity. That they have added considerably to your reputation as a political leader of the first rank is indeed most gratifying. But what is certainly more important is that they have given our people an assurance that in the Defence Ministry today there is adequate awareness of the tremendous effort that would be needed to cope with the threat to this nation's security created by the Peking-Pindi axis.

We admire you, in particular, for the utter honesty of your public pronouncements on the state of our military preparedness. In Rajya Sabha you took the nation fully and rightly into your confidence when you spoke on this subject as follows :

"I shall try to be rather more realistic (on the state of our military preparedness). Somebody asked me just now whether our production is commensurate with our requirements. Let me tell you very frankly that it is not. If you expect the Minister merely to have the production required for war consumption within a few months, it is not possible. Your defence preparedness cannot be separated from your economic base, from your economic capacity, your economic capabilities, your technological capabilities, your scientific development and other connected matters."

We are sure that you are fully alive to the important implications of these observations. In a report on the steps taken in the last few months in the area of defence preparedness, you had informed Parliament of the progress which had been made. You said that of the six new Divisions proposed to be raised, three had already been raised while the remaining three were in the process of being constituted according to a planned time-schedule. Pointing out that the raising of these Divisions had meant large scale recruitment of officers and other ranks, you indicated that nearly 5,000 officers would have been commissioned since the emergency and by the end of last month. You also suggested that by the beginning of this year the number of officers commissioned would have exceeded 8,000.

On the important issue of equipment you explained that the question was not merely one of providing equipment to new raisings, but of equipping the entire army with modern weapons, ammunition and other requirements, such as, clothing, blankets and boots. After referring to the invaluable aid received from friendly countries in the form of arms, ammunition and other defence stores, you also dealt with the progress that was being made in developing indigenous production. The disclosure that the production of semi-automatic rifles has been perfected at the Ishapore rifle factory and that this basic weapon is now being produced in quantity was certainly most encouraging. The nation was also informed that work on the establishment of six new Ordnance factories with the assistance of friendly countries was progressing satisfactorily. You gave then the welcome information that work on the setting up of plants for the manufacture of MIG aircraft was being expedited. Summing up, you said that to support the expanded armed forces the Defence Ministry had undertaken a programme of modernization and expansion of defence industries and creation of new production potential.

You will readily agree, however, that in spite of such progress as has been made in the last ten months, the present state of our military preparedness is still nowhere being an effective deterrent to a major offensive by a big military power. It is certainly true that our fighting forces

October 4, 1963

will be able in the event of hostilities, to give a much better account of themselves in strategy and actual combat than was the case in the sad months of October-November last. But in the larger sense of defence preparedness which embraces the economic capabilities which you have mentioned you will readily agree that we have still a long way to go. The speeches you delivered in the two Houses referred to the possibility that the Defence Ministry may not be able to utilise all the financial provisions made in the Central Budget this year. While it is quite true that it is not always possible to ensure that every rupee appropriated for defence or any other purpose is actually spent, you will surely see that it would be an admission of the Government's failure to implement substantially the physical programmes considered essential for the security of the country if the bulk of the money allowed for defence is not spent properly and within the time prescribed. It is true that there has been a tradition of appropriations being surrendered year after year. While it is possible to allow some latitude in this matter in normal times, this question has to be viewed much more seriously when the enemy is actually active on our frontiers and is known to be steadily building up its striking power.

The entire people of this country, the rich and the poor alike, have shown that they are willing to make all the financial and other sacrifices that may be necessary for the timely strengthening of the nation's security. The Government's response cannot therefore be any the less complete. We could readily concede, of course, that defence preparedness cannot be created overnight, but the compelling fact is that the enemy unfortunately does not strike only when we are ready. The nation must be expected to apply very stern standards indeed in assuring whether within the time at the Government's disposal everything that is possible is being done to step up our defence capabilities. It is true again that the availability of essential external assistance may determine to a substantial extent the tempo of our defence effort. But it is the business of the Government of India, as it is the business of any government similarly circumstanced, to obtain this assistance through all the political and diplomatic means open to it. When a nation's security is threatened, the only test that it may be expected to apply to those who are responsible for its defences is that they deliver the goods.

It is, as you pointed out, quite true that defence preparedness is conditioned by the nation's economic capabilities. It is, therefore, pertinent to ask whether enough is being done for the expansion and reinforcement of these capabilities. In your statement you have given a more or less encouraging picture of what is being done in limited areas of defence production in the government sector. But you have made only a very brief and cursory reference to what is being done in the private sector of the economy to build our de-

fence potential. It would be a disturbing conclusion indeed if we have to infer that you have not said much because not much has been done.

In the context of the demands which modern warfare is bound to make on the economy of a nation, there is no room for making any rigid distinction between defence industries and other industries. The requirements of training, equipping and fielding the fighting forces are so comprehensive that higher levels of capacity and output have to be built up in almost every industry, although the extent to which individual industries may be important or relevant for the purpose may certainly vary. From this point of view it must be a matter of grave concern for those who are responsible for defence preparedness that the growth of industrial activity has not only not been stepped up but has evidently slackened since the emergency. It is true that there was some quibbling over the phrase 'industrial or economic stagnation' at the meeting of the Central Advisory Council of Industries last week. Mr. Kanungo, Mr. Manubhai Shah and Dr. V. K. R. V. Rao seemed to be able to draw immense consolation from the fact that industrial output was not declining. It seemed to be their view that, as industrial output was advancing at about seven or eight per cent per annum, it could not be said that the economy was stagnating. But the material point is that the rate at which industrial production is growing is not being maintained, but is declining. In the third Plan, an average annual increase of 11.1 per cent in industrial production has been envisaged. It is now conceded even in the Planning Commission that the actual average may only be 10.1 per cent. It is possible that even this expectation is too optimistic. When the tempo of industrial activity declines in the present nobody can confidently say how much further this tempo will not deteriorate in the coming years if corrective action is not taken in time and a return to a progressively higher rate is not secured soon enough.

This is one of the reasons why we ought to be concerned over the tendency of the rate of increase in industrial production to slow down. Another reason is that if an annual average increase of 11.1 per cent was considered satisfactory for the third Plan period before the emergency had arisen, it ought to be obvious even to Members of the Planning Commission and Ministers of the Central Government that a much higher rate of industrial growth is absolutely necessary if the financial and physical resources for the building up of defence are to be forthcoming in sufficient measure. It follows that a substantially increased rate of industrial growth, say, about 14 per cent per annum, instead of the 8.9 per cent recorded in 1962-63, has become an essential and inseparable obligation of our defence preparedness. It is encouraging to note that the Planning Commission believes that in respect of a number of important industries, such as railway rolling stock, jeeps and

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station wagons, road rollers, agricultural implements and machinery, electric transformers and motors, electric cables, caustic, soda, sulphur drugs, DDT, rubber manufactures, power alcohol and ferro-manganese, third Plan targets of capacity and production are likely to be hit. But it is disturbing too that the Planning Commission itself expects shortfalls in several crucial sectors, such as pig iron, finished steel, steel castings and steel forgings, machine tools, fertilizers, paper, newsprint and cement. It is learnt that the mid-term appraisal of the performance of the third Plan which is now in progress in the Planning Commission is leading to the conclusion that the implementation of a number of industrial projects has been impeded largely by delays in finalising schemes and arranging foreign aid and collaboration and that as a result the fourth Plan would start at a somewhat lower base than originally contemplated.

The Planning Commission wisely suggests that greater effort consequently would be required over the next six or seven years if this lag has to be made good and the basic objective of achieving a self-sustaining economy by the fifth Plan is to be fulfilled. Now while this is one way of looking at the situation we certainly do not have the assurance that the Chinese will respect this somewhat leisurely schedule of the Planning Commission. It is surely an abdication of responsibility to be talking, in the face of the emergency, of the inevitability of the fourth Plan starting at a somewhat lower base than originally contemplated. There are after all still two and a half years to go before the third Plan ends and the public certainly has no evidence to prove that a more energetic effort in removing the obstructions to industrial expansion cannot considerably raise the tempo of industrial activity in the coming years. If, as the Planning Commission concedes, delays and difficulties in securing foreign collaboration have been an important explanation for the slackening of economic expansion, is it not plain that Government policies and procedures should be revised to reduce those delays and difficulties? And yet it has taken nearly a year since the emergency and the meeting last week of the Central Advisory Council of Industries for the Government to appoint what is described as a high-powered committee "to examine the operation of the controls applicable to the establishment of additional industrial capacity under the Industries (Development and Regulation) Act, the import of capital goods, the issue of capital and foreign investment and collaboration and to suggest changes of procedure to reduce delays". A strange aspect to this affair is that a committee with similar functions was supposed to have been set up following the seminar on industrial undertakings held by the Federation of Indian Chambers of Commerce and Industry last August. That the proposal is now being resurrected and given effect to is certainly no testimony to the Government's concern over delayed industrial expansion.

We must, therefore, emphasize that, while it is a

fair enough argument that defence preparedness cannot be achieved without a sufficient industrial base and that this industrial base cannot be built overnight, we have got to insist on the fact that the Government is in the present circumstances under a compelling obligation for taking all the measures necessary to hasten the expansion of the industrial capacity of the nation. This insistence is all the more necessary because, particularly since the emergency, so many actions have been taken in the various areas of Government policy which have not only not improved the climate for industrial expansion, but have on the contrary spoilt it further. We have to refer here particularly to two important developments; the first lies in the area of fiscal policy where entirely unnecessary tax innovations have had the effect of rendering the domestic capital market dry and foreign collaborators shy. If there is a proper scheme of economic priorities in terms of the needs of the emergency, the Government cannot but realise that the appropriate corrective action in the fiscal field has to be taken sooner rather than later—and yet it appears to be the case that Government thinking continues to be limited in terms of normal annual exercises in Budget making. The next Budget is still some five months away and five months is not an inconsiderable period in the gestation of an industrial project which in favourable circumstances

Eastern Economist 20 Years Ago

OCTOBER 1, 1943

Judging from the available figures of yields of important cereals we find that there is a stagnation, if not steady deterioration in the production of crops. But we have noted above that the irrigated area has been steadily increasing. We have already noted that the area of land which was sown more than once has increased both absolutely and relatively. There was some increase in the imports of manures and the use of improved varieties of seeds by the agriculturists. But the proportion of the area benefited by these two factors is relatively small in the case of food crops. Still these three factors must produce a cumulative effect on the trend of production.

Statistical analysis of the average yield per acre of rice, wheat and cotton in the period 1900-32 shows that the yield has not shown any improvement since the beginning of the century. In the case of all the three crops, the trend lines, taken as a whole, indicate a downward tendency in the yield per acre. The average yields of subsequent years do not show any different trend. There are no reasons to assume that things are better in other crops except perhaps in sugarcane and jute where the acreage under improved varieties is higher. Considering these different facts, we have come to this conclusion that either the data of average yields are incorrect or the condition of land not affected by these improvements is deteriorating to a greater extent to off-set these improvements.

should not take more than two years, except in the case of projects of extraordinary complexity.

The other consideration to which we would like to point is that, in war or emergency, when speed is the essence of performance, governments the world over have historically learnt to act faster than in more normal times. Is it not surprising that in this country, since the emergency, the functioning of the administration should actually have slowed down? It is now admitted that decisions are being delayed even more than was usually the case. To some extent this has been because, after the last general elections, the Prime Minister had failed to evolve a rational pattern of portfolios and inter-ministerial or inter-departmental relations. The recurring conflict of jurisdictions and the chronic confusion in responsibilities had resulted in paralysing not only initiative but even normal activity in government offices.

This situation has been aggravated in recent weeks by the manner in which the Prime Minister has chosen to implement the Kamaraj Plan. Mr. S. K. Patil was perhaps not exaggerating when he suggested last week that government activity seemed to have come to a standstill in the States and possibly at the Centre. It is certainly odd that the Prime Minister should not have attempted to avoid extensive dislocation of and disruption in government business at a time when the Government is presumably engaged round the clock in building up the defence effort as well as a comprehensive economic base for that effort. There can be little

Agricultural Incomes

IT IS AN interesting exercise to measure how the fruit of planning gets distributed among the various States. The National Council of Applied Economic Research published the findings of its first effort in this field some time ago in one of its occasional papers entitled "Inter-District and Inter-State Income Differentials, 1955-56". This was discussed in *Eastern Economist* of August 2, 1963. The Council has now released its report on "Agricultural Income by States, 1960-61" which extends the story to the end of the second Plan, but only in the agricultural sector.

The estimates of the Council relate to all the major States including Jammu & Kashmir, Delhi and Himachal Pradesh. The Union territories of Manipur, Tripura, Andaman and Nicobar Islands, Laccadive, Minicoy and Amindivi Islands and Nagaland, covering only one per cent of the gross area sown of the country, are excluded. The total net value of agricultural output for all the States (after adjusting for the non-included States) has been estimated at Rs. 6,272 crores as against the official estimate of Rs. 6,000 crores. This small difference is ascribed to "the adoption of different methods of estimation of by-products and various items of input" by the Council. Broadly, it has corroborated the official estimate of a

question that the sense of urgency which informed the Government and the people in the wake of the Chinese aggression has now largely disappeared. It is because appreciation of the importance of immediate effort has grown faint that there could be persons in high positions of responsibility in government who could permit themselves to be complacent towards the faltering of the industrial effort or the failure of policy to keep up a progressive improvement in the rate of industrial expansion.

We are aware that the responsibility for energising the economy for defence purposes spills over a far wider area than that of the Defence Ministry. If we have nevertheless thought it useful to urge upon you the economic and industrial aspect of defence preparedness, it is primarily because you yourself have so clearly and publicly enunciated the vital truth that the country cannot be strengthened in the military field unless simultaneously its economic potential is rapidly and considerably promoted. In the early days of the emergency attention was rightly paid first to the task of procuring urgently needed supplies from anywhere. Now, in terms of a planned programme of defence preparedness, it is necessary to achieve an effective co-ordination of the pace of industrial development with the requirements of defence. It is a sobering thought that at the present time, the entire effective heavy engineering capacity existing in the country is probably not equal to that of one major plant in any industrially advanced country.

rise of 52.7 per cent in agricultural income for the whole country between 1955-56 and 1960-61.

Table I below compares the agricultural incomes.

States	1955-56 (1)	1960-61 (2)	Percentage change of (2) over (1)
Andhra Pradesh	378.8	467.7	+23.5
Assam	148.4	217.5	+46.6
Bihar	372.5	446.2	+19.8
Gujarat	208.8	333.5	+59.7
Kerala	173.8	249.9	+43.8
Madhya Pradesh	364.3	483.5	+32.7
Madras	315.8	491.8	+55.7
Maharashtra	327.5	618.0	+88.7
Mysore	224.3	360.4	+60.7
Orissa	165.8	275.8	+66.3
Punjab	236.7	391.0	+65.2
Rajasthan	202.2	255.5	+26.4
Uttar Pradesh	565.3	1,039.6	+83.9
West Bengal	265.8	513.4	+93.2

of the major States in 1955-56 and 1960-61, showing that West Bengal, Maharashtra, Uttar Pradesh, Orissa, Punjab, Mysore, Madras and Gujarat had rates of increase above the all-India average. The States which have put up poor performances were Bihar, Andhra Pradesh, Rajasthan, Madhya Pradesh, Kerala and Assam. While broadly the last column in the table does show the percentage increase in agricultural income between the years under review, in certain cases it tends to exaggerate the degree of gain or loss. This may be illustrated with reference to Uttar Pradesh which, according to these figures, ranked the second best, the first position being occupied by West Bengal. In 1955-56, Uttar Pradesh had a setback in agricultural production, and the total volume of output was far below the normal output of the State; 1960-61 was a moderately good year for the State and, therefore, the gain depicted in this comparison tends to be unreal. The increase of 84 per cent in agricultural income in this State where more than 70 per cent of the people live on agriculture should have placed the per capita income of the State at least above the level of all-India average. As was indicated in an article in the 20th anniversary number of *Eastern Economist*, the per capita income of the State in 1960-61 was 11 per cent below the all-India average. The same is likely to be true of some of the other States as well. For a realistic appraisal of the growth in the States, it is necessary that the Council should attempt to estimate income figures year-by-year instead of between two arbitrary end-points which may not be truly indicative of the trend. This may not be very difficult in view of the fact that the more arduous tasks of outlining the method of estimation and the defining of the various concepts have been completed by it.

In its earlier publication mentioned at the outset, the Council had come to the conclusion that "in a number of instances the per capita income is relatively small for those States which are predominantly agricultural". Agriculture cannot be as productive as industry but, as the present study has revealed, even in agriculture, the levels of productivity vary violently. Table II alongside, for example, gives the ranking of the States according to the net value of agricultural output per acre. It puts Kerala at the top of the list followed by Assam, West Bengal, Madras, Jammu and Kashmir and Uttar Pradesh. Rajasthan is at the bottom of the list with the index of productivity of land at about one-sixth of the index in Kerala. In another index of productivity per worker (see Table III, p. 660) the same conclusion is re-inforced. Kerala once again is at the head of the best with net output per worker at Rs. 1159 as against Rs. 343 in Rajasthan and Rs. 214 in Himachal Pradesh. The question that immediately crops up is why Kerala with such high indices of productivity both in relation to land and worker is having the same per capita income as Rajasthan. The explanation lies in pressure of population resulting in a high ratio of non-

working force. In 1961, the total population of Kerala was 13.5 millions out of which 9.2 millions (68 per cent of the total) were non-workers as against the all-India average at 57 per cent and Rajasthan's average at 50.6 per cent.

While estimating the State-wise agricultural incomes, the Council also derived the input-output coefficients so as to measure the profitability of agriculture in the different States. The average all-India index of profitability (see Table IV) was 14.2, implying that, on the average gross agricultural output valued at Rs. 7 needed an input of one rupee by way of seeds, fertilizers etc. In this measure, Assam led the rest of India because of the plantations which do not need, by way of input, every year as much as other crops. Himachal Pradesh, Mysore, Andhra Pradesh, Madras, Uttar Pradesh and Rajasthan show that inputs needed in their agricultural sectors are higher than the all-India average.

TABLE II.
RANKING OF STATES ACCORDING TO NET
VALUE OF AGRICULTURAL OUTPUT
PER ACRE (1960-61)

States	Net value of output per acre (Rs.)	Index (All States= 100.0)
Kerala	445.44	277.3
Assam	347.78	216.5
West Bengal	313.21	195.0
Madras	282.87	176.1
Jammu and Kashmir	231.11	143.9
Orissa	180.80	112.5
Uttar Pradesh	167.09	104.0
Delhi	164.73	102.5
Bihar	161.53	100.5
ALL STATES	160.61	100.0
Andhra Pradesh	156.65	97.5
Punjab	155.55	96.8
Mysore	137.94	86.3
Gujarat	136.77	85.1
Himachal Pradesh	136.04	84.7
Maharashtra	132.08	82.2
Madhya Pradesh	106.10	66.0
Rajasthan	71.34	44.4

age; in other words, agriculture is less profitable in these States than in Assam, Bengal, Gujarat, Punjab, etc.

Attention has been drawn repeatedly in these columns to the exaggerated claims made by the Union Ministry of Food and Agriculture regarding the total

TABLE III.

STATE-WISE ESTIMATES OF NET OUTPUT
PER WORKER IN 1960-61

States	Net output per worker (Rs.)	Index (All States=100.0)
Kerala	1,159	243.0
Punjab	861	180.5
West Bengal	824	172.7
Delhi	800	167.7
Assam	620	130.0
Gujarat	578	121.2
Madras	530	111.1
Orissa	468	102.3
Uttar Pradesh ..	479	100.4
ALL STATES ..	477	100.0
Mysore	476	99.8
Maharashtra	467	97.9
Jammu & Kashmir ..	395	76.5
Andhra Pradesh ..	365	75.5
Madhya Pradesh ..	360	82.8
Rajasthan	343	71.9
Bihar	302	63.3
Himachal Pradesh ..	214	44.9

increase in agricultural production since the beginning of the planning era. The error was introduced while changing over from the traditional methods of crop estimation to the new technique of crop-cutting experiments. In the estimates of income reviewed in this article, there were still some crops which had not adopted the new methods. The yield of small millets (at 2.0 million tonnes in 1960-61) was estimated to the extent of 13.9 per cent only by the crop-cutting experiments. The corresponding percentages for sugar cane,

tobacco and potatoes were 23.2, 18.4 and 28.3 respectively. Wheat, rice, jowar, bajra, maize, barley and gram were estimated by the new methods to the extent of more than 90 per cent. These percentages were lower in 1955-56 and a part of the increase witnessed in 1960-61 in Table I is due to this change in method.

The broad conclusion to be derived from this study is that the regional differences in this country are very wide. Both land productivity and labour productivity are governed by many factors all of which are not under human control. The new statistical information thrown up in regional income studies can be used in planning future development projects but "regional and national development are essentially two different facts of a common objective" and, therefore, the regional angle should not be over-emphasised.

TABLE IV.

STATE-WISE ESTIMATES OF INPUT-OUTPUT
CO-EFFICIENT IN AGRICULTURE SECTOR (1960-61)

States	Input as per cent- age of gross output	Index (All States=100.0)
Assam	6.2	43.7
West Bengal	10.2	71.8
Gujarat	10.7	75.4
Punjab	11.5	81.0
Jammu & Kashmir ..	11.7	82.4
Delhi	11.9	83.8
Orissa	13.2	93.0
Maharashtra	13.2	93.0
Bihar	13.5	95.1
ALL STATES ..	14.2	100.0
Kerala	14.6	102.8
Madhya Pradesh ..	15.3	107.7
Rajasthan	15.5	109.2
Uttar Pradesh	16.4	115.5
Madras	16.5	116.2
Andhra Pradesh ..	16.8	118.3
Mysore	17.1	120.4
Himachal Pradesh ..	17.1	120.4

Highlights of the Week

DEFENCE PREPAREDNESS

BY FAR the most heartening news about defence preparations so far has been last Tuesday's announcement that the Ishapur Rifle Factory, near Calcutta, is expected to start turning out semi-automatic rifles at its target capacity of 2,500 units a month, in about ninety days' time. One of the main reasons of the Indian Army's inferiority in NEFA last year was its being equipped with ordinary bolt action rifles which in range and frequency of fire were far less effective than the Tokarev M1940 Russian-type semi-automatics used by Chinese troops. Equipping the Indian Army with semi-automatic rifles should place it on an equal footing with the enemy forces.

The performance of the Ishapur semi-automatic is said to have been "completely satisfactory"; in quality, it is claimed to be second to none in the world. The production of such a modern weapon at an old plant—set up before World War I—is, indeed, creditable. Another significant fact about the Ishapur semi-automatic is that it, along with the ammunition required, has been produced entirely from indigenous materials. This rifle has certain advantages in mountainous regions; it can be operated without much loss of energy.

The preparations for air exercises, proposed to be held in November under the auspices of the Indian Air Force and in collaboration with the United States, Britain and Australia, are stated to be progressing well. A fighter squadron each from the United States and Britain and a few Canberras from Australia are expected to arrive in New Delhi shortly. The U.S. squadron will consist of F100s and the British squadron of Javelines. Most of the supplies of radar equipment from the United States have already been effected. These air exercises, which will last for about three weeks, are intended to give training to the Indian Air Force personnel in modern air defence. The foreign aircraft will return to their respective bases after the exercises are over.

GREEN SIGNAL FOR STEEL

HAVING ACCEPTED the Steel Steering Group's recommendation of raising steel output to 18 million tonnes in terms of ingots by 1970-71, for which an installed capacity to the tune of 20-21 million tonnes will have to be established, the Planning Commission last week gave the green signal for work to be initiated on this expansion programme. A high-level committee, consisting of Mr. T. Swaminathan, Secretary, Supplies and Technical Development, Mr. N. N. Wanchoo, Secretary, Steel Department and Mr. N. Subramaniam, Additional Secretary, Heavy Industries, was set up to ascertain the position of raw materials and availability of equipment from indigenous sources. The committee will particularly look into this question in regard to the two new steel plants proposed to be put up in the Hospet-Visakhapatnam and Goa regions.

The Steering Group on Steel, it may be recalled, had suggested the 20-21 million tonnes ingots installed capacity target for the fourth Plan in view of the fact that the demand for this vital commodity had been outstripping supplies by a fairly wide margin. It was of the opinion that the proposed target was not beyond reach. The expansion of the existing steel plants—IISCO's and TISCO's in the private sector and Bhilai, Durgapur and Rourkela in the public sector—would by 1970-71 yield a capacity to the tune of 13.65 million tonnes. Another three million tonnes capacity could be expected to be established by then at Bokaro—a third Plan project spilling over to the fourth one. If, therefore, two new steel plants with a capacity of 1.5-2 million tonnes could be set up under the fourth Plan, there would not be any difficulty in slightly-more-

than-doubling the third Plan-end installed capacity for steel in the subsequent five years.

So far as the new steel plants are concerned, the first task which the Committee has been asked to attend to is the selection of sites for them. Once this is done, it is claimed, all the other plans can be worked out more smoothly and with confidence. This presumes that these plants will not require foreign technical collaboration. No clear indication, of course, is available on this point. There is need to clarify this issue first. Further, it is hoped, political considerations will not be allowed to bias selection of sites. In matters such as these, the advice of technical experts requires to be given the utmost weightage; the sites chosen should be those which are the most suitable from the economic point of view.

COMMITTEE ON CONTROLS

THE ONE positive result of the last week's meeting of the Central Advisory Council of Industries has been the setting up of a 10-member committee to examine the operation of controls applicable to the establishment of additional industrial licensing capacity under the Industries (Development and Regulation) Act, the import of capital goods, the issue of capital and foreign investment and collaboration, and to suggest changes in procedure to reduce delays. The Committee is headed by Mr. T. Swaminathan, Secretary, Department of Supply and Technical Development. Its other members are Mr. Bharat Ram, Mr. A. R. Foster, Mr. Lakshmi Pat Singhania, Mr. A. M. M. Murugappa Chettiar, Mr. T. Chentsal Rao, Mr. N. C. Srivastava, Mr. P. Govindan Nair, Mr. V. K. Ramaswami and Mr. K. J. George. The latter four members, along with the Chairman, are Government officials, while the former five represent trade and industry. Mr. George will be the Secretary of the Committee.

The need for setting up such a committee has been long felt by industry and perhaps the Government itself. In the recent past, even Government spokesmen have in fact been expressing themselves in favour of its appointment. This has obviously been due to the crippling effects which controls and procedural delays have had on the industrial development of the country. The most depressing indication of this has been that even during emergency, the tempo of industrial development has failed to pick up by any substantial degree.

The case for removal of unnecessary controls and simplification of procedure could have hardly been summed up better than in the following paragraph from the World Bank Mission's report submitted to the Aid-India Club early this year. The Mission stated: "The activities of industry in India are minutely controlled and supervised by the Government in a manner which is destructive to enterprise and efficiency. Public undertakings are subject to much the same controls as private enterprise. In some respects, indeed, they are more hedged around because of their accountability to Parliament for the public funds entrusted to them. An overworked civil service, which must stick to the rules and avoid mistakes, should not be expected to take what are essentially management decisions. Yet in the last resort, it is the Ministries of the Central Government and their subordinate agencies which decide in important cases how large a firm should be, whether or not it should be allowed to expand, what price it should charge for its products, what its wages and salary scales should be, where it should obtain its products, what foreign exchange it should spend, whether it should go to the market for a loan, sometimes even who should be its directors. If Indian industry is to operate efficiently, some way must be found of eliminating at least the major of these detailed checks and controls

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and of decentralising the process of economic decision. The machinery of Government in India is simply not designed to carry out the tasks that are now being imposed upon it, and every year it comes closer to breaking down altogether under the strain."

The taking of decisions on which controls should go and how procedural details should be simplified, is, of course, not going to be an easy task. It will be only prudent if the Committee is guided in its deliberations by the criterion that if any control is to be retained, it must be on positive evidence in its favour. Even if elimination of certain controls entails some justifiable risks, the Committee, it is hoped, will not feel any inhibition in recommending their abolition. A lead has already been given in an allied field by the Minister for Steel and Heavy Industries. While reorganizing the management patterns of Durgapur Steelworks and the Sindri Fertilizer Factory recently, he has subordinated financial control to the exigencies of the situation.

A very significant point to be noted about the terms of reference of the Committee is that they do not contain any mention about price controls. The Committee, however, will do well to look into this issue as well. It has a vital bearing on many of the other controls on industry. Price controls have tended to introduce in the Indian economic system an undesirable rigidity just at a time when patterns of costs, production and demand are changing rapidly and continuous adaptation is required. The strengthening of the planning machinery and improvement of economic statistics are two other important matters which this Committee needs to attend to. The Committee will submit interim reports as and when necessary. It shall complete its work in six months.

ADMINISTRATIVE REFORMS

AMONG THE many judicious and sweeping reforms recommended by the Rajasthan Administrative Reforms Committee the most crucial one obviously is the suggestion for appointing an Ombudsman or a Commissioner to inquire into complaints against high government officials and Ministers. There is, of course, no novelty about this suggestion; such offices have been in existence for quite some time now at least in three foreign countries — Sweden, Denmark and New Zealand — and the following of this precept in India has been often urged by various persons included among whom is a Judge of the Supreme Court. But there can be little doubt that this important recommendation of the RARC will receive country-wide attention now.

With a view to insulating this office against undue pressures—political, regional, caste etc.—the Committee has suggested that the incumbent should be appointed for a term of three years (renewable further for a similar period in special cases) by the President on the recommendation of the Chief Justice of India and that he should be of the status of the Chief Justice of a High Court. A further safeguard is proposed in the suggestion that an Ombudsman when appointed, should not be removable unless a two-thirds majority of the State's legislature votes for such a step. An Ombudsman shall be responsible to the State legislature and will be required to keep a vigil over executive actions and investigate cases in which the action taken by government agencies is considered to be either illegal, unjust or arbitrary. He is not to supplant the judicial set-up in the State and, therefore, is not to be requested to go into any matter that lies within the purview of the law courts. He, of course, will have the right to reopen court cases already decided if he comes to possess evidence which, if taken into consideration, might have, in his opinion, led the Court to a different conclusion. For the successful discharge of his duties, the Ombudsman shall have access to all official documents. Lest he should be inundated

with frivolous complaints, legal action has been suggested against complainants if their allegations were found to be lacking in evidence or mala fide motives were established.

The Committee describes the Cabinet as the fountain-head of all administrative actions and is of the opinion that it will be presumptuous to expect good administration if regional, communal and caste considerations or the factions among the legislators were given free play in ministry-making. It also impresses the need for imparting sincerity of purpose, integrity and competence at the ministerial level. That is the one way of inspiring confidence in the public about administrative efficiency. On this also depends to a great extent the successful functioning of an Ombudsman. The Committee favours small cabinets with scientific distribution of portfolios and work among Ministers and Secretaries. It calls for greater delegation of power and discretion to departmental heads so as to enable them to take the initiative and act in an effective manner. While there should be supervision, control and direction by a Minister, suggests the Committee, he should refrain from interfering with the exercise of delegated authority by those under him.

So far as developmental activities are concerned, the Committee recommends the setting up of a planning body at the State level. This body will not only tender advice on these activities but will also be required to keep a watch on their effective implementation. For avoiding procedural delays, the Committee suggests the adoption of cell and group systems. Heavy reduction in the secretariat staff is also recommended; so also radical changes in the method of recruitment and training of government personnel.

The Committee lays great emphasis on ascertaining by the Government of public grievances. It suggests preparing of a note of such grievances every quarter for the benefit of the Cabinet and giving of publicity to the action taken on them. Special powers have been recommended for District Collectors for inquiring into complaints against any government agency at their level. It is further pleaded that there should be respect and courtesy for people's representatives and circumstances should administrative principles be sacrificed or tampered with.

NEW ANTIBIOTIC

PIMPRI HAS added another feather to its cap. It has introduced in the market a new antibiotic called Hamycin. After extensive trials in four prominent Indian hospitals and some foreign ones, this new drug in the Penicillin family has been found to be very effective against oral thrush and a large number of fungal infections of the skin, nails and scalp, including dandruff. It is claimed to be 70 per cent more powerful and still about 50 per cent cheaper. The credit for the discovery of Hamycin goes to a band of research scientists of Hindustan Antibiotics Ltd., under the leadership of Dr. M. J. Thirumalachar.

Currently this antibiotic is being produced in small quantities in the existing penicillin and streptomycin plants of the Pimpri factory. It is hoped to meet the entire domestic requirements from this existing capacity. Some exports are also being negotiated. The foreign exchange thus earned will help in setting up a Rs. 30 lakhs new plant for the manufacture of this drug. The plant will have a capacity of 50 kgs. of Hamycin per annum. Licensing of others for the manufacture of Hamycin is not envisaged. Licences, however, may be granted to some, both in India and outside, for making formulations from it.

Pimpri also hopes to put on the market soon two other

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antibiotics developed here—Dermostatin and Octacillin. Dermostatin is at present undergoing clinical trials in foreign countries. Octacillin has gone through such trials on a fairly large scale at Pimpri itself. Octacillin, it is claimed, will revolutionise penicillin therapy for it would be orally administered. Work is also stated to be at an advanced stage for developing an anti-tumour antibiotic. Chlortetracycline of Pimpri manufacture is expected in the market in the next few months. It will be available at a much lower price than the prevailing one. There is as well a programme to start manufacture of Vitamin C here.

Another noteworthy feature of Pimpri's working in the recent past has been a steady reduction in its production costs. The costs of manufacturing various antibiotics here are said to have gone down to 52 to 78 per cent compared to the costs in 1958-59. The total production has been exceeding the stipulated targets since 1957-58. Sales too have been steadily going up. In 1962-63, they amounted to Rs. 4.30 crores, as against Rs. 3.55 crores in the previous year. Despite these encouraging facts, however, the gross profit last year showed a slight decline from Rs. 140.47 lakhs to Rs. 139.60 lakhs. This was attributed to emergency risk insurance expenses, additional discount that had to be made available on UNICEF supplies, payment of some customs duties (this, however, has been appealed against) and provision of subsidy on production of streptomycin at the new plant set up for the purpose. The Pimpri factory was awarded Silver Shield and Copper Plate last year on being adjudged as the best among the public sector undertakings for outstanding performance in 1961-62.

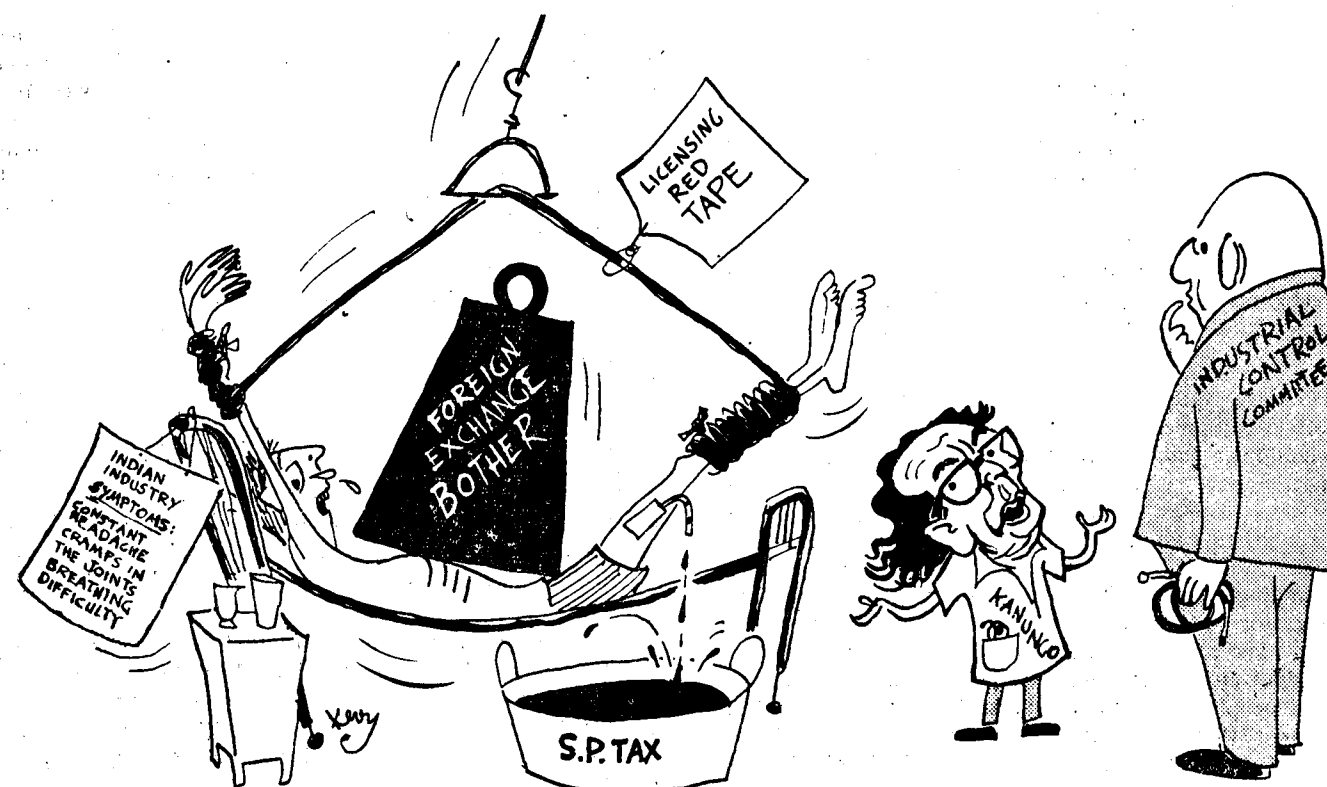
\$ FOR FERTILIZERS

A U.S. LOAN totalling Rs. 21.2 crores was announced last week for Coromandel Fertilizers Ltd., a new company organised by an Indian-American consortium, which has been licensed by the Government to erect the plant. The plant will produce 3,65,000 tons of ammonia phosphate and 16,500 tons of urea annually. It is expected that the construction

of this plant would save about Rs. 10 crores of foreign exchange annually. The U.S. Government is financing the entire cost of another huge fertilizer factory under construction at Trombay by the Fertilizer Corporation of India. The U.S. loans for that project, which will go into production in 1964, total Rs. 27.7 crores.

Coromandel Fertilizers Ltd., has been organised by East India Distilleries and Sugar Factories Ltd., of Madras, the California Chemical Company, a wholly owned subsidiary of Standard Oil of California, and International Minerals and Chemicals Corporation from Illinois. The two American firms will invest \$5.5 million in foreign exchange (the equivalent of Rs. 2.6 crores) in the shares of Coromandel Fertilizers Ltd., and both companies will bring to the project extensive and successful experience in operating a number of fertilizer factories in the United States. The U.S. Government foreign exchange loan will be channelled through the U.S. Export-Import Bank which has authorised a loan of \$27 million (Rs. 12.9 crores) to the new company. The U.S. Agency for International Development will extend a loan of Rs. 8.35 crores, under the Cooley amendment programme, from the sale proceeds of agricultural commodities supplied to India under U.S. Public Law 480. The remainder of the financing, Rs. 4.57 crores will come from East India Distilleries and the Indian public, who will own a majority of the new company.

The refinery operated at Visakhapatnam by Caltex will provide to the Coromandel Fertilizer plant the primary raw material supply of naphtha. The factory is expected to go into production within 29 months of the commencement of work. When it reaches full production it will supply more than a third of the estimated fertilizer consumption of Andhra Pradesh and also meet a small part of the requirements of Mysore, Madras, Orissa and Madhya Pradesh. Parry and Co. Ltd., one of India's largest distributors of fertilizers, a subsidiary of East India Distilleries, have been appointed the principal selling agents of Coromandel.



"HAVE YOU ANY SUGGESTIONS?"

Development: Philosophy & Principles

By CHESTER BOWLES

AS I SEE it there is a whole series of principles that we have been gradually evolving, or some of us have evolved, which I think are of basic importance to a successful developing nation. First, I think, is to know what you are trying to build. What is the development for? This is a very obvious question, however, that very often gets overlooked. What kind of a society do you want? The second point, I think, is something we are all rapidly learning and that is to have a little less faith in "isms" and clichés that involve capitalism, communism, socialism and the rest. I get very mixed up reading stories about American political life and who stands where sometimes.

I come to India expecting to get very straightened out and I go to the Lok Sabha, I read the newspapers and I am even more confused here. I'm very troubled as to just what is a leftist, for instance, since I have gotten to India. I meet leftists that I'm told are very dangerous characters and very radical people and I find myself getting into terrible arguments with them over land reform. They say you mustn't touch land ownership because this is something that you must never deal with. What is wrong with having five or six hundred acres of land? So I find myself arguing for the poor tenant farmer. I wonder whether this makes me a leftist or what it makes me but it often leaves me very mixed up. So, I think, it is very important to get all the clichés out of our mind and to really face up to the really pragmatic problems with which we have to deal.

Motives for Progress

There is also a third principle that seems to be very important. That is the need for adequate motivation in development. What does the individual get of it? What is he working for? What are you asking him to do? Why should he work harder? What are you offering him to really make him put his heart into this development work? Then, of course, the fourth point is a need for adequate resources with which to move ahead, to build the country. This, of course, is very important, not only capital resources, but technical resources and the rest. And there's the question of management—able management not only in the public sector but the private sector and all sectors working in the economy.

And last I would put the very special importance of the rural areas, which I find that the longer I work at the question of development the higher I find this priority seems to me to belong. Now, let's take these and discuss them, one by one.

What are we talking about when we talk about the objectives of development? It seems very clear to me that what we should be talking about is the building of a free nation, a nation not trying to ape some other nation, trying to be like some foreign government but rather a nation working through its own traditions, within the framework of its own culture, drawing from its own experience, to give its people expanding opportunities, opportunities for growth, opportunities for education, for good health, with great emphasis, the maximum emphasis you can give on the dignity of the individual citizen. It seems to me that whatever effort the American people put into development of other countries, the development that you put into your own efforts here, should respond to that basic objective. I don't think the United States with its aid programme is going to necessarily make friends or influence people or gain support for our ideas, but we are going to gain out of it. I think it is very, very important to us Americans if it all succeeds, a world

Text of talk by the American Ambassador, before the Research Scholars Association at the University of Madras, on September 11.

of nations which are free, which are independent, which feel proud of what they have done, proud of the fact that they are Indians, Bolivians, or Peruvians or whatever they may be and feeling very happy and confident of what they have created in their own country.

Now, moving on to the question of these various "isms," I would suggest that capitalism in its old form, communism in any form I know it, national socialism, in the forms you hear about it involving what is called democratic socialism. I think you can pick any one of these things apart and demonstrate that it probably won't work very well.

Certainly, no country is seriously considering going back to the old Adam Smith capitalism where you have a driving force of private energy unharnessed by government in any way, just working purely from the basis of the market with the public and people sort of figured as just ingredients in the general process of development with very little emphasis on their dignity, their opportunity or what happens to them. This, of course, endured through the industrial revolution. This is what Karl Marx denounced. It seems to me that Karl Marx in denouncing it denounced rather accurately but failed to foresee some of the developments that some capitalistic countries would go through as it began to develop socially responsible governments that developed along quite different lines.

Incentive System

But it seems to me that communism too is just about as irrelevant as the old form of capitalism. It seems to me whenever I see the Communist countries beginning to do well in some field they borrow the incentive system. Years ago the Russians, for instance, began to bring the incentive system into their whole industrial approach to programmes. And the incentive system plays a very real role today in the Soviet industrial system.

I do not think the Russians are going to do very well in agriculture until they begin to take this into account. They've left it out, it seems to me, much too much. The result is that in agriculture they are often very bogged down. I don't think that Karl Marx, if he came back to this world today, would find many things in Russia he would really recognise. I know Lenin wouldn't. I'm sure that if Lenin looked around the world today he would be very surprised old theory, had to own vast colonies in order to survive, are all giving up their colonies at a very rapid rate and prospering.

Indeed, the only country that shows any signs of clinging to colonies is Portugal, which has the lowest per capita income in Europe. I wonder what Lenin would make of that? So I think you can pick Adam Smith capitalism or either Marx-Lenin communism pretty much to pieces as going concerns.

Socialism has a great appeal to all of us—democratic socialism. Everybody owning everything—it sounds like a wonderful democratic idea. I think the difficulties are that

when you develop this beyond a certain point, your government gets so bogged down it simply cannot have the load of administration. It just gets much too big for it.

This is particularly true in a democratic government because if the government has to make too many decisions it finds itself in all kinds of problems. Every time it makes a mistake, a group of people arise in the national parliament to point out the grievous errors made by the government. As a result, industrially, a country operating that way does not often dare take the risks that are important.

You are never going to build a dynamic society without risks. In a totalitarian society, you can operate with risks. You just figure your risks, you go ahead and take them and it works to a degree. You may lose all thought of human dignity in the process, but it will produce rockets, satellites, railroad trains or whatever you want. The individual doesn't do too well in it. Similarly in a private industry operation, again the risk can be taken. They are taken by private firms and when things don't work out too well, why you just dismiss the whole thing as none of the government's business.

A little while ago in America we had a car called the Edsel, back, I think in 1955 or so. Millions and millions of dollars went into producing the Edsel. It was produced by the Ford Motor Company. It cost about 300 million dollars and unfortunately nobody bought any. The Edsel didn't do very well. I've often thought what would happen if the Democratic Party or the Republican Party had produced the Edsel. I'm sure it would have lost the next election without the slightest doubt. Fortunately everybody was able to say the Ford Company made a bad mistake and what was all there was to it.

Mixed Economy

So what I am really getting at is that the system which only makes any sense to me is a very pragmatic one where you take these issues as they come. You're going to have some state ownership, some private ownership, because you have to. The private sector is never going to build your power plants or railroads or all the steel you need. So you have to let government to do that job. But still you try to think of leaving the doors open wherever you can. This leaves most parts of your economy to an enlightened socially responsible private sector. You get a balance of the two. You work pragmatically to find out where you can get management resources, money resources, put them together with national plans, to get an expanding, developing economy.

All of this will not work, as I suggested before, unless something good happens to people in the process of growth. This is something, I think, we have very often overlooked. We don't think that a growing national product, an increasing per capita income, in itself provides you with a happy society. And I think all of you will agree that there is no evidence of that whatsoever.

The rising per capita income or gross national product is vitally important but often has nothing to do or very little to do with political stability and a feeling of a good society to which people are proud and happy to belong. For instance, if you take the nations of Latin America, and list them in order of their per capita income, you will find that that list has nothing in common with another list that you might put together involving those countries in order of their political stability. The two lists simply do not fit. For instance, Cuba in the days of Batista, before Castro took it over, had the third highest per capita income in Latin America. By all standards this was not a poor country judged by per capita income. Just so, Venezuela today has a per capita income of over one thousand dollars. This is more than of Netherlands and Austria. Yet you see in Venezuela enormous differences between rich and poor, you see vast areas of the

mountainsides and valleys where people are living in a very very low standard of living—bitter people—people full of hatred—and cross the valley you will see a little group of people sitting on mountainsides with great, beautiful homes, living in great luxury. And here you've got this enormous rising per capita income with such differences between rich and poor, that often you get a highly explosive and very embittered society. I might add that President Betancourt of Venezuela is probably doing as much as any one man in the whole history of his country to put an end to these conditions and to bring about a better distribution of wealth. But unless you have a good distribution of wealth, along with all your high per capita income, you are not going to get a very good society, you are not going to get political stability, in any lasting sense of the word.

So I have seen many examples of this and I am sure you have too. I remember in 1958 I received a letter from a friend of mine, who is an engineer working in Baghdad, in Iraq, and he was very excited there about all that was going on in Baghdad. They were harnessing the rivers of the Tigris, Euphrates, new industrial plants are being built up, many of the oil revenues are being ploughed back into the development of Iraq and as he wrote me, "This is a dynamic exciting thing to be a part of. This country is going ahead by leaps and bounds."

The same time I had a letter from another friend of mine, who is an Indian, who had worked in Hyderabad, and he was working in the rural areas of Iraq, and although he was answering the first correspondent, although he didn't know him, he wrote me a letter which I received the same week. He said, "We understand out here that in Baghdad everything is going ahead very rapidly, that they are damming the Tigris, damming the Euphrates, everything is moving ahead in a very dynamic way. But there is no way in the world that you'd ever know it where I live, which is where most of the people live, because nothing has happened to them." He said, "Yes, something is happening to them." "In the old days," he said, "the landlords and the money-lenders used to come riding out on horseback, and very poor horses at that, but now they all come out riding in Buick automobiles. But they still collect the same old rent and same old interest."

Iraq Explodes

And I wrote an article, predicting that Iraq was about to explode, based on these two letters and I neglected to send the article to the "New York Times," which had agreed to print it quickly enough, so the explosion came just before my article arrived and it never saw the light of day, which teaches me a lesson. In any event there is a lesson in this, increasing per capita incomes, unless they are broadly shared, unless there is a general feeling of belonging and growth on the part of the people, just is not going to give you a happy result.

There is nothing soothing about a fertilizer factory or steel mill, there is nothing that makes life easier or particularly happier. It's a step toward a stronger society and a very important one. However, as you take the young man living in some village far, far away from the town and suddenly decides to move and work in that plant, they leave behind a familiar village, familiar circumstances, a family which gives them a sense of security, great poverty, perhaps, but at least some sense of belonging. They go into that town or city, and there they find a job, they get a bicycle, they begin to get some belongings of their own, but they live in a slum area, they have perhaps no opportunities for growth in community existence, they lose their sense of security, and they may be far more volatile, far less happy, far less secure, than they were in the first place.

So if you are going to build the factories, and build them you must, this all must relate back to the way people live, to the schools, to clinics, to clearing away slums, to giving people

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a sense of participation and belonging in the cities or urban areas, wherever they may live and if you don't get that sort of growth, that kind of inner relationship, you're never going to get a happy society, I don't care how high your per capita income will go.

The next point of course relates to resources themselves. So many countries that we have worked with have shown far too little care, and far too little interest, in really using their own resources. And this one place where I think my government has gone wrong over the past years, but I think we have pretty well corrected it. We have given money to some countries and bolstered some countries which were really unwilling to help themselves. I don't want to name names, because it always gets you in difficulties, but I certainly can offer you some examples in a theoretical sense. Better life for their people, I knew many countries where we will put 50-75 million dollars in as an investment to try to help them build a better life for their people, only to have the same amount of money or an equivalent amount go out the back door for deposit in some Swiss bank or New York or London bank for safekeeping. And we're putting money in one place that's going out the other. And you go to this particular nation, and you say "Why don't you get a grip on your foreign exchange? Why should we put money in the front door when your wealthy people take it out the back?" And they say, "We believe in the private system of enterprise, don't you?" And well, if carrying that far, I must say I don't. I must say I greatly admire the efforts that you people make right here to see that your foreign exchange goes for very useful purposes.

Tight Grip

I stopped in one country on the way out here from the United States, a country which has a slightly lower per capita income than India, but a country which probably has four or five times as many automobiles per hundred thousand people as you have here in India, where the schools look pretty good, the housing looks by and large perhaps little better than it does on the average here in India. Now why was it, it looked as though that society was a little better off, when actually the statistics show their per capita income is a little less. The reason is that that country had no import controls, it had no income tax and as a result the foreign exchange was moving into automobiles, the show of luxury, people were putting it into housing and the rest, or houses for relatively few. At the same time the railroads in this country were practically falling apart, and I was told that they were operating in many of their manufacturing operations at one-third capacity, because all of the money that was flowing to automobiles should have been going to parts, raw materials, and all the rest, which would make that a going society. You have a grip on your resources. Some people think the grip is a little too tight sometimes. But in any event you have a grip on it, you've got the courage to do this and you are never going to succeed unless you do this and India has done it, and a handful of other countries have also done it. But many countries we deal with, for instance in Latin America, have no income tax whatsoever and we go down there and press them to get an income tax and then they call us a lot of radicals. We have had an income tax since 1910. And we see nothing radical about a progressive income tax. It was put through by a Republican administration of 50-odd years ago in the United States yet this in many parts of Latin America is considered very radical, very dangerous, and may just have been thought of in Moscow. The chance is it may well have been thought of in Washington, and we may have been trying very hard to get people to act on it.

And so you try, first of all, of course, to expect a nation and India is certainly living up to this expectation, to do a good job of using her own resources. You then usually find that this isn't adequate particularly in a democracy because while totalitarian society you can refuse people consumer

goods, you can refuse them motivation of working for a bicycle or whatever it may be and say there are going to be no consumer goods, we are going to squeeze everybody very tightly, and add on very heavy taxes and you may be able to get out of a very developing society under totalitarianism 18 to 20 per cent of the gross national product saved and plowed back into the economy.

When I came to India in 1951, India was saving only about 6 per cent of her gross national product. In other words, she was consuming 94 per cent of all she produced. I think one of the most remarkable things you've done in these last years is to raise that 6 per cent to something I've heard estimated all the way from 10 to 13 per cent but in any event it's probably double what it was some years ago.

Heavy Taxation

And this is how you are harnessing your energies and your resources to plough them back into the development of your country. You have taxed your people very heavily, some people think, some outsiders feel that you have done it perhaps to a point where it will not give you very much more in the way of benefits. I once asked one of your Finance Ministers some years ago who said that India believes in taxing her people for development. I said but how do you know that you are taxing them too hard. He said, when they start tipping the trolleys cars and buses over in Calcutta, we think we have gone a little bit too far, and then we bring the taxes down slightly.

Well, that's fairly tough operation, and I admire it, but I think you can sometimes take away some of the motivations that make people work. Because in a free society, people must have something to work for, they must have a feeling of getting something out of their daily work or their weekly work looking forward always to just a little bit more. I remember talking to the Prince in Phnom Penh, Cambodia, about a year and a half ago, I was very impressed with the fact that Cambodia, a very rich country, with plenty of sunshine, and plenty of rain all year round, only produces one crop of rice per year. I said, what in the world is wrong, why don't you produce more rice? He said, well you see, we have no bicycle plant here in Cambodia, if only we had a bicycle plant, then we'd easily have two crops of rice, and I saw what he meant. Because the average farm family there the rice they need themselves, they could raise all nearby Mekong river, and fruit on the trees and they could live pretty well, they had a fairly decent basic life. It was very small, but there was not much else to do until they saw a chance to move ahead, but if you had offered those people to expand their standard of living, then he was saying they would move ahead. They would work harder — you'd get that extra rice. Your economy would begin to get the dynamic to make motivation, tend to give people the drive and push to make the move forward towards greater development goals.

Soviet Record

I don't think you can grind it out of people, I don't think you can do it in a totalitarian society. Take a look at the Soviet record in agriculture. We have in America 9 per cent of all of our people involved in agriculture, just 9 per cent and one out of every eleven families and yet they produce as you know plenty of food for the United States and much food for the rest of the world. Indeed there is one shipload of wheat leaving every single day, on the average, from the United States for India and we do this of course with many other countries as well.

In the Soviet Union 41 per cent of the people work in the rural areas. They produce plenty of food for Russia, but the point is it takes 41 per cent of the people to do it. Now, my guess is you are going to see changes there the next few

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years because I think they are very conscious of this and as they begin to get opportunity to offer people incentives, you are going to see people working harder, producing more, and this problem may be on its way to getting solved.

I think this is one problem or one opportunity that exists in this whole arms testing situation. I think the pressure on the Soviet economy to release resources, provide more consumer goods for the Russian people, is probably very great. I think it is going to become greater. They have promised the people a much better life. They haven't been able to deliver that to anywhere near the extent that they hoped. They can't deliver it as long as the arms race continues.

Therefore, I think there may be signs in the future. I'm not sure, but I'm hopeful, that the Soviet will approach the disarmament problem with a greater sense of realism. If so, we can all get some of the load off our backs. Because when you start offering the Russian peasants a chance to own a washing machine, a chance to have a little better house and buy a car perhaps, or a motorcycle, then they're going to put in those extra hours of work and you're going to see production going up, and fewer people will be required to make Soviet agriculture move ahead.

Agriculture Basic to Development

Now another point, I think, of very great importance which I referred to indirectly is a very great vital necessity for the rural areas really coming alive. And this I find as I go around the world is one that people very easily forget. As I see every country's success is based primarily basically on agriculture. If our agriculture had not been so efficient in the United States, we never would have become the industrial power we are. We are successful industrially because we solved our agricultural problems, and freed enormous numbers of workers, for work in the factories, building houses, construction and the rest.

I think this is brought home particularly as we look at Japan, where two things have occurred. Because the Japanese rural society has been very dynamic and very prosperous and because the people there worked so hard and produced so much, there is extraordinary political stability throughout the Japanese rural countryside, where something like half the people of Japan are still employed. But the second factor is that because they work hard, because they do pretty well, because they have fairly good incomes now, enormous outlet for the goods produced in the factories of Tokyo, Yokohama, and other Japanese cities.

If 80 per cent of your people, which is often the rural sector of an underdeveloped country, are not in the money economy, then you cannot get industry started on any expanding base.

This just isn't possible, because all you are selling to is the 15 or 20 per cent of the people who are in the money economy. Now I think the Japanese example is an interesting one to pause over particularly interesting for an American because we had some part in it. As the military governor of Japan immediately following the war, General MacArthur, who I don't think would ever consider himself a great economic liberal but nevertheless saw this problem very clearly, is the man responsible really, in one major sense, for the revitalisation of the rural areas of Japan. And I think if you ask most Japanese students, they would tell you that this was true. After the war, General MacArthur was concerned, and properly concerned, as to how the war had started. Who started it — what were the groups in Japan which created the war psychology that led to the invasion of China, South-East Asia, and the attack on the Americans at Pearl Harbour?

And, after studying this with many political scientists for some time, they came to the conclusion that it was the land-

lords of the rural areas, who owned most of the land — indeed only 30 per cent of the people living in the rural areas of Japan owned any land whatsoever. The rest was all taken care of by tenant farmers, working on a very, very small and very bad basis of income. So, he started to break up these great estates — these great feudal estates, and see if he couldn't give every family in Japan a small bit of land of their own.

He brought over economists from the United States and they went to work on a programme. Today, as a result, 94 per cent of all the rural families of Japan own and till their own soil. The farms are very small — they average 3.2 acres each — but on those 3.2 acres each they have the highest production of any nation in the world per acre, substantially higher than the United States where the farming is largely done by great machinery. People forget that the machinery does not bring us a greater output per acre. What it does is bring a large output per acre with a very low labour cost or labour increment. The farm machinery we use is merely a labour-saving device. Actually you could go through an American wheat field, after the harvest, and an Indian village or Chinese village could find enough food to feed the people for a week, on the food that is left behind, after those great monster harvesting machines walk through those fields. The whole idea is to hold down your labour costs, your use of labour, to free labour for work in the urban areas, in construction, and manufacturing, and the rest.

Japanese Example

In any event, in the early stages, the Japanese family went to work on their 3.2 average acres, and worked very hard. They didn't engage in farming. It was more gardening, just as many Indian farmers garden and farm. They had plenty of money for fertilizer because there were loans immediately available to them. They could borrow money at low rates of interest. They could get good equipment, adequate fertilizer, and good seeds. They had extension work programmes, so they could call any time they wanted, and a good extension worker would come in to advise them if they wanted. There were roads to take their goods to market and there were co-operatives to cut down the cost of distribution. All of this combined to give the Japanese farmer an opportunity to move ahead.

Little factories have gone up and there were jobs, not for 12 months, but most of the year. Farmers had a chance after their crop was in to work in a little fish factory or a little canning factory to pick up some cash. Seventy per cent of all Japanese farmers now have an additional source of income over and beyond their farm. Now this has brought forth another item and that is, as they have got these extra jobs in little manufacturing plants, they have also begun to bring in small units of machinery, not like our American machinery, but small units that cost may be 700 to 1,200 rupees, small operating gasoline, motor-driven one-man plows and the rest.

This has freed more of their time so they could spend more of their time in industrial work. Now what is the result of all of this?

The Japanese farmer is extremely well off. Seventy per cent of them have television sets. All of them are now electrified. The farms are electrified. I have been in many dozens of farm homes in Japan and you will find electric toasters, electric washing machines, and all the rest. This has been made possible by the fact they now have purchasing power that they can use to work out their problems. This has been a difficult situation in Japan.

It would be far more difficult in many ways in other places because in Japan you have almost total literacy. The people are almost fully literate and this gives them a great

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advantage in moving ahead in the revolutionary way they did move ahead. But they have now a ceiling of seven acres per family. No man or no family can own more than seven acres. Chiang Kai-shek introduced some similar reforms in Formosa. If he had introduced them on the mainland of China he would still be there and you might not have this problem up there now in the NEFA and Assam and the rest of your country. But he didn't introduce these reforms on the mainland.

Source of Stability

Your rural areas are a source of great stability. There are so many people there but only if the people feel a sense of belonging, of participation of growth. The more they can be taught and encouraged to build their own schools, roads, clinics, to pull and work together, the more drive that comes in to it, the more sense of personal participation there is. If a family at the end of a week is able to look back and say here is what we have done this week, working together, you get this dynamic quality. But if it is sort of a trickle down business from the top, it does not come out that way.

I have seen villages where there is a very fine school built by the state, or the government or some outsiders and I have seen people criticize it. I have gone to other communities where the people have built their own school. And a sense of pride and excitement is very great.

I was in a middle eastern country just a year ago and I was shown with great pride a whole area that had been opened up in the rural areas. They were bringing people from the capital city suburbs out there for farming. They brought them into almost model communities. There is a home built of concrete, with a bathroom in it. There was a little barn next door with oxen and buffalo. There was a clinic down the street and a school on the corner — an ideal set up. Were the people contented. Not one bit. I never saw an angrier lot of people than those people because they had been told they could borrow money to get their fertilizer and they would have to pay back in the fall. But when the fall came they didn't want to pay for the fertilizer. So there was practically a revolution going on when I was there.

One man lost his buffalo. The buffalo died. He was demanding another buffalo. But they said, "You forgot to feed your buffalo," and he said, "What does that matter? The state owes me another buffalo." Because the people had never participated in building this community it didn't belong to them. It wasn't part of them. I think you can only work this whole basis of rural development by feeding the whole human initiative into the stream. In any event these are some of the principles I think evolve. Now I might state briefly some of the experience of the U.S. Government in working with them. We've done some things well on economic development and we've done some things poorly. We've had some successes and we've made some mistakes. This is inevitable. It's a whole new subject. We didn't know anything about it. We had to learn as we went along. Our first experience was in Europe, where everything was falling apart. The cities were half destroyed and we went in after the war to try to build them up, and to try to put the factories back together again. But this was an enormous job and a very expensive task, costing billions of dollars. But it was easy in one sense. The management skills were there. The labour skills were there. The knowledge of how to operate the machine and the factories was there.

The system was there. So when you put the material goods back into being, Europe picked up and, of course, went on its way. As we looked at the other developing nations, we also saw that we had an obligation and responsibility and

opportunity to try to do something there that would help nations such as India and other nations of Africa and Latin America gradually to ease their way out of the poverty of the past.

Our first effort was through Point Four technical assistance. This was a great effort we made. It worked pretty well. It is still working well. We still have a lot of it going on. We soon found, however, that capital investment had to come that you had to give capital investment, you had to give loans, you had to find ways of moving capital funds out there to get the growth and development. I think it is at this point that we made several mistakes, one of which was not to set standards for how we distribute this money. Too much of it, I think, in the old days — I don't think this is true now anywhere near the degree that it was — was given sometimes more on a political than an economic basis.

Self-Help Essential

We still have to do some of this. There are some political situations we just can't ignore. But by and large we are now trying to work with standards. The standards involve questions we ask each country that gets aid. Is its planning competent? Is it taxing itself well? What is it doing towards land reform? Does it have good engineering on its projects? Is it willing to work hard to bring about its own future improvements? Those nations are not very many. There are probably not more than six or eight or ten in all the world we deal with that fit into the category. India would be one of those at the head of the list. And your neighbour, Pakistan, would also be right at the head of the list. They do a very competent job there of economic planning, taxation and so on. Israel, of course, has done such a remarkable job, it no longer requires aid. Tunisia is doing very well. So is Colombia. So is Nigeria. So is the island of Taiwan.

There are probably 10 or 12 countries whose planning is really up to scratch. We are trying to give those nations priority treatment as far as our resources will allow. Then there is a second group of nations which do some things well. Maybe their tax system is pretty good. Maybe their planning isn't so good. Maybe they have good land reform programmes, but poor urban programmes. We try to help in those nations on a selective basis wherever we find programmes and projects that really deserve help and assistance. India is one of the few nations to which we give what we call non-had a little American flag on it so you say America did this. But the money flows right into your own stream of foreign exchange to pay for minerals and steel and parts and all is the most important kind of money you can have but also it is a tribute to you; we give it to you without it being tied to a project because we have sufficient confidence in what you're doing to feel that this is justified.

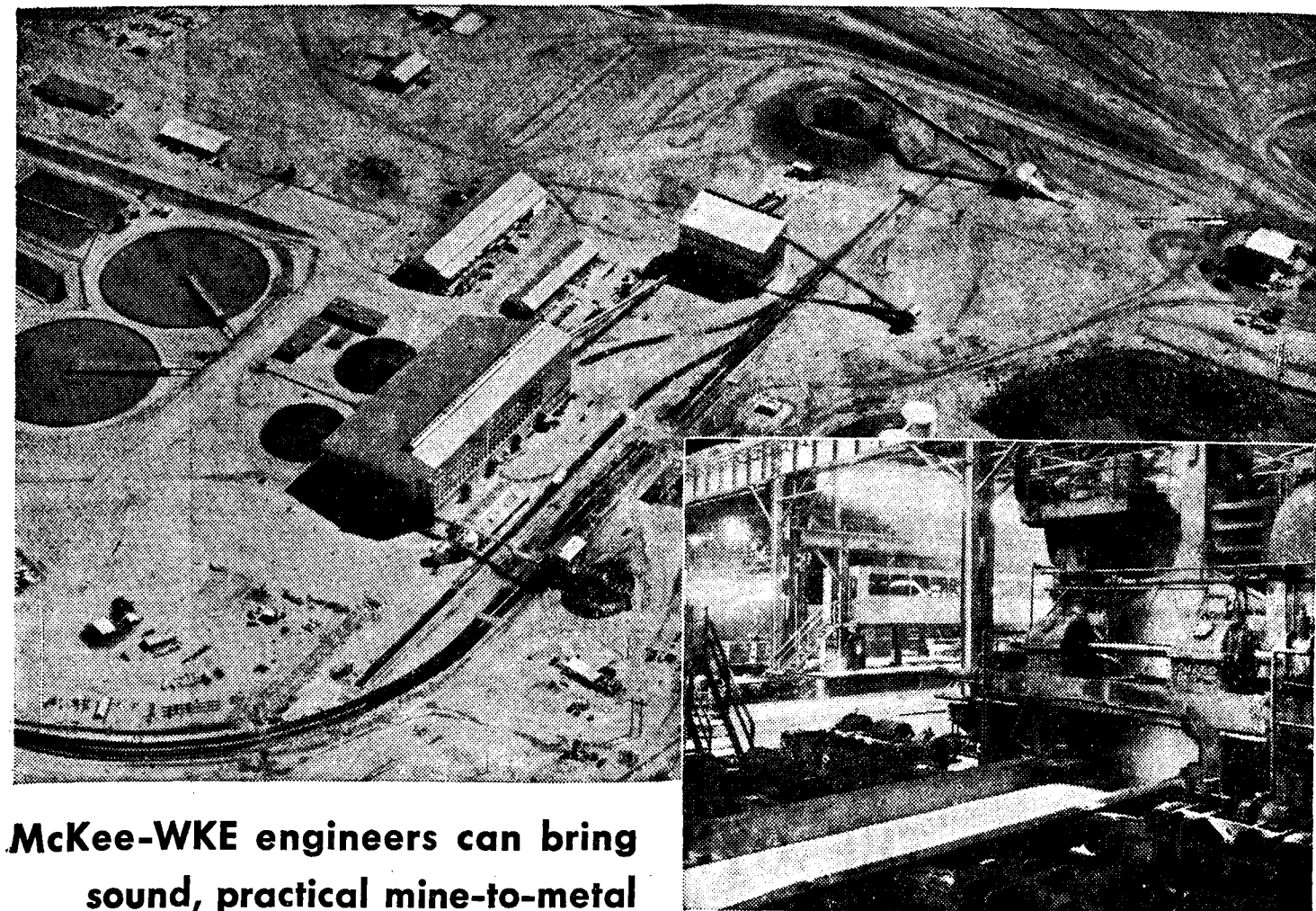
Now the third group is nations that are not ready for massive aid, not ready for this big leap ahead in growth, haven't got their planning in order, and are not really knowing how to go at it. Here we try very hard to get them to plan better. The World Bank, the UN, and other organizations get into it and try to see if they can't get their plants moving along and get them thinking in positive terms. Only when those plans begin to evolve, does the money follow for investment.

Now I don't know for how long or to what extent American aid will continue. I certainly think it's going to be needed.

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EASTERN ECONOMIST

669



McKee-WKE engineers can bring sound, practical mine-to-metal

experience to bear on India's steel plant projects

The two photos above illustrate the diversity of McKee-WKE mine-to-metal services in the ferrous and non-ferrous metals fields. The modern 15,000-ton-per-day copper concentrator at top was designed and built by the WKE Division. Among its other projects the WKE Division is now working on the Indian Government's first copper producing facilities. The WKE staff is providing engineering services for the mine, ore concentrator, smelter and refinery located at Khetri. This project, when completed, will be India's largest producer of copper. The small photo shows the

entry end of a 120-inch, 4-high plate mill for which the McKee Metals Division supplied engineering-contracting services including the installation of machinery and equipment.

While these plants are far too large to be called commonplace, they are by no means unusual undertakings for the McKee-WKE staff. We frequently have a number of equally large plants in process simultaneously in widely separated world locations. The McKee organization has the scope and resources to design and construct comparable projects of any size in India.

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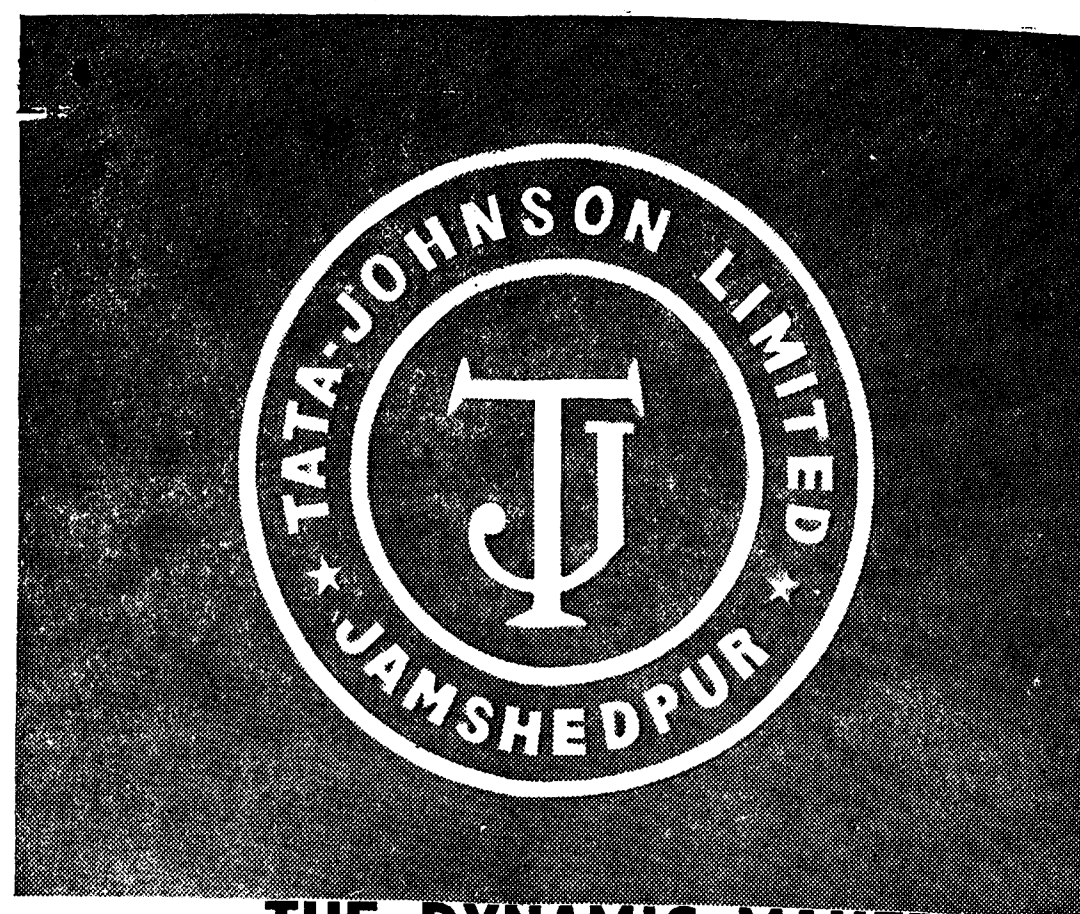


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October 4, 1963

for the next 20 to 30 years without any doubt. There are, however, a lot of problems back home. We have also dams that many of our people would like to build. And we have many construction projects that we would like to see. Those of you who have been to America know that America is far from being perfect. We have plenty of slums in our country. Plenty of things are wrong. Plenty of things that should be rebuilt, that are waiting for investment in capital. There are always a certain group of rather isolationist-minded Americans who point to these things and say why don't we take care of Kentucky before we take care of Madras.

Steady Progress

Well, we have been doing this for 15 years and where is the millenium, they say. Why isn't everything straightened out? Why do these problems still exist? We thought we were going to have it all fixed by now. Well, the fault here is over-promising people. I think that much too frequently in the past — I don't think it is true today — we have told the American people this was a temporary effort and you would get all kinds of miracle results out of it that you aren't going to get. This is a long, hard, tough planning programme. It is going to take years. You are going to pull your per capita income up in this country bit by bit, tediously, laboriously, and, I think, successfully. It is not going to happen overnight and there are no miracle formulas for it. And the American people, I think, will understand this. I have travelled all over my country. I have talked much the way I am talking now. They understand it back home if they get the direct, clear word as to what you are trying to do. The trouble is all too frequently they have not been told the full story. We have tried to get the foreign aid programme through one more year and then we will worry about next year. But if we had done a better informational job from 1948 to 1960 I think by now you would have much more support for the programme at home. As it is, we get the money every year, but we are always a little nervous at this time because there is always such opposition.

In any event, we in the United States have very mixed views on all of this. We are often very confused. Americans talk in very conservative tones. If the Americans acted the way they talked, America would never have much more liberally than she speaks. She is basically pragmatic and we have always been pragmatic. We had a land reform programme 100 years ago this May when 160 acres was given to every single American or foreign family that would agree to till the land. You could come from Sweden or Germany or Britain or anywhere else and there was 160 acres. What you had to do was build a farm, build fences, and prove you were trying to farm it and you got your 160 acres.

There was a Homestead Act of 1863. As I said, the income-tax programme started 60 years ago, we put in monopoly legislation 65 years ago. Many countries, I think, including your own, do not yet have the kind of monopoly legislation we have. Go, read our Sherman Act and you will see a piece of legislation we passed in 1890 forbidding great firms and great corporations to go into agreement to hold prices above a competitive level. You can go to prison in the United States, you can be heavily fined if you make an agreement with a competitor for arranging a price to the detriment of the consumer or the government.

In any event looking at India, in terms of what I've said, it is clear to me here that a great many things have been accomplished and the obvious point, a great deal is also left to be accomplished. Coming here as a newcomer, or as old friend visiting, you see two completely different Indias. One is all the problems, all the poverty, all the troubles and difficulties. There are 70 million more people here than when I was here before to share it all. And this is one basic difficulty

that you see right away. Then you look closer and you see the extraordinary things that have occurred since 1953. For instance, according to all the records of the Planning Commission and others, your industrial production now is more than double what it was when I was here in 1953, your electric power output is three times what it was in 1953, it will be doubled within the period of 1961-66. You have more than twice as many children in school. You had a hundred million cases of malaria a year in 1953, I am now told it is below 2 million cases. You have taken your hard roads and added something like 50 per cent. You have gone a long way towards building a rolling stock of your railroads. These are great achievements. You have four times as many engineering students and technical students in the universities.

Worthy Achievement

These are achievements, and they are very worthwhile ones. Put them, however, besides the problems that remain and obviously you get the feeling of a tremendous lot to be done. And I think it is important we all look the situation very squarely in the eye, and realize how really rough and difficult it is going to be. There are a lot of us around the world, Indians, Americans, and other people of other nations, who feel very strongly about matters such as human dignity and poverty and the opportunity for people to have a good doctor when their child is sick, a teacher for their child, a chance for growth and the rest. We all take it very seriously. We want desperately to see that something is done about it. We want to see that capital flows in those countries that are able to help themselves and technical help flows to those who need it, and in the sharing of all that there is a sense of great excitement. I have noticed sometimes that many Indians go to American universities to study and then stay there. There are 3,500 Indian professors now in American universities. But they are more than equalled by the number of young Americans who would like to come to India and work here with you, in the development of your own society. This is a very exciting adventure, starting with what you've had just since 1947 and building a nation that is moving ahead with a sense of confidence, a growing sense of cohesion, against tremendous odds. And yet I think that we are all honest in realizing that the pace is going to be slow, and sometimes you wonder if you can ever get through the vast mass of apathy, indifference, illiteracy, ignorance and prejudice and all the rest that stands in the way.

However, I believe very deeply that somehow it all is going to succeed — that you are going to build a world of free nations, independent nations, each proud of their own national heritage, each growing within the framework of their own cultures and religions, each putting something together worth defending, worth dying for, worth working for. I think nations are going to come to work more and more closely with each other. I think the awesomeness of nuclear weapons may well mean that they are never used, and we are shocked and shattered by the consequences that some kind of international arrangements which will make war something that gradually recedes into the background will be made. Let us hope so, because the stakes are so very large.

No generation ever tackled anything remotely what we are tackling. No people anywhere, India, America or anywhere else, were ever up against a challenge of this dimension, because technology, as it has developed now, has suddenly made almost everything theoretically possible. The questions now are whether we can put the human drive and skill and dedication together to make that technology really produce. I have a feeling that one of the greatest testing places all over the world is right here in India. I am very happy to be back here working with you, for I think a very great experiment, perhaps the world's greatest experiment, is taking place here.

WINDOW ON THE WORLD

The Troika of International Finance

(WORLD BANK, I.F.C. AND I.D.A.)

THE WORLD BANK and its affiliates (I.F.C. and I.D.A.) made new commitments during 1962-63 amounting to \$727 million in loans, investments and credits as against \$1,037 million in the preceding year for the development of the economies of the member countries. Actual disbursements were \$692 million only. Commitments made for the Indian Union alone were nearly \$209 million with the largest share provided by I.D.A. at \$178 million. The World Bank lent \$30 million to I.C.I.C.L. and I.F.C. committed \$898,000 to Precision Bearing India Ltd. for the establishment of a unit in Baroda to manufacture "anti-friction ball and roller bearings". The total assistance provided to this country by all the three agencies at the end of the current fiscal year was about \$1,281 million; the World Bank lent \$876 million followed by I.D.A. at \$300 million and I.F.C. at \$4.8 million. India is expected to lean heavily in the coming years on I.D.A. whose terms of repayment are exceedingly favourable in relation to those of the World Bank and the I.F.C.

In its annual report released on September 30, 1963, the Bank made special reference to a proposal for a system of arbitration of disputes between Governments and investors which "holds great promise as a means of improving the international investment climate". Says the Report: "It is a proposal to establish facilities, linked in some way to the Bank itself, which would be available to foreign investors and host governments wishing to bring investment disputes to conciliation or arbitration. It is an essential feature of the proposal that resort to these facilities would be entirely voluntary. They would be brought into use only when both the government concerned and the foreign investor had consented. But once this consent had been given, the parties would be bound to carry out their undertaking and, in the case of arbitration, to abide by the award."

World Bank

The eighteenth annual report of the International Bank for Reconstruction and Development for 1962-63 indicated a drop in value of loans from \$882.3 million in 1961-62 to \$498.65 million in the year under reference. Despite the decline in the total of funds lent, there was no fall in the number of loans actually made. The drop in the volume of loans did not indicate any long-term downward trend and was caused by fluctuation between years due to "accidents of the calendar, whereby large loans just before or after the end of June widely affected the total for a fiscal year". The 28 loans sanctioned during the year under report took the total number of loans made by the Bank to 349 and the total money lent to \$6,983 million, net of cancellations and refundings. Among the borrowers were four new countries, namely, Cyprus, Morocco, Singapore and Swaziland; the total number of borrowing countries was thus raised to 64. The largest share of new loans was granted to Asia and the Middle East at \$179 million. The Western Hemisphere borrowed \$126 million, Europe \$111 million and Africa \$33 million.

Purpose-wise classification of the loans (see Table I) showed that the transportation loans were of the highest value at \$190 million. The four railroad loans to Colombia, Pakistan and Peru totalled \$66 million. Highway lending accounted for \$110 million in four loans to Israel, Thailand, Uruguay and Yugoslavia. The remaining transportation loan was of

\$13.5 million to Nigeria for improvement of the Port of Lagos. For electric power, ten loans were made during the year totalling \$124 million; the projects were situated in Colombia, Cyprus, El Salvador, Finland, Panama, the Philippines, Singapore, Swaziland, Thailand and Yugoslavia. The loans for industrialization were five in number and were valued at \$110 million to Colombia, India, Morocco, Pakistan and the Philippines. Four loans (value \$80 million) were given to Industrial Development Banks in India, Morocco, Pakistan and the Philippines. Four loans totalling \$24 million were made to assist irrigation projects in Mexico, Nicaragua and Thailand.

The cumulative total of the Bank's loans, net of cancellations and refundings, rose to \$6,983.2 million (see Table II) out of which \$5,425 million had been disbursed by June 30, 1963. \$2,261 million had been repaid to the Bank or sold to other investors. The total of loans — effective and non-effective — held by the Bank, net of exchange adjustments, on June 30, 1963, stood at \$4,712 million, \$47 million more than the year before. The Bank's net earnings at \$83 million were a new record which raised the Bank reserves to a total of \$813 million. All payments of principal and interest due during the year were received.

The Bank disbursed \$620 million during the year under

TABLE I.
WORLD BANK LOANS IN 1962 - 63
(Expressed in U.S. Dollars)

Country	Purpose	(\$ millions)
Colombia	Power	.. .. .
Colombia	Railways	 8.8
Colombia	Steel Industry	 30
Cyprus	Power	 30
El Salvador	Power	 21
Finland	Power	 6
India	Industrial Development Bank	 25
Israel	Highways	 30
Mexico	Irrigation	 22
Morocco	Industrial Development Bank	 12.5
Nicaragua	Irrigation	 15
Nigeria	Port Improvement	 2.6
Pakistan	Western Railway	 13.5
Pakistan	Eastern Railway	 18.25
Pakistan	Industrial Development Bank	 4.75
Panama	Power	 20
Peru	Railways	 4
Philippines	Industrial Development Bank	 13.25
Philippines	Power	 15
Singapore	Power	 3.7
Swaziland	Power	 15
Thailand	Irrigation	 4.2
Thailand	Irrigation	 5.6
Thailand	Power	 3.4
Uruguay	Highways	 6.6
Yugoslavia	Highways	 35
Yugoslavia	Power	 18.5
Yugoslavia	Highways	 30
TOTAL	.. .. .	.. .. . 35
		 \$ 448.65

TATA-FISON AND RALLIS — they "know-how"!

"Demonstrations," said Tata.

"You mean brass bands, flags, pretty girls?" Fison asked hopefully.

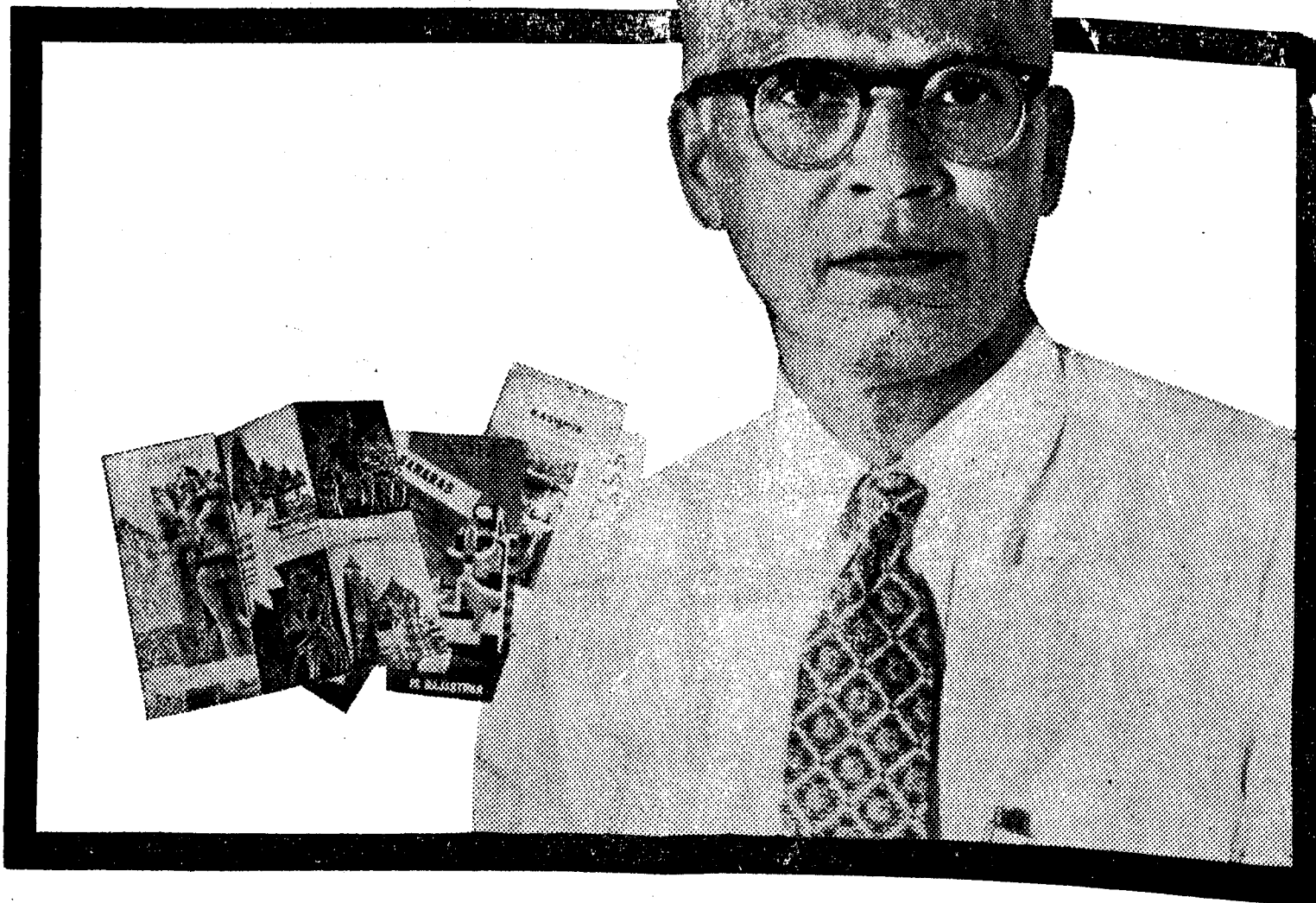
"Useful demonstrations," said Ralli, bringing him down to earth, "to show farmers how our fertilizers and pesticides grow better, healthier crops and protect them, too!"

Tata-Fison and Rallis have combined their separate marketing organisations into a single, unified service. For the future, all Tata-Fison products will be marketed by Rallis' Fertilizer and Pesticides Division. The merger will prove of immense benefit to the Indian farmer. For the first time, one integrated service will provide advice and products covering both crop growth and crop protection throughout the country...a notable contribution to the cause of agricultural progress.

TATA-FISON RALLIS COVER THE FIELD!



This year it's Khajuraho... and Cashier Seshadri has every right to look pleased!



Three years ago, it struck P. G. Seshadri that he had seen hardly anything of his country. He decided to do something about it. ... This year he will complete the final leg of his tour! He's fifty-three, looks ten years younger, and has won the veterans' race at the Burmah-Shell meet for six years running. He has received three long service emblems and his interests include amateur dramatics, social welfare, sports, travel and photography.

... TO THE LAST NAYA PAISA

He signs/endorses some 700 receipt or payment documents every day. Chief Cashier with Burmah-Shell, Madras, Seshadri is in charge of the Cash Section consisting of fifteen men. His section receives money amounting to several lakhs every day and is responsible for making day to day payments. What is

his most important task? "Balancing the books," he says, "is of the utmost importance. The accounts must tally each day to the last naya paisa." They always do!

TODAY, AS EVER, PEOPLE LIKE SESHADRI ARE WORKING FOR YOU

Seshadri doesn't just have hobbies. He is good at them. One of his photographs won a second prize in a company competition. Liked and respected by his colleagues, Seshadri can look back with satisfaction on a happy, fruitful career.

Seshadri and people like him—at all levels of responsibility—are Burmah-Shell. Today, as ever, they are hard at work... working to ensure that vital petroleum products essential to India's growth and progress are brought to you at the right place and time, in the right quantities.



BURMAH-SHELL are People in the service of the People

report as compared to \$485 million in the previous year. The loans made by the Bank resulted in wide dispersal of the funds as the borrowers place their orders on the basis of international competition. The sales of Bank loans to other investors totalled \$273 million and the cumulative figure of sales of loans exceeded \$1,600 million. Borrowings during the fiscal year amounted to \$124 million; the maturing issues and redemptions totalled \$126 million, reducing the outstanding fund by \$2 million. The Bank was in a liquid position and had no need to raise new money in world's capital markets.

The Bank has provided technical assistance to a large number of countries in preparing projects and programmes up to the stage where they are ready for financing. In India consultants engaged by the Bank are studying ways to solve the coal transport problem in the short and long-term. Similar teams for various other projects are currently working in Ecuador, Iran, Nigeria, Republic of China and India. The entire cost to the Bank of these studies is estimated at \$2,750,000. The local costs in each case are provided by the Governments concerned.

The report has indicated that meetings were arranged by

the Bank with groups of capital-exporting nations interested in co-ordinating assistance to particular developing countries. During the year, the countries which were the subject of such meetings were India, Pakistan, Colombia, Nigeria and Tunisia.

Among the technical assistance services provided by the Bank to its member countries, an important element is the Economic Development Institute — the Bank's "Staff College" in economic development for senior officials of less developed countries. The Institute has now expanded its work and is able to provide courses "in more subjects, to more students and in more languages than ever before." The Institute has prepared courses to be conducted in French and Spanish, including special courses on the techniques of appraising development projects. The Bank took two initiatives in the sphere of education during the current year. The first related to the sponsoring of a new International Institute for educational planning to undertake research and training; this was done in collaboration with the United Nations Educational, Scientific and Cultural Organization. The Institute is situated in Paris and has been receiving support from the French Government and the Ford Foundation. The other project related to the organization of an expert study for

TABLE II.
WORLD BANK LOANS CLASSIFIED BY PURPOSE AND AREA: JUNE 30, 1963
(Millions of U.S. Dollars, initial commitments net of cancellations and refundings)

Purpose	Area					
	Total	Africa	Asia & Middle East	Australia	Europe	Western Hemisphere
Grand Total	6,983.2	917.6	2,354.6	417.7	1,554.5	1,738.8
Development Loans: Total ..	6,486.5	917.6	2,354.6	417.7	1,057.7	1,738.8
Electric Power						
Generation and Distribution ..	2,336.0	251.6	516.3	129.3	464.0	974.9
Transportation	2,260.9	442.5	1,022.6	132.3	103.4	560.1
Railroads	1,089.8	274.1	600.5	37.3	2.3	175.5
Roads	741.5	87.7	209.0	50.9	35.0	358.9
Shipping	12.0	—	—	—	12.0	—
Ports and Waterways	296.7	30.7	193.5	—	46.9	25.6
Airlines and Airports	56.9	—	5.6	44.1	7.2	—
Pipelines	64.0	50.0	14.0	—	—	—
Communications						
Telephone, Telegraph, etc. ..	26.9	4.4	—	—	0.3	22.2
Agriculture and Forestry ..	528.8	59.1	178.5	103.4	87.8	100.0
Farm Mechanization	121.1	—	—	89.4	2.0	29.7
Irrigation and Flood Control ..	330.6	35.0	163.9	6.0	73.3	52.4
Land Clearance, etc.	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	—
Industry	1,128.9	120.0	562.3	52.7	312.2	81.6
Iron and Steel	380.3	—	314.2	13.4	22.7	30.0
Paper and Pulp	138.7	—	4.2	1.1	113.4	20.0
Fertilizer and Other Chemicals ..	82.0	—	25.0	0.3	56.7	—
Other Industries	97.0	—	5.2	23.7	58.8	9.3
Mining	203.5	101.0	54.5	14.2	11.9	21.8
Water Supply	2.0	—	—	—	2.0	—
Development Banks	225.4	19.0	159.2	—	46.7	0.5
General Development	205.0	40.0	75.0	—	90.0	—
Reconstruction Loans	496.7	—	—	—	496.7	—

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recommending "improvements in the standards and procedures for the design and construction of schools in Tunisia".

The membership of the Bank increased by ten during the year and rose to the total of 85. The increase was due to the entry of new countries of Africa; the names of the entrants were Ivory Coast, Jamaica, Kuwait, Niger, Senegal, Sierra Leone, Somalia, Tanganyika, Togo, and Upper Volta. The subscribed capital of the Bank increased from \$20,485 million to \$20,730 million.

Bank Aid to India

The total value of loans provided to India was \$876.11 million at the end of the fiscal year 1962-63, consisting of 13 loans to the Railways, five for power projects, five to ICICI for promoting industry, four to steel mills, two for coal mining and one each for agriculture and multipurpose projects. The rate of interest charged was between four and six per cent. The first loan of \$34 million was sanctioned on August 18, 1949, to the Indian Railways maturing in 1964, at the lowest rate of interest of four per cent. The loan of \$32.5 million to the Tata Iron and Steel Company Ltd. on November 20, 1957, and a loan of \$50.0 million to the Railways on July 19, 1959 at the highest rate of interest were of 6 per cent. It may be stated that most of the loans during the year under review were sanctioned at 5½ per cent. Changes in market conditions after September, 1962, reduced the rate to 5½ per cent which rate prevailed till the close of the current year. Complete details in regard to the loans to this country are provided in Table III. Special mention needs to be made here of the sanction of a loan of \$30 million to the Industrial Credit and Investment Corporation of India on June 5, 1963. While the date of maturity has not been fixed, it needs to be recorded that this was the fifth loan granted by the World Bank to this organisation. Total lending to ICICI by the Bank now comes to \$90 million, all in foreign exchange in order to finance the industrial projects. ICICI was organized in 1955 with the assistance of the Bank, and "it has so far approved financial assistance for 200 industrial projects involving 183 firms for a total sum of \$127 million." The industries which have profited by the loans of the ICICI are iron and steel, chemical, electrical, mechanical, paper and pulp, shipping, food processing, textiles, metal products, glass, cement and other building materials. It is estimated that the ICICI has been instrumental in mobilising total capital investments (domestic and foreign) in India equivalent to about \$650 million or nearly five times its own investment. Interest charged on the new loan will be at the Bank's current rate. The Bank and the ICICI will draw an amortization schedule for repayment of the loan which will be in semi-annual instalments and the final repayment of the entire loan will not be later than December 1, 1978.

IDA: Liberal Lender

IDA was set up three years ago "to promote economic development, increase productivity and, thus, raise standard of living in the less developed areas of the world". It is an affiliate of the World Bank and finances "carefully selected and prepared development projects" in the developing countries all over the world. The financial resources of this body are separate from those of the Bank. The most important aspect of the operations of this body is that it provides capital on much more liberal terms of repayment than any other international organization. The loans provided by the IDA make it possible for the less developed countries "whose ability to make good use of capital exceeds their capacity to service loans extended on conventional terms". The Indian Union also falls in this category.

All the credits provided by the IDA are repayable in

foreign exchange over 50 years, free of interest. There is also a 10-year period of grace following which 1 per cent per annum is repayable over the next 10 years and 3 per cent in each of the final thirty years. A service charge of ¼ per cent per annum is payable "on amounts withdrawn and outstanding" so as to meet the administrative costs.

During the third year of its operations (1962-63) the total value of new credits amounted to \$260 million. Only \$101 million were provided in the first year and \$134 million in the second year. The member-countries have made an initial subscription to IDA equivalent to \$765 million in freely convertible funds. These commitments are to be paid over a five-year period, that is, the funds are to be made available by the members within the first five years' operations of the IDA. Sweden has increased the subscription by \$10 million, thus raising the total available to \$775 million. On June 30, 1963, \$495 million had been committed leaving a balance of \$280 million. The net balance available for further commitments is less than even the figure of \$280 million, because negotiations are going on to make available to Pakistan a sum of \$102.5 million; another lending \$15 million to India will be included in 1963-64. Since repayment of these credits is not likely to begin in the near future, the resources of the IDA will have to be replenished by fresh commitments by the members.

Table IV provides details in regard to 13 projects for which a loan of \$300 million was provided to India by the IDA between 1961 and 1963. During the year under report, six new projects received sanctions; brief details of these projects are given below:

1. **Purna Project:** A credit of \$13 million was provided on July 13, 1962, to complete the irrigation project for supplying 1,52,000 acres in the Purna River Valley in the State of Maharashtra and to provide 15,000 kW hydro-electric power station. The project includes the construction of two dams on the Purna River, a 50-mile main canal and about 250 miles of distribution channels with associated works. In schemes of this type, the Government of India finances 60 per cent of the cost. The IDA credit will be a part of this contribution to the State of Maharashtra which will be in the form of interest-bearing advances repayable in 7 to 15 annual instalments at 4 per cent per annum, with the usual grace period.

2. **Koyna Project:** A credit of \$17.5 million was provided by the IDA on August 8, 1962, in order to complete this project. Earlier in 1959 the World Bank had provided a loan of \$18.7 million which assisted in the construction of the first stage of the Koyna hydro-electric project to provide an installed capacity of 2,40,000 kW. The new loan will finance the second stage of the project so as to increase its installed capacity to 5,80,000 kW. When the second stage of the project is completed, it will prove to be one of the largest hydro-electric undertakings in India.

3. **Port of Bombay:** A loan of \$18 million was provided on September 14, 1962, so as to expand facilities at the Port of Bombay both for cargo and passenger traffic. The expansion of the Port had become urgent because cargo traffic through Bombay had almost doubled in the past decade. Passenger traffic had also increased significantly. Included in the expansion programme are the construction of "four additional deep-water berths at Alexandra Dock; a new ferry wharf adjacent to Prince's Dock; an extension of Ballard Pier so as to provide an additional berth and a new building to accommodate passenger and cargo traffic." The other details of the programme include dredging of the main harbour channel, new floating craft including a new drag-suction

TABLE III
WORLD BANK LOANS TO INDIA—JUNE 30, 1963

Guarantor, purpose and borrower(1)	Year of loan agreement	Maturities (3)	Interest rate (including commission) (4)	Original principal amount (5)	Cancellations terminations & refundings (6)	Principal repayments to Bank (7)	Effective loans sold or agreed to be sold (3)	Effective loans held by Bank	Principal amount disbursed
				('000\$)	('000\$)	('000\$)	Total sales ('000\$)	Portion Matured (4) ('000\$)	('000\$)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Railways	1947	1950-64	4%	34,000	1,200	10,726	17,744	17,744	4,331
Agriculture	1947	1952-56	3½%	10,000	2,796	2,263	4,941	4,941	—
Power	1955	1955-70	4%	18,500	1,780	2,066	5,869	5,869	8,786
Multi-purpose Project	1953	1956-77	4½%	19,500	9,000	1,473	845	845	8,182
Railways	1957	1961-72	5½%	24,000	—	3,154	—	—	20,846
Railways	1957	1961-72	5½%	19,110	—	2,514	—	—	16,596
Railways	1957	1961-72	5½%	11,200	—	1,472	—	—	9,728
Railways	1957	1961-72	5½%	35,700	—	4,204	1,818	489	29,678
Power	1958	1961-78	5½%	25,000	3,000	1,328	1,453	311	19,219
Railways	1958	1963-79	5½%	85,000	—	106	7,707	1,472	77,187
Power	1959	1965-84	5½%	25,000	6,300	—	—	—	18,700
Railways	1959	1963-79	6%	50,000	—	—	3,762	866	46,238
Railways	1960	1964-80	5½%	70,000	—	—	2,050	—	67,950
Coal Mining	1961	1966-76	5½%	35,000	—	—	875	—	34,125
Railways	1961	1965-81	5½%	50,000	—	—	1,175	—	48,825
(guarantor)									
Steel—IISCO	1952	1959-67	4½%	31,700	2,297	11,948	700	700	16,555
Steel—IISCO	1956	1960-67	5%	20,000	—	6,756	1,032	1,032	12,212
Coal Mining—IISCO	1961	1967-74	5½%	19,500(2)	—	—	Note(3)	—	—
Power—TGPC	1954	1958-74	4½%	16,200	2,300	1,951	1,364	1,364	10,585
Power—TGPC	1957	1960-75	5½%	9,800	—	1,541	—	—	8,259
Industry—ICICI	1955	1961-69	4½%	10,000	70	2,382	—	—	7,548
Industry—ICICI	1959	1962-69	Note(5)	10,000	—	1,092	—	—	8,908
Industry—ICICI	1960	1963-70	Note(5)	20,000	—	—	—	—	20,000
Industry—ICICI	1962	Final-1977	Note(5)	20,000	—	—	—	—	20,000
Industry—ICICI	1963	Not Fixed	Note(5)	30,000(2)	—	—	—	—	—
Steel—TISCO	1956	1959-71	4½%	75,000	—	17,424	6,282	3,055	51,294
Steel—TISCO	1957	1960-71	6%	32,500	—	804	15,000	15,000	16,696
Aircraft—A-I	1957	1963-65	5½%	5,600	—	—	—	—	5,600
Port—CPC	1958	1963-78	5½%	29,000	—	—	1,113	605	27,887
Port—CPC	1961	1966-86	5½%	21,000	—	—	1,086	—	19,914
Port—TPM	1958	1963-78	5½%	14,000	—	—	592	292	13,408
TOTAL				876,110	28,742	73,205	75,407	54,584	649,256
									692,323

(Figures rounded to the nearest thousand.)

NOTES: IISCO—Indian Iron & Steel Company Ltd. TGPC—Tata Group of Power Industries. ICICI—Industrial Credit & Investment Corporation of India. TISCO—Tata Iron & Steel Company Ltd. A-I—Air-India International. CPC—Calcutta Port Commissioners. TPM—Trustees of the Port of Madras.

- (1) Loans made (a) to the member or (b) to a political sub-division or a public or private enterprise in the territories of the member with the member's guarantee.
- (2) Agreements in the total amount of \$296,350,000 providing for these loans have been signed, but the loans do not become effective and disbursements thereunder do not start until the borrowers and guarantors, if any, take certain action and furnish certain documents to the Bank.
- (3) The Bank has entered into agreements to sell the below listed portions of loans which are not yet effective: The list gives the borrower (guarantor), the year signed and the principal amount agreed to be sold: CVC & Chidral (Colombia), 1963, \$400,000; Ferrocarriles Nacionales (Colombia), 1963, \$790,000; Acerias Paz del Rio, S.A. (Colombia), 1963, \$325,000; Electricity Authority of Cyprus (Cyprus), 1963, \$1,185,000; Comision del Rio Lempa (El Salvador), 1963, \$395,000; Indian Iron & Steel Co., Ltd., (India), 1961, \$400,000; Nicaragua, 1963, \$135,000; Peruvian Corporation Ltd. (Peru), 1963, \$497,000; Swaziland (United Kingdom), 1963, \$85,000; Thailand, 1963, \$895,000; Uruguay, 1962, \$365,000; Yugoslav Investment Bank (Yugoslavia), 1963, \$209,000; Total \$5,972,000. The total of both effective and non-effective loans sold or agreed to be sold is the equivalent of \$1,605,315,492.
- (4) This includes amounts which, according to information available to the Bank, have been prepaid prior to maturity.
- (5) The interest rate on these loans was not fixed at the time the loans were signed; interest will be applied to each portion of the loans at the Bank's current rate when such portion is committed for a specific project.

dredge, two grab dredges, seven tugs, four harbour launches and one salvage-cum-water boat."

4. **The Indian Post and Telegraphs Department:** A loan of \$42 million was provided on September 14, 1962, to expand and improve telephone and telegraph services. This country has only "1.2 telephones per 1,000 inhabitants, compared with an average of 5 per 1,000 for Asia, 47 for the entire world and 300 to 400 in the developed countries." The third five-year Plan aimed at increasing telephone subscriber sets from 4,61,000 to 7,61,000 between 1961 and 1965. The capacity of the central exchanges was proposed to be raised from 4,12,600 to 7,58,100 lines during the five-year period. The loan will be used for building new telegraph offices, installing telecommunications equipment operating at the international speed and considerably expanding the teleprinter services.

5. **The Indian Railways** received a credit of \$67.5 million on March 22, 1963, to finance "imports of track materials, components and equipment to build locomotives and rolling stock in India." It will also be used to finance imports needed for the electrification programme and various other items required to increase carrying capacity."

6. **Kothagudem Project:** A loan of \$20 million provided on May 24, 1963, will help the construction of a 1,20,000 kw thermo-electric power station near Kothagudem in Andhra

Pradesh. The loan will also be used to build a reservoir to supply cooling water and a 150-mile transmission line to connect with other power facilities.

International Finance Corporation

Founded in July, 1956, I.F.C. is an international financial institution with an authorised capital of \$100 million. During the year 1962-63, the total membership of the Corporation increased by ten countries to a total of 73 with the subscribed capital of \$98,198,000. As compared to the World Bank and the IDA, IFC is an investing rather than a lending institution. In 1962-63, according to the seventh annual report of the Corporation eleven new commitments totalling \$18 million were made for the financing of private enterprises in ten countries including two standby commitments amounting to \$5.1 million. Also, the Corporation joined with the World Bank in assisting industrial development financing companies in Morocco, Pakistan and the Philippines. The Bank made long-term loans to the companies, while the IFC purchased capital shares. The IFC has also invested in the newly established development institution in Spain without the World Bank's participation. Proposals were under consideration to assist development finance companies in Finland, Malaya, Nigeria, Thailand, Turkey and Venezuela.

At the end of the fiscal year 1962-63, the Corporation had invested in 59 enterprises in 24 countries. In the year under

TABLE IV.
INTERNATIONAL DEVELOPMENT ASSOCIATION'S CREDIT TO INDIA—JUNE 30, 1963

Programme or project/Date of Development credit agreement	Maturities	Service charge rate	Original principal amount	Development credits not yet effective*	Effective development credits held by association	Principal amount disbursed	Undisbursed balance of effective development credits(2)
			('000\$)	('000\$)	('000\$)	(\$)	(\$)
Highway Construction & Improvement (June 21, 1961)	1971-2011	3%	60,000	—	60,000	15,153,511	44,846,489
Tubewell Irrigation (Sept. 6, 1961)	1971-2011	3%	6,000	—	6,000	1,933,724	4,066,276
Shetrunji Irrigation Project (Nov. 22, 1961)	1972-2011	3%	4,500	—	4,500	1,043,360	3,456,640
Salandi Irrigation Project (Nov. 22, 1961)	1972-2011	3%	8,000	—	8,000	832,492	7,167,508
Punjab Flood Protection & Drainage (Nov. 22, 1961)	1972-2011	5%	10,000	—	10,000	5,844,936	4,155,064
Durgapur Power Extension (Feb. 14, 1962)	1972-2012	3%	18,500	—	18,500	—	18,500,000
Sone Irrigation Project (June 29, 1962)	1973-2012	3%	15,000	—	15,000	1,889,092	13,110,908
Purna Irrigation Project (July 18, 1962)	1973-2012	3%	13,000	—	13,000	2,737,851	10,262,149
Second Konya Power Project (August 8, 1962)	1973-2012	3%	17,500	—	17,500	—	17,500,000
Bombay Port Project (September 14, 1962)	1973-2012	3%	18,000	—	18,000	2,149,914	15,850,086
Telecommunications (September 14, 1962)	1973-2012	3%	42,000	—	42,000	2,090,051	39,909,949
Railway Improvement (March 22, 1963)	1973-2012	3%	67,500	—	67,500	14,816,092	52,683,908
Kothagudem Power Project (May 24, 1963)	1973-2013	3%	20,000	20,000	—	—	—
Total			300,000	20,000	280,000	48,491,023	231,508,977

*Agreements providing for these development credits have been signed, but the development credits do not become effective and disbursements thereunder do not start until the borrower takes certain action and furnishes certain documents to the Association.

report, the Corporation assisted a new phosphate fertilizer plant in Tunisia (\$3.5 million), a pulp and paper company in Chile (\$3 million), a new sodium sulphate plant in Mexico (\$750,000), a new ball-bearing foundry in India (\$898,000) and a manufacturer of concrete products in Costa Rica (\$269,529).

Table V below gives details in regard to the assistance rendered by the IFC to five projects in India. The operational investments in all these totalled \$4,823,000. The latest financial assistance provided to K. P. Joshi & Co. of Bombay will facilitate the manufacture of anti-friction ball and rolling bearings and components for use in industrial machinery, tractors and vehicles, pumps, motors and other types of engines." The company is expected to go into production early in 1964 at Baroda where the plant is situated. The products of the unit will be sold entirely in India and will go a long way in meeting the rising demand for bearings in India's manufacturing industry. It will also save foreign exchange which would have otherwise been spent on imported bearings.

In this venture, the Corporation has joined hands with United States, Indian and European interests. The American

TABLE V.
OPERATIONAL INVESTMENTS AND STANDBY AND UNDERWRITING COMMITMENTS BY INTERNATIONAL FINANCE CORPORATION: JUNE 30, 1963

(In US dollars)

Country and Obligor	Original Principal amount	Operational investment and standby and underwriting commitments not yet effective (1)	Cancellations and terminations	Loans and equity sold or agreed to be sold	Principal amount disbursed	Undisbursed balance of effective loans and equity investment agreements	Held by Corporation as loans
Republic Forge Company Ltd.	1,500,000	—	1,500,000	—	—	—	—
Kirloskar Oil Engines, Ltd.	850,000	—	850,000	—	—	—	—
Assam Sillimanite, Ltd.	1,365,000	—	—	—	886,276	478,724	1,365,000
KSB Pumps, Ltd.	210,000	—	—	—	200,000	10,000	210,000
Precision Bearings India, Ltd.	898,000	898,000	—	—	—	—	—
TOTAL	4,823,000	898,000	2,350,000	—	1,086,276	488,724	1,575,000

1. In these cases, certain legal formalities must be completed and other conditions fulfilled before funds may be withdrawn on account of the investment or before disbursements are required for commitments underwritten.

* The Corporation has agreed to sell \$260,000 of this investment.

The Erhard Era

From Our Special Correspondent

PARIS:

THE ERHARD era opens for West Germany in the middle of October, when the aged Dr Adenauer hands over, with every sign of regret and reluctance, the chancellorship to his eternal Dauphin, Dr Ludwig Erhard. Yet one hears it asked whether the real Erhard era does not lie in the past rather than in the future. That is to say, the principles of the "social market economy" have found a more thoroughgoing application in the last 15 years than they will be able to find in the more difficult years ahead. Erhardism worked in the period when the professor occupied a subordinate position but, by one of those ironies of fate not unknown in politics, he may find on acceding to the supreme power that he is obliged to practise another policy.

sponsor is Norma-Hoffmann Bearings Corporation which is providing assistance in planning and construction of the plant. It will also provide an eight-man management and production staff during the initial period of operations. The originator of the project is, as mentioned above, K. P. Joshi & Company of Bombay. The third sponsor is East Asiatic Company (India) Private Ltd. of Bombay which is a subsidiary of the East Asiatic Company Ltd. of Denmark. The total cost of the project is estimated at \$4,800,000, out of which \$2,200,000 will be the share capital. Norma-Hoffmann Bearings Corporation will take up shares of the new company to the extent of \$630,000, East Asiatic to the extent of \$240,000 and K. P. Joshi and Co. to the extent of \$160,000. The total investment being made by the Corporation is \$898,000—\$378,000 in shares and \$520,000 in the form of a loan repayable over a ten-year period. A part of the IFC investment is being taken up by the Irving Trust Company of New York. The new company is being assisted by the Industrial Credit and Investment Corporation of India Ltd, the proceeds of the public offerings managed by the ICICI of shares in the new company and also by loans from the United States Agency for International Development.

For example, Alfred Frisch recalls in a recent article that Dr Erhard's doctrine has, by good chance, never been seriously tested "because he benefitted throughout all his ministerial career, except for a very brief period, from a remarkable economic expansion that allowed Germany to wipe out unemployment and absorb quickly millions of refugees." Thus, he never had to choose between full employment, sound money and free competition, the three things that his social philosophy claims to be able to reconcile. Frisch is sceptical about the chances of Chancellor Erhard encountering equally favourable conditions, whereupon he would have to resolve a "conflict of conscience" and if he chose the wrong solution "the whole system could collapse lamentably." This author claims, too, that such doubts are widespread in West Germany where, in

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spite of the professor's opposition, "the idea of economic planning is gradually making its way."

Similar thoughts are expressed by the Wirtschaftsbank of Zurich which says in a recent bulletin, "Whoever has followed closely in the last few months Press commentaries on the economy in West Germany has been struck by the more and more frequent doubts aroused by the development of that economy. There are those who fear that the 'social market economy' no longer corresponds to the tendencies of the moment.... These doubts rest on the following facts: the progressive modification of the economic climate, the complete exhaustion of manpower reserves, the full utilisation of production capacities... Since the end of the war, the economy has been able to give free rein to its indefatigable will to expansion, but henceforth the room for movement is becoming so small that the dynamic elements are starting to clash. It is difficult to deny that we find ourselves on the eve of a decisive turning-point in postwar economic development... Will the 'social market economy' be successful in the future? It is sure that if a turning-point has arrived and if the economy takes the direction it seems to be heading for, the free-competition system will be placed under much greater strain than it has known up to now. The temptation will be greater to restrict competition, and business itself will want the State (it will bring pressure on it for this purpose) to intervene more often."

Erhardism May Bend

In short, Chancellor Erhard will be under pressure to break with some of the policies of Minister Erhard, much as President de Gaulle has had to break with General de Gaulle, while Premier Debre had purely and simply to disown Senator Debre. It is not suggested that West Germany is headed for any kind of grave economic crisis; there is no sign of that. It is suspected, rather, that the reconciliation of social security and business freedom, which is the basis of the Erhardian economic philosophy, will hereafter be considerably more difficult, and in particular that dogmatic liberalism will have to compromise with democratic planning, as it has done already in virtually every other West European country.

Now, assuming all this to be true, I think one may be confident that Chancellor Erhard will not have as much trouble adjusting to the new situation as some of his friends and adversaries imagine. The reason for this confidence is that his economic management, in practice, has seldom tallied exactly with his economic doctrine, in theory. This point is usually made with polemical intent: the professor is accused of insincerity or hypocrisy, preaching one thing and practising something rather different and less "liberal." That is not the intention here; so far as one can show that Minister Erhard has never applied unsullied Erhardism, as described in his own writings, this is grounds for congratulating him and for expecting that he will be capable of the suppleness that Germany's new situation requires.

Examples are legion. There still exist some price-controls in the Federal Republic after half a generation of Erhardism, and in general the economy is bound up in a network of regulations and controls quite comparable to those existing elsewhere in Europe. A German economist has written, "It is important to note that this country has a solid infrastructure of regulations... The German economic and social system is equivocal. One might even wonder whether the dogmatic affirmation of economic liberty is not an indispensable antidote to an excessively authoritarian regulation." The same point is made more acidly by foreign observers who have asked whether the passionate attachment to a super-liberalism that out-Americans the Americans is not the sign of a bad conscience about the plentiful controls in the German economy. If one wished to come to specific cases, it is easy to cite things like the subsidies for German ports that help them meet Rotterdam's

competition, or the public funds poured into the Lufthansa airline.

More generally, one must note that a large part of German production is exported (31 to 46 per cent for the big chemical firms, for instance), and that the State plays an active role in this trade by way of outright financing, guarantees and commercial policy. A senior German official could say publicly lately that no German capital-goods firm could call itself private enterprise because the State is its partner at every point. In investments in developing countries, too, the State has taken all the initiative, private firms venturing nothing without governmental leadership and support. Nor has Minister Erhard ever applied his liberal doctrine to the letter as regards cartels, which are banned in theory but there are so many exceptions (some of them dubious, from the point of view of the public interest) that the situation does not differ from that elsewhere in Europe. Specialisation pacts are of course as common as anywhere, but Dr Erhard has blessed more than one price-fixing cartel and market-splitting arrangement where this seemed needful for the health of an industrial sector. German energy policy, further, is as rich in contradictions as anywhere in Europe and has as little to do with liberal dogmas. Coal and oil are protected, and progressive developments like atomic energy have been restrained to safeguard investments in older forms of fuel.

Farm Politics

In agriculture, the distance between liberal doctrine and German practice is too great to need emphasis, and the Six seldom meet in Brussels without someone pointing out the blank contradiction between Dr Erhard's super-liberalism and his super-protection of German farmers. The standard German retort is that farming brings in human and social interests (more frankly, electoral considerations) that cannot be sacrificed, and this is of course the same reason as governments have always given for their retreats from economic liberalism in any sphere. Lastly, even while maintaining his doctrinaire condemnation of planning, Dr Erhard has suffered to be attempted this year for the first time an economic budget for the whole country—not just a budget of public revenues and expenditures, but a forecast of the nation's business such as planners begin with.

The contradiction between such facts as these and pure Erhardian theory is not particularly shocking. Nor is it evidence of bad faith, because on all these questions and many others Dr Erhard could fairly claim that he has tried to preserve as much liberalism as was compatible with political and social necessities. He will no doubt continue to do so as the situation becomes less favourable to his economic theories. That is, his practice may become less "orthodox" but he will always prefer the more liberal of two solutions where both are consistent with full employment and social security. But supposing there is an ineluctable need to choose between business freedom and full employment? Few Germans, even among his critics, doubt that in that case Chancellor Erhard would prefer full employment. Frisch, who is rather cynical about Erhardism, has said, "In that case, professor Erhard and his collaborators would probably try to take the most liberal measures they could, resisting the temptation of government intervention and control, but nevertheless they would fight to the end in defence of full employment. It is certain that their liberal principles will never stand against the demand for full employment and social security." There seems to be ample warrant for this forecast in the record of Erhardism to date, which has never been as old-fashioned and "liberal" as it is made to sound. And the compromises with his "principles" that a politician will accept when he is in a post of secondary importance are nothing alongside the retreats from orthodoxy that he will make when he has the supreme and final responsibility for his country's welfare—and his party's

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LISTENING POSTS

Japan to Help with Bokaro?

By Our Special Correspondent

NEW DELHI:

THE STATEMENT in Madras by Mr. Takashi Nayto, Chairman of the Japanese House of Representatives' five-man delegation, now touring the country, that Japan has offered to set up the projected steel plant at Bokaro, is the first authoritative public indication of that country's interest in this scheme. But it has been known for some time that discussions have been going on at an informal level between the Government of India and the Japanese steel and heavy engineering industries. The talk seems to be concerned mainly with the first stage of the Bokaro project, namely, the construction of the plant up to and including the blast furnace stage. One of the proposals under examination is that the foreign exchange cost would be financed by the export of iron ore or pig iron to Japan. The Japanese preference seems to be for the ore, but on the Indian Government side, the desire reportedly is that the Japanese should agree to receive at least part of the payment in the form of pig iron.

Among other possibilities which are being considered in this connection are that the European Coal and Steel Community may perhaps be approached to take up some part of the Bokaro project, possibly in association with the United Kingdom or the United States.

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The Finance Ministry's intention with regard to the promoting of a Unit Trust to serve small investors seems to be that banks and other appropriate financial institutions should form a consortium for setting up and running the proposed unit trust. This project runs contrary to the practice in Britain where Unit Trusts are a competitive business and there is no restriction on their establishment provided the regulations laid down for their constitution and proper running are observed. The British model gives the investor a choice between competing Unit Trusts; he is enabled to choose, on the basis of their respective investment policies and performances, which among the several Trusts he would give his custom to. Under the Government of India's scheme, however, he will not have this choice since there will be only one Unit Trust functioning in the field. The absence of competition might also mean that there would be no standards of comparison or relative efficiency which could be applied to the working of the Unit Trust.

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The first meeting of the Board of Directors of the Cochin refinery, held on September 27 and 28 at Ernakulam, is understood to have approved Ambalamukal as the site for the project. Ambalamukal will be linked to the main road to Ernakulam and Kottayam by a 100-foot long feeder at Tripanithura. A 7½ miles pipeline is to be laid from Ernakulam Channel to the refinery site to pump crude oil straight from the tankers to the refinery and the refined products to the tankers in the port. A combined broad and metre gauge railway line is also planned from Tripanithura to Ambalamukal to link the refinery with the Cochin Port.

The Board of Directors, it is further learnt, reaffirmed the resolve expressed in the refinery agreement that the project should be commissioned by the end of 1965. Considering the difficulties which the project authorities were encountering in their liaison work with the Union Ministry of Mines and Fuel, the Board is believed to have approved the appointment of a high-powered liaison officer whose main function would be expediting matters so as to enable the refinery to go on stream as per schedule.

The Union Minister for Mines and Fuel, Mr O. V. Alage-

san, who inaugurated the Board's meeting, is reported to have stated that the agreement on the Cochin refinery had led to a perceptible change in the attitude of the managements of the three existing private sector refineries in this country. He felt that they were now prepared to enter into partnership with the Government for construction of further oil refineries in India. Mr Alagesan called upon Burmah-Shell, ESSO and Caltex managements that they should give up their 1951 agreements which "looked absolutely out of place in the present context." These agreements, he added, were already inoperative in certain parts and with whatever safeguards that might be necessary and provided for, it should not be difficult for them to abrogate these voluntarily.

Mr Alagesan reiterated the Government's decision that two new refineries — one at Madras and the other at Calcutta — should be set up by 1967 and 1968, respectively. Considering the regional demand pattern, he opined that a refinery somewhere in North India might also be necessary. These new refineries, along with the existing ones, Mr Alagesan said, should help in meeting the country's requirements of about 17 million tons of oil and oil products at the end of the third Plan and also a part of the requirements of the fourth Plan which were estimated at 27 to 30 million tons.

Talking about the development of the petro-chemical industry, Mr Alagesan stated that petro-chemical complexes had to grow around every one of the refineries, since they had a great potentiality to enrich the economic life of the country. The Government, he said, was already thinking of setting up a huge petro-chemical complex along with the Gujarat refinery. Most of it was envisaged to be developed in the public sector. But the private sector could also have a part to play in its development.

Mr Alagesan wanted the Oil and Natural Gas Commission to proceed a little faster in exploring for oil in the country so that dependence on foreign crude should end. He favoured the ONGC undertaking exploration work abroad as well. In this connection, he said, the Government was considering co-operation with the Iranian Government in a suitable manner in exploring for oil in that country — both offshore and on-shore. He revealed that a high level delegation would proceed to Iran in the second half of October for holding negotiations with the authorities there for arriving at some working arrangements both for import of crude as well as exploration for oil.

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The Planning Group on Fertilizers has divided itself into two sub-groups, one to plan the production of fertilizers and the other of fertilizer-making plant and equipment. According to present indications, a target of two million tons of Nitrogen is being suggested for the fourth Plan. The Group is examining various sites for five or six fertilizer plants to be commissioned by 1971. The sites suggested are Rihand for a coal-based plant, the Madras region, based on imported naphtha and Goa, also based on imported naphtha. There are four alternatives for the Eastern region, namely, Barauni, Haldia, Durgapur and Sindri, the former three being on gases or naphtha.

Hanumangarh was selected for a fertilizer plant in Rajasthan during the current Plan period. The group will have in addition Jai Samudram near Udaipur. It is explained that for the economics of this plant, a formula to determine the cost of Naphtha for Koyali in Gujarat has been evolved. So also the railway freight. Jai Samudram will have the additional advantage of having a zinc smelter in its proximity, this

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facility will make sulphuric acid available to the project.

The group in charge of plant and equipment will, among other things, consider the requirements of petroleum refining and petro-chemical industry, which require similar equipment.

Another committee with Dr. Kalelkar has been set up to re-appraise the need for a second Forge and Foundry Plant. A Committee had recommended some two years ago the setting up of a second Forge and Foundry Plant. Since then new developments have endorsed this recommendation.

All these committees it is expected, will make their reports by November this year.

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The State Electricity Boards of Uttar Pradesh and Punjab and the Delhi Electric Supply Undertaking have agreed to inter-connect the Punjab-Delhi-U.P. power systems and construct the necessary transmission lines which will link the three systems.

It has been estimated that, by interlinking the Delhi and Punjab systems alone, there would be a saving of Rs. 9.65 crores in capital outlay and Rs. 1.46 crores in annual running charges. Under the integrated operation of Delhi and Punjab systems, it would be possible to increase the firm capacity of the systems by about 100 MW at the commissioning of the fifth unit at Bhakra Right Bank Power House. In addition, a substantial portion of the secondary power available in the Punjab system can be profitably utilised by the Delhi Thermal system.

An extra high tension interconnection between the Punjab-Delhi and U.P. systems will be achieved by constructing a 220 kv line from Moradnagar to Delhi 'C' station. This will also be interconnected with Punjab system by constructing a 220 kv line from Faridabad. Another 66 kv single-circuit link will be established between Ghaziabad and Shahdara to enable exchange of power under emergency conditions during the interim period. The Punjab State Electricity Board has started planning their inter-connection with Delhi. The U.P. Board has prepared a project report for the work, and construction is expected to start shortly.

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The Planning Commission is understood to have agreed with the Union Minister for Works, Housing and Rehabilitation that pending the setting up of the Central Housing Board, Rs. 10 crores earmarked for it in the third Plan should be utilised for directly financing housing projects in States. This is because even if it is eventually decided to set up the Board, it might take two years before an Act by the Parliament is passed and necessary machinery set up. The additional funds would help considerably because following the emergency, allocations for Housing had been drastically reduced.

It has also been agreed that the functions and the role of the proposed Board should be further discussed between the officers of the Commission and the Ministry. Once the ideas on the Board's field of activity were formulated, the proposal would be discussed with the State Governments.

The Planning Commission, it appears, considers Central Housing Board essential for utilising it as "an instrument for planned housing." Over 7.6 million houses would have to be built during the next decade to meet the current requirements in urban areas alone. Such a big problem, it is argued, could not be solved through the financial resources of the Government alone. Institutional arrangements were, therefore, necessary for providing finance to enable large number of persons to build for themselves.

Another argument given in favour of the Board was that the existence of such an institution would ensure that the funds meant for housing do not lapse and are not diverted to other projects. The funds provided by Government along with those raised from the market could be "revolved"

to enable the maximum output of housing.

**

A Permanent Committee has been set up recently in the Ministry of Mines and Fuel for co-ordinating the planning of coal washeries and power stations so as to ensure the maximum utilisation of washery middlings. Besides the Mines and Fuel Ministry, the Ministries of Railways, Irrigation & Power and the Planning Commission are represented on this Committee.

The use of washery middlings for power generation is preferred to the use of straight low grade coal because they have a fixed consistency in the matter of ash content. They started to be utilised for generation of electric power towards the latter half of the second Plan and by 1961-62, their use for this purpose had grown to 0.9 million tons at Bokaro, 0.6 million tons at Durgapur (D.V.C.) and 0.27 million tons at Durgapur (coke oven) power stations. By the end of 1965-66, the Chandrapura Power station of the D.V.C. and the Pathratu, Barauni, Bandel and Calcutta thermal stations are also expected to start using washery middlings. Then the combined requirements of the eight middlings using thermal stations will be of the order of 5.22 million tons per annum.

This, however, does not mean that the entire middlings that come out of the washeries already in existence of those being set up would be fully utilised by the thermal power stations. The excess supply of middlings over the demand for them from power stations is anticipated to be as follows during the next five years: 1963-64 — 0.97 million tons; 1964-65 — 0.81 million tons; 1965-66 — 2.11 million tons and 1967-68 — 0.89 million tons.

All the future central power stations to be set up in West Bengal, Bihar, Madhya Pradesh, Maharashtra, Andhra Pradesh and Orissa, it has been decided, should be capable of using washery middlings.

**

The Government of India has set up a second State Trading Corporation. It is called the Minerals and Metals Trading Corporation of India Limited. As the name should suggest, this Corporation will be handling export of iron ore, manganese ore and other minerals and import of non-ferrous and other metals. It started functioning from October 1.

The new Corporation has been created primarily by separating the divisions concerning minerals and metals from the existing State Trading Corporation.

Incorporated as a limited company under the Indian Companies Act, 1956, the MMTC will have a subscribed capital of Rs. 2 crores. All its shares, except two, will be held by the President of India. The remaining two shares will be held by senior officers of the Union Government. They will be nominated by the President.

Mr Govind Narain, S.T.C.'s Chairman, has been named as the Chairman of the M.M.T.C. His place in the S.T.C. will be taken by Mr B. P. Patel, Adviser, Programme Administration of the Planning Commission.

The M.M.T.C. will draw and implement all the plans for the export of minerals and ores and co-ordinate the work with all the other authorities concerned in order to realise export targets fixed in these respects, through a unanimous and synchronised development of mining, transport capacity, port handling arrangements and other facilities.

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Although in the course of the three five-year Plans about Rs. 75 crores have been spent on the various rural water supply programmes, it is estimated by the Government of India that about three-times as much more funds will have to be spent in the coming years before all the rural areas are provided with minimum water supply facilities. The Central Ministry of Health has in hand a programme of rapid surveys on the collection of data through special investigation divisions in the States and a Special Rural Water Supply

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ordination Committee and a Drinking Water Board. This, it is expected, should help the Government to assess the dimensions of the problem within about a year and provide them with the data for preparing detailed engineering projects.

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Mr Asoka Mehta has been appointed as the Deputy Chairman of the Planning Commission.

He will assume charge of the office on his return from abroad, which will be in about 2 months' time.

During this period Mr C. M. Trivedi, the senior member of the Commission, will act as Deputy Chairman.

Mr G. L. Nanda, the former Deputy Chairman, will continue to be a Member of the Commission.

The Prime Minister has also invited Mr B. R. Bhagat, Minister for Planning, to be a Member of the Commission.

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Discussions on the utilisation of the \$65 million yen credit granted to India by Japan began in Tokyo this week. The talks will cover the continuation of assistance for the fertiliser project at Durgapur and Gorakhpur and allocation of aid money for some new projects including a steel alloy plant in the private sector and for certain maintenance imports from Japan. Terms of the credit will also be finalised. The talks are likely to last about two weeks.

The \$65 million yen credit was indicated by Japan at the

God Damned for Dam Disaster

From Our Correspondent

BOMBAY:

THE MAHARASHTRA Government announced the acceptance of most of the findings of the Naik Commission on the Panshet and Khadakvasla dam disasters. The Commission, according to the Government, observed that the breach of the dams on July 12, 1961 'was an act of God.' The civil authorities were 'unprepared for the situation caused by the dam burst and the rescue arrangements proved utterly inadequate. Neither the advancing of the date of completion of the dam by one year nor any negligence in the construction or maintenance (of the dam) were responsible for the mishap. The Government in its resolution observed that it would be taking disciplinary action against those officers who were guilty of inefficiency or misconduct in the performance of their duties. The findings showed that warnings were not given to the people in Poona about the imminent danger of the breach of dams. The All India Radio was not instructed to broadcast the news of the dam failure.

**

The Bombay Municipal Corporation Act is proposed to be amended to levy a new octroi duty on goods entering into Greater Bombay for consumption, use or sale. The Bill provides for varying the maximum rates specified in the schedule from time to time. A wide range of consumer goods ranging from grains to soaps and blades, structural materials like cement and iron and the various types of vehicles are sought to be brought under the new impost. The total number of items on which the levy is proposed comes to 60 as against 40 now subjected to town duty. Trade circles in Bombay expressed grave concern about the levy. This is because they were demanding the abolition of town duty whereas the new proposal tries to impose fresh burdens. The prices of all the 60 enumerated articles in the schedule are expected to go up and the ultimate sufferer would be the consumer in the process.

Price-wise, no reaction was noticed in the Bombay commodity markets but traders apprehend that the extension of duty to items like coffee, animals, cutlery, perfumery, paper etc. would disrupt trading in the city. Substantial increase

recent meetings of the Aid India Consortium in Paris and Washington.

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The newly appointed Vice-Chairman of the Oil and Natural Gas Commission, Mr. P. R. Nayak, is leaving for Iran with a team of experts on October 15 to secure concessions for oil exploration in Iran. Side by side, intensified efforts are being made to secure untied foreign exchange, which may be used for oil exploration.

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A number of World Bank teams are expected to come out from October onwards to study projects for which aid could be made available to India. As usual there will be a team for the survey of railway development. In addition, there will be teams to study projects in the fields of irrigation, roadways and power generation, for which the Bank has been giving aid to India.

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A high-level team from the British Coal Board is arriving here on October 8, to have discussions with the Government and the Coal Industry. It will be headed by Mr Shepherd.

An Indian Mission led by the Joint Secretary in the Ministry of Mines and Fuel had been to Belgium and England earlier this year, primarily to purchase coal-mining machinery.

in vanaspati duty would affect the production in mofussil centres heavily depending upon Bombay as outlet. Mr. G. D. Somani, President of the Indian Merchants' Chamber, said that the new levy would bring about a rise in prices of goods meant for individual consumption and use in industries. There was hardly any justification for the Government to empower itself to vary the rates. He appealed to the Government not to hasten with the passage of the Bill, but give an opportunity to the interests concerned to express their point of view so that the Bill in its final form may not adversely affect the trade and industry of the city. The position of industries exporting the goods overseas is not clear in the Bill. Unless such industries are exempted, the competitive position of industries situated in Greater Bombay would be adversely affected.

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A Bill seeking to regulate the promotion of the construction and the sale and transfer of flats on ownership basis was introduced in the Maharashtra Assembly by the Housing Minister, Mr Taleyarkhan. The aim of the Bill is to remove the evils in the system of acquiring housing. According to the Minister, nearly 14,000 flats had been constructed under the ownership flat system in Bombay in the last 10 years. As the system grew popular due to the increasing demand for housing, a heavy profit bias on the part of the promoters developed and they began to charge fantastic prices even for small flats. A redeeming feature of the Bill was the provision to ensure that the builder handed over the flat, complete in all respects, to the purchasers on the due date; if he failed to do so, he would not only have to refund the money to the purchaser but pay 9 per cent interest on it. The Bill was welcomed by all sections since it constituted the first attempt to put a stop to the abuses arising from the ownership flat schemes in the city.

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The 15th meeting of the All India Farmers' Council scheduled to be held at Ahmedabad from October 2 to 4 will now be held from November 5 to 7. Farmer members of the Council from all parts of the country are expected to participate in the meeting. A Seminar on "Ways and Means to step up agricultural production to meet the demands imposed

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by the National Emergency" will be held along with the Council Meeting. An exhibition on "Agriculture in Emergency" will also be organised with the active co-operation of the Department of Agriculture, Government of Gujarat.

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A 'Home' for Indians settled abroad who visit the country has just been completed in Bombay. It will be opened by President Radhakrishnan during his visit to Bombay. The six-storeyed structure is situated in Backbay Reclamation and has been sponsored by the Brihad Bharatiya Samaj, an organization which promotes the interests of Indians abroad. The House will carry research into Indian emigration as well as its other functions. There will be a hostel for students from abroad studying in India and scholarships will be awarded. A transit camp will provide accommodation for Indian travellers going or returning from abroad. The auditorium can seat 800 persons and will be rented out for social and cultural functions. The research centre will conduct a survey of five million Indians in more than 40 countries. The Samaj hopes to have similar buildings erected at Madras, Delhi and other centres in course of time. The scheme is the idea of Mr. S. K. Patil, the former Food Minister, who is also the Chairman of the Samaj.

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The Forward Markets' Commission celebrated the tenth anniversary. Mr. P. C. Bhattacharyya, the Governor of the Reserve Bank, released a special monthly Bulletin brought out to mark the occasion. Mr. Manubhai Shah, Minister of International Trade, inaugurating the fourth conference of presidents and Government-nominated directors of associations statutorily recognised by the Forward Markets Commission, observed that the farmer got a 'raw deal' in our country. This was because of social practices and lack of consciousness. Hedging was primarily designed to protect the farmer. He urged forward operators not to depress the prices 'through vicious propaganda.' The crops were overestimated at the time of harvest while another estimate was produced at the time of sale. No economic revolution was possible without a system of price support, adequate buffer stocks and hedging facilities. For instance, in Japan the Government supported the prices of as many as 94 items. The 'jute grower' in India was the 'most hard hit grower in the world' and got a meagre return. Powerful interests had colluded to hammer down the prices. Areas growing cotton were more prosperous because of the fairly good price cotton fetched.

Mr. Shah conceded that the price of Indian cotton was about the highest in the world but said that high costs arising out of low productivity were built-in factors in any under-developed country. He appealed to the trade to give the

Centre in Default?

From Our Correspondent

CALCUTTA:

DOUBTS ABOUT West Bengal being able to fulfil its third Plan targets have grown following a meeting last week of the State Cabinet to make an appraisal of the progress of the Plan. This is because according to the State Finance Minister, West Bengal's financial position is passing through a difficult phase, mainly because of the failure of the Centre to release the agreed quantum of funds so far in the plan period. It may be recalled that West Bengal has drawn up a third Plan of Rs. 293 crores though originally a plan of Rs. 341 crores had been envisaged. Even the final plan of Rs. 293 crores is higher by Rs. 43 crores of the Plan indicated by the Planning Commission which fixed a central assistance of Rs. 160 crores and assessed State resources at Rs. 90 crores. But on the State indicating that it can raise its resources to Rs. 133 crores, the Planning Commission approved a Plan of Rs. 293 crores.

co-operatives a proper place. There was no 'hiatus' between the co-operative and the private farmer. The Forward Markets Commission was exhorted to create a climate for price support programmes, particularly jute, and for policies which were pro-agriculturist and pro-co-operative. Although India was the largest producer of many seeds, Indian vegetable oil prices were the highest in the world. The tropical Indian seeds were unique in quality and had a good market abroad. He said that the oilseeds crop had remained stationary. Research should be conducted into improving the productivity. In spite of a near monopoly in black pepper, India got low prices for its products abroad. The associations concerned were requested by the Minister to suggest ways and means of remedying the situation.

Price Stabilisation

Mr. A. S. Naik, Chairman of the Commission, claimed that the Commission had always endeavoured to stabilise prices. During 1962-63, nearly 32 per cent of the country's exports (Rs. 694 crores) were accounted for by commodities in which forward trading was regulated. The scope for increasing the exports was considerable and it was imperative that the prices were not allowed to rise because of irresponsible trading. Often, a sharp rise in forward prices had resulted in a rise in ready prices while the converse was rare. Forward trading in the country was still suspected as a field for speculators. The Commission had decided to take strong action against unscrupulous speculators. Many members of the recognised associations were found guilty of irregularity counts of such traders.

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The Bombay Stock Exchange put up a remarkable performance. There was an atmosphere of cheerfulness and the market has been brought about by a change in the psychology following the amendment of the Gold Control Rules and the Compulsory Deposit Scheme and by hopes that every effort will be made to stipulate the capital market. A notable feature of the bullish trend during the last six weeks is that the improvement has been slow and cautious, though, in the latest week, it gathered considerable momentum. The bullish support, although confined to certain selective leading counters, has been backed by a sizable investment demand also as witnessed in the substantial rise in several cash counter in Bombay, Calcutta and Madras. Several shares in the cleared list were picked up by investors at low levels, with the result that there was a scarcity of stocks in the market and at every purchase investors had to pay a higher price. The recovery from the year's low has been of the order of 9.5 per cent during the past 1½ months.

Explaining the position in regard to disbursement of Central assistance, Mr. Sankardas Banerji has revealed that for the first three years the State has received only a total of Rs. 68 crores. In his Budget speech in February last, Mr. Banerji had said that Central assistance received in 1961-62 amounted to Rs. 21.03 crores while Rs. 26.40 crores was promised for 1962-63 and a like sum for 1963-64. It is clear now that even the promised quantum of assistance has not been forthcoming. According to Mr. Banerji the State could expect Rs. 35 crores in 1964-65 and Rs. 40 crores during the last year of the Plan. All this will add up to only Rs. 143 crores for the entire third Plan period though the Central assistance agreed upon is of the order of Rs. 160 crores. Though Central assistance has been coming in a trickle, so to speak, the State Government has not slowed down its development works with the result that it has already spent about Rs. 80 crores out of its resources

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of Rs. 133 crores. The very fact that the State has agreed to raise Rs. 133 crores as against the Planning Commission's assessment of its resources of Rs. 90 crores is a clear indication that it has made strenuous efforts at mobilising internal resources. It will therefore be idle to expect it to fill up the large shortfall of Rs. 17 crores in Central assistance.

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The reported indication given by Mr. O. V. Alagesan, Minister for Mines and Fuel, at a recent meeting of the Congress Parliamentary Party's Standing Committee on Mines and Fuel to the effect that one of the three refineries proposed and Fuel to the effect that one of the fourth Plan will be located at Haldia, to be set up during the fourth Plan will become an has aroused the hope that this satellite port will become an industrial complex comparable to Durgapur. For more reasons than one, the development of Haldia as an auxiliary to the port of Calcutta is a necessity that brooks no delay. In the first place, Haldia's function is to minimise the strain on the Calcutta port which is being choked by the progressive silting of the Hooghly. Further deterioration in the available depth of the river is being kept in check only by the spending of large sums for dredging. Even so the fact remains that payable load of ships operating to and from the Calcutta port has been declining steadily over the past few years thereby adding to the cost of shipping. The World Bank has also stressed the need for establishing a satellite port at Haldia to handle food-grains, coal and iron ore. In the opinion of the Bank, Haldia should be at least in partial operation by the end of the third Plan.

Another Durgapur

In consultation with the Calcutta Metropolitan Planning Organisation, the Calcutta Port Commissioners have drawn up a scheme for developing approximately 25 square miles around Haldia to accommodate docks, rail and marshalling yards, housing for employees and other facilities. Experts consider that Haldia will also be ideal for supporting an industrial complex, as big as Durgapur, if not bigger. Speaking at a recent meeting of the Society for International Development Dr. S. N. Sen, formerly of the State Trading Corporation, has pointed out that a variety of industries including a steel plant and refinery can be set up at Haldia. The non-availability of raw materials should not be considered as a serious bar to setting up a steel plant at a particular place which is otherwise well suited. In this connection Dr. Sen cited the case of Japan, UK and USA which are leading in steel production despite deficiencies in one or more raw materials. In the case of Haldia, he has maintained, transport costs will be minimum because of the factory's proximity to the port and high-grade iron ore can be brought from the neighbouring State of Orissa by inland water transport by developing the inter-State canals. This will have the added advantage of aiding the development of Orissa also. With the setting up of a refinery, Dr. Sen opined, rolling of heavy plates could be cheaply done using the gas from the refinery. Other industries suggested by Dr. Sen, are a fertilizer factory based on the byproducts of the steel mill and an electronics industry.

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In common with other stock exchanges in the country, Lyons Range continues to be buoyant on the hope that Mr. T. T. Krishnamachari will before long give good tidings for the investor.

It is believed that the Government is studying the impact of the SPT on the corporate sector, but it is not expected that its repeal is round the corner. It is quite on the cards, however, that it will be quietly replaced by a suitable increase in the corporate tax in the next Budget. Hopes and thoughts such as these are now sustaining the bullish fervour in the stock market. But it will be wrong to suppose that the current mood is one of unbridled enthusiasm for equities. Al-though there has been in recent days increased interest in the cash section, it is as yet essentially a speculative market. That lingering doubts continue to govern the outlook has again and

again been demonstrated by the not-infrequent profit realising operations. It is however not to be denied that such operations have been well absorbed but it only proves that the bulls are strong. The fact that the present buoyancy is as yet built on hopes which may or may not materialise is not ignored by the more sober section of marketmen who have begun to express concern at the rather quick rise in equity values in the past few days.

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Sacking prices in the Calcutta jute goods market gained sizable ground towards the close of last week following renewed support. Interest was sparked off by reports of fresh orders from Australia but it would appear that the expectation of more orders from a number of foreign buyers was the sustaining influence. Another sizable buyer is expected to be the Government of India. As for foreign orders, the belief is that at least for some months to come, supplies have perforce to come from India only, in view of the fact that Pakistani order books are full for the next few months. It is not improbable that already traders in Calcutta are getting ready to book orders from Russia and East European countries. It has been revealed that the recent jute delegation headed by Mr. M. P. Birla has brought extremely good news to the Indian industry.

Speaking in Calcutta last week-end the Jute Commissioner, Mr. G. C. L. Joneja, said that the delegation had found that a number of markets in these countries would be able to absorb sizable quantities of Indian jute manufactures as well as jute. The Commissioner further revealed that large quantities of jute goods from India would soon be placed on these markets. He however made it clear that while proper propaganda may bring in business from these new regions, the fact remained that these markets could be retained and expanded only if our goods were able to maintain good quality while our traders strictly conformed to the mutually agreed terms and conditions of business. Dispelling the impression held in some quarters that business with Russia and East European countries would not require the adherence to strict standards as to quality, the Jute Commissioner pointed out that the Russian markets were as sensitive as the US markets. As an export industry catering to some of the most sophisticated markets, the jute goods industry should be extra careful about maintenance of proper quality of its products. It is true that by and large the industry's record has been quite good but the fact remains that now and then there are complaints. Recently there have been complaints from Australia about some consignments. It is therefore gratifying that the IJMA will have soon its own scheme for voluntary quality control and one can be sure that Government will have no occasion to enforce its own scheme of quality control.

Steady Trend

Referring to the raw jute situation, the Jute Commissioner said that a steady trend had been maintained last month and similar conditions might be expected to continue. During October the jute industry will be required to lift a total of 9.2 lakh bales, 8.5 lakh bales by IJMA mills and 70,000 bales by other mills, as against 7.5 lakh bales in September, under the scheme of compulsory purchase quota. This is in conformity with the expectation that the mills quota will be closely related to the rate of raw jute arrivals. The Jute Commissioner pointed out that if arrivals during October proved to be heavier than expected the JBSA would be asked to lift 2 lakh bales. Now that the State Trading Corporation had made available to the jute growing States a sum of Rs. 1.70 crores, jute co-operatives would not be long in starting operations. The fund now provided by the STC however does not represent the ceiling limit. As a matter of fact the State Governments will be able to draw almost unlimitedly for the specific purpose of enabling the co-operatives to buy all the jute that is on offer. As it has been noted in this column more than once, it is as yet too early to conclude that success of the Govern-

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ment's policy of ensuring a reasonable price to the cultivator is assured. That there is many a slip between the cup and lip may still be true as far as the jute cultivator is concerned. That the task to which Government has addressed itself is not

Cement Muddle Serious

From Our Correspondent

MADRAS:

THERE HAS been an acute scarcity of cement for quite a long time, particularly after the declaration of emergency. The demand on account of the Government's projects and defence services increased so sharply that in the absence of any corresponding increase in production, the allocation for civilian consumption had to be drastically reduced. In Madras State and elsewhere, there was complete control over distribution and even small purchases for urgent repairs had to be obtained only through permits. This caused great annoyance to consumers besides delay in construction and essential repairs.

There is a feeling that the Government had allocated for themselves a large share of production and that there would be need for relaxation of restrictions before long as the Government departments were not lifting their quotas for some time. With a reduced offtake during the monsoon on Government account, particularly in Andhra Pradesh, there has been an accumulation of stocks in the past three months. It has been actually complained by the cement units in Andhra that there silos are full of cement and it has been found obligatory to suspend grinding of clinker on account of the lack of storage capacity. Even clinker storage is proving to be a problem and it has been represented to the authorities concerned that the restrictions on distribution should be relaxed as there was a large unsatisfied civilian demand. In Madras also the various units have no arrears of delivery and permits for civilian consumption are immediately handled as one unit in Ramanathapuram District has expanded its capacity by 350 tons daily and another unit in Salem district will shortly be commissioned into production. The supply position is expected to improve considerably. It has, therefore, been suggested that the stockists should be given partial freedom to dispose of cement in the manner obtaining sometime back. The stockists had then freedom to sell 20 per cent of their receipts to small consumers without restriction. In any case, reduced offtake on Government account should not result in reduced production on account of a needless accumulation of stocks.

Advantage was taken of the presence of the President, Dr. S. Radhakrishnan, to lay the foundation-stone for a large milk plant to be erected at Sathamangalam, near Madurai. This plant is being constructed under the auspices of UNICEF and with the assistance provided by New Zealand. This will be the ninth large milk plant to be assisted by UNICEF in this country and the value of contribution is \$100,000. The pasteurisation plant with an initial capacity of 50,000 litres daily will be installed under this scheme through the Madurai City Co-operative Milk Supply Union. It is expected to be commissioned by the end of next year. The Milk supply union, which has been run on a co-operative basis, has a chain of 274 feeder societies located around Madurai City within a radius of 30 miles and will be taking care of the distribution and collection of milk. The object of the new scheme is to increase the quantity available to the various families and provide the necessary facilities for cattle-owners. A milk processing plant will be established at Sathamangalam.

The Madras Government is also keen on starting a factory for the manufacture of baby food which will be located near Ootacamund. It is only in recent years that the efforts to start units for manufacturing milk powder and baby foods have been thought of seriously and several units have come

easy has been confirmed by the report of the Jute Marketing Committee which is reported to have impressed on Government that the measures so far got ready may not be adequate to meet the situation when arrivals reach the peak period.

into being in Maharashtra, East Punjab and Uttar Pradesh. In Madras, a project has been under consideration for some time though the problem of milk availability posed some difficulty. It is now expected that the details of the scheme would be worked out and an announcement made after the State's Industries Minister, who is now on a tour in the USA, returns to this country.

Efforts to increase the output of chemical fertilizers through the establishment of large-sized units in the private sector did not fructify earlier because of the prolonged negotiations with foreign interests and the difficulty in securing foreign exchange and the unprofitable character of the investment. The new tax measures also had a discouraging effect on foreign investment. But it has now been announced that the project of EID-Parry to establish a large sized unit at Visakhapatnam in collaboration with foreign interests will take shape before long. The US Ambassador in India has stated that the US Government would be giving development loans amounting to Rs. 21.2 crores to the Coramandel Fertilizers Limited, the Indian company formed by EID-Parry in collaboration with the American participants, California Chemical Company. This fertilizer plant will have a capacity for producing 365,000 tons of ammonium phosphate and 165,000 tons of urea annually. The EID-Parry will be subscribing to some extent the issued capital of the new company while it will be handling the large quantities of fertilizers that will be produced, as selling agents.

Negotiations are also going on for establishing another fertilizer plant at Kothagudem though no definite details are yet available. In regard to the Mangalore project it was reported that the Dutch interests were not keen on pursuing their proposals. It is now, however, expected that Tata-Fison and Rallis may succeed in enlisting U.S. assistance for this project as well though considerable preliminary work has yet to be completed. The benefit of the new schemes will rally be derived only after some years. Large quantities of urea can be expected to be achieved only when the Neyveli fertilizer project is completed, which may be sometime in 1965.

The growing importance of Madras City as a manufacturer of automobiles and components and parts was again emphasized when Mr. C. Subramaniam inaugurated the new factory and administrative buildings of Rane (Madras) Limited during the week-end. In the past six years, Rane (Madras) Limited has been successfully manufacturing tie-rod ends and clutch discs. Its associate company is also producing engine-increased further and it is gratifying to note that the indigenous content is as high as 98 per cent in the case of tie-rod ends. The Managing Director of the company has announced that there is a programme for producing moulded brake-linings and clutch facings in collaboration with British interests. There is also another scheme for manufacturing laminated springs which are in short supply.

Expectations of fresh incentives have been responsible for the greater activity in the Stock Market in Madras. Advances from Bombay and Calcutta have been very encouraging. But the rise in prices in Madras has not been so spectacular as in other centres. There is, however, a noticeable reserve on the part of sellers with plantings continuing to be in great favour. Select industrials also have been marked higher with Mettur Chemicals, Ashok Leyland, Madura Mills, Travancore Rayons and others being quoted significantly higher.

October 4, 1963

The moving fingerprints

THERE IS surely a contagion in the political air. It is not only the Congress which seems to be going through a crisis of conscience. In the Communist Party, Mr. A. K. Gopalan is preparing to clash with Mr. Dange, while there is much ado in the P.S.P. over Mr. Asoka Mehta taking up a job with the Government of India. Only the Swatantra Party seems to be immune and this is for the reason that every leader, and presumably every member, of the Swatantra Party has been given complete 'swatantra' to think as he would or act as he likes. Rajaji and Mr. Ranga have agreed to disagree on Kashmir; Rajaji and Mr. K. M. Munshi have agreed to disagree on the language issue; and Rajaji and Mr. Minoo Masani have agreed to disagree on Mr. Morarji Desai. Evidently a party like that can hardly have any trouble on the score of unity.

Going back to Mr. Asoka Mehta, I really do not see what the fuss is all about. I do not think that a party which could not manage to secure to its leader a seat in Parliament has any claim at all on his loyalty. After all nobody is in the political game for the fun of it. I do not see why Mr. Asoka Mehta alone should be expected to continue to be content with having the worst of both worlds. So far as the Planning Commission is concerned, I just do not know whether Mr. Asoka Mehta's draftsmanship will be an improvement on Mr. Tarlok Singh's; neither would I pretend to predict how long the new Deputy Chairman will be able to pull on with his colleague, Dr. V. K. R. V. Rao, without each accusing the other of unfair trade practices in competitive demagoguery.

I must say that I have more than sneaking admiration for Mr. Daniel Walcott. A modern State anywhere in the world, when it is not a menace to the individual, is certainly a most intolerable nuisance. And I cannot but applaud any person who manages to make the Leviathan look silly. In Karachi, the gloating President of the Trans-Atlantic Airlines Corporation is reported to have said many uncomplimentary things about our bureaucrats, politicians, magistrates and judges, the Indian Air Force and even about the Indian Press. But I for one can forgive him easily. It is not often that the mere individual gets a chance to call the bluff of Authority and when one succeeds in doing so, one is certainly entitled to brag about it. In any case, no right-thinking person would deny that Mr. Walcott is basically a fine chap. Anybody who, the moment he decides that he has had enough of red-tape and routine, could jump into a jeep, drive to the nearest airport, get into any handy aircraft and take off into the wide open skies, has me for his friend and well wisher. And, when you think of it, it was not at all necessary that Mr. Walcott should have come here all the way from the United States merely to expose our Government to ridicule. This particular instance of external aid was redundant.

In the local cinema theatres and, I presume, in theatres all over the country, the Government of India, unassisted, has been making a complete fool of itself during the last few days. Although it was announced last Saturday that the Compulsory Deposit Scheme was being given up in respect of all except income-tax payers, a Films Division short entitled "Save and Serve," dealing largely with the working of

the Scheme in respect of employees not paying income tax was (and perhaps is) still being screened to the accompaniment of irreverent commentary from amused cinemagoers. Surely it should not have been impossible for the Ministry of Information and Broadcasting to arrange for the withdrawal of the film within, say, 24 hours. It is a pity that the quality and standards of the functioning of the Government have been allowed to deteriorate to such an extent that there seems to be no longer any pride anywhere in doing things properly or not doing things improperly.

I am not at all sure that the Home Minister and the Minister for Information and Broadcasting acted right in letting themselves be bullied by Messrs. Mahavir Tyagi and company into withdrawing the Indian News Review short of the Communist sponsored "people's petition" march to Parliament. I wish some one in authority would care to explain why the Government has acted the way it has done. Mr. Mahavir Tyagi's own reasoning seems to me to be quite faulty. He argues that since the Films Division is a Government department, it should not be instrumental in giving publicity to anti-Government demonstrations. But the function of the Indian News Review surely is to present the highlights in the news. If an event or a situation is news-worthy, it should obviously be dealt with on that basis. If Mr. Tyagi's dictum that the Government is strictly applied, it will be reduced to presenting only the President unveiling statues, the Prime Minister making speeches, Ministers laying foundation stones and Post Offices selling Premium Prize Bonds. I am not concerned here with the rights and wrongs of the Communist march, but I do think that if interference of this kind is encouraged, the working of organisations such as the Films Division, already by no means conspicuous for initiative or enterprise, is bound to be reduced to a clerical exercise in keeping on the right side of the bosses.

Even as new brooms go, Delhi's new Chief Commissioner is thrashing about most lustily. His measures to discipline traffic laws have indeed been so sweeping that I still do not know what hit me. In less hectic times, it used to take me about seven minutes of leisurely and uneventful driving to do the short distance from where I live to where I work. Now it takes about twice as long in a whole series of nerve-racking "stop and go" and the choice for me is either to keep shuttling between the second gear and the third or consent philosophically to do the entire journey on the second. But this must not be taken to mean that I am complaining. I know that the Chief Commissioner means well and I imagine that some good will come out of it all ultimately. Meanwhile, I am second to none in my admiration for the dedicated manner in which he is launching campaigns against the Capital's many ills. I am told that road surfaces, badly scarred by the monsoon, are to be mended very promptly, in fact, before the next monsoon arrives. And I also learn that something will be done about Delhi's chaotic housing and the abominable state of sanitation in the old city and the suburbs. Mr. Dharma Vira, in other words, is truly a warrior in a holy war of his making. I wish him success.

V.B.



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Trade Winds

COMMONWEALTH TRADE

COMMONWEALTH TRADE was revised last month at the meeting of the Commonwealth Economic Consultative Council. One of the problems that came up for discussion was the vulnerability of producers of primary commodities and their adverse balance of trade. The Council considered the proposal for undertaking a systematic study of world economic trends in general and those of underdeveloped Commonwealth countries in particular in the context of their development plans. The Council also discussed problems of aid for development. It reviewed the preparations made since their last meeting in May for the 'Kennedy round' of trade negotiations and other steps which were being taken in the General Agreement on Tariff and Trade (GATT) to reduce or eliminate barriers to international trade in primary products, agricultural commodities and manufactures.

EXPORT OF IRON AND STEEL GOODS

To ensure that only manufactured articles and not merely pig iron or steel with a little processing are exported, the Government of India have prescribed certain floor prices for the iron articles and for articles made of steel. The following revised floor prices would be effective immediately: articles predominantly made out of pig iron Rs. 350 per ton; articles predominantly made out of bars and rods Rs. 445 per ton; articles predominantly made out of structurals Rs. 490 per ton; articles predominantly made out of black sheets Rs. 680 per ton; articles predominantly made out of galvanised sheets Rs. 800 per ton; articles predominantly made out of skelp Rs. 565 per ton; articles predominantly made out of plates Rs. 600 per ton; articles predominantly made out of wire (H.B.) Rs. 740 per ton and articles predominantly made out of wire (galvanised) Rs. 870 per ton.

TRANSPORT OF FERTILIZERS

With a view to accelerating despatches of fertilizers from ports and indigenous factories, the Government of India had decided in May this year to reimburse the actual charges for transporting chemical fertilizers by road by the consignees upto a distance of 250 kms from places where stocks are held on behalf of the Government of India. The Government of India have now decided that this limit of 250 kms. may be extended to 500 kms. The above concession can be availed of by the State Governments and distributors of fertilizers for plantation crops such as tea, coffee and rubber.

DURGAPUR STEEL EXPANSION

Greaves Cotton & Crompton Parkinson Ltd., has announced the receipt of a "turnkey" contract valued at Rs. 1.5 crores from Hindustan Steel Ltd. for the Electrical Power Distribution System of the 1.6 million ton expansion programme of Durgapur Steel Plant. This contract covers the supply, erection and commissioning of the complete power distribution system, including transformers, high & low voltage switchgear and all cabling etc. A large element of the supply is being made by the Company's Indian factories, leaders in the manufacture of electrical power distribution equipment in India.

INDUDYOG PORTABLE CRANES

The Indudyog Company Private Limited manufacturing cranes and material handling equipment has made rapid progress over the last few years. While the total sales of the company in 1962 were Rs. 4,23,638, by the end of 1963, they are expected to be over Rs. 6,00,000. Upto September 1963, the sales were Rs. 3,93,933. The company is negotiating with the Government for getting an acre of land in the industrial

estate area, Okhla, and is changing over from small-scale to medium-scale industry. The company has plans to export portable cranes to U.A.R., Czechoslovakia and Poland. One of the directors of the company is already on tour in these areas to find out the possibilities of export of cranes manufactured by the company. The latest crane model "STC" of the company with hand operated winches is ideal in many locations where power is not available. This crane can be supplied with electric winches also. Portable Floor Cranes, Portable Floor Stackers, Pillar Jib Cranes 360 degree Swing, Skip Hoists, Roller and Belt Conveyors and various types of Warehouse Trolleys are specialities of Indudyog Company.

ENGINEERS' STEEL FILES

The Government of India have accepted the Tariff Commission's recommendation that protection to the engineers' steel files industry need not be continued beyond December 31, 1963. The Government have also taken note of certain other ancillary recommendations of the Commission for suitable action to the extent possible. Attention of Messrs. Harbanslal Malhotra & Sons, steel file manufacturers and producers of grinding wheels, has also been drawn to some of the recommendations in the Government resolution.

AUTOMOBILE SPARK PLUG INDUSTRY

The recommendation of the Tariff Commission that protection to the automobile spark plug industry should be continued for a further period of two years upto December 31, 1965 at a reduced rate of protective duty, has been accepted by the Government of India. In a resolution the Government have taken note of certain other ancillary recommendations of the Tariff Commission for suitable action to the extent possible. The attention of the spark plug and aluminium manufacturers has also been drawn to some of the recommendations in the Government resolution.

I.M.F. SUSPENDS AID TO INDONESIA

The \$50 million aid by credit arrangement concluded last July with Indonesia has been suspended by the International Monetary Fund. The Indonesian Government has been told that until the intentions of Indonesia towards Britain and Malaysia become clearer, the U.S.A. is "reserving judgment on the feasibility of the multi-nation effort to contribute to the Indonesian stabilisation programme". Indonesia's standby arrangement with the International Monetary Fund was intended to give financial support to a programme of economic stabilisation, most of which the Indonesian Government has already put into effect. The Indonesian authorities have introduced a revision of exchange rates and have taken steps to prevent undue monetary expansion and strengthen the balance of payments. Indonesia's quota in the Fund is \$165 million, of which \$29.2 million has been paid in gold. The country's net drawings on the Fund at present amount to \$82.5 million.

COKING COAL NEEDS

The working group on coal has estimated that coking coal requirements by 1970-71 would be 58 million tons. This estimate includes the requirements of merchants cokeries put at five million tons. The total has been arrived at on the basis of an output target of 18 million tons of ingot steel and four million tons of pig iron. The bulk of the supply is expected from NCDC.

Record of coal production during the current Plan is far from satisfactory. A shortfall of nine million tonnes is expected. Poor performance of the public sector is stated to be the main cause of this shortfall. For instance, NCDC is expected to produce only 24 million tonnes by 1965-66 against

the target of 31 million tonnes. According to an assessment made by a committee set up by Coal Council of India, reserves of coking coal are 2,500 million tons. The committee is carrying out a survey to estimate reserves both quantitatively and qualitatively on international standards. The present requirements of coking coal, both for steel plants and for merchant cokeries, are roughly about 14 million tons per annum. These requirements, it is claimed are being met in full.

HIGHER EXPORTS IN AUGUST

The steadily rising trend in exports was kept up last month also when goods worth Rs. 66 crores were exported as against Rs. 61 crores in August 1962 — a rise of Rs. 5 crores.

The total exports in the period January to August, 1963 were worth Rs. 493 crores as compared to export worth Rs. 432 crores in the first eight months of 1962, thus registering an increase of Rs. 61 crores.

LIGNITE RESERVES IN GUJARAT

Lignite reserves with varying thickness have been located in Kutch and Broach Districts of Gujarat State, the Deputy Minister for Industries, Mr. Devendra Desai told the State Assembly recently. Drilling carried in ten places in Kutch has shown that the thickness of lignite reserve there was about 5.45 metres. In Broach District, the thickness was estimated to be about two metres. The Geological Department is pursuing vigorously the survey work in both the Districts.

POLISH COLLABORATION

Two contracts were recently signed between the National Coal Development Corporation and CEKOP, a foreign trade agency of Poland specialising in the export of complete industrial plants for a provisional design for the construction of the coal mine "Monidish" in the Jharia coal basin as well as for services of Polish specialists to sink shafts at this mine. There are at present 70 Polish specialists in the Jharia coal basin. A coal washery with a working capacity of about 3 million tons of coal per year is being constructed in Gidi on the basis of Polish installations. A factory of machines and mining installations which will produce about 80,000 tons of mining machines per year is also being constructed in India.

SALE OF GOLD

The price of gold has fallen in London following the sale of gold by the U.S.S.R. on the continent. Normally, the U.S.S.R. sells gold valued at \$150 million per year. She is proposing to sell gold in great quantities in the next few months to pay for the huge stocks of Canadian and Australian wheat she has contracted to buy. The U.S.S.R. is seeking 112 million bushels of wheat, 40 million bushels of corn and 42 million bushels of oats from the U.S.A. If the deal goes through, it is expected the U.S.S.R. will unload more gold in the European market.

WORLD STEEL OUTPUT

In spite of lower figures for some countries of Western Europe and for Japan, world steel production in 1962 reached a new record level of 368 million tons, according to the annual review of the steel committee of the United Nations Economic Commission for Europe. The increase can be attributed almost entirely to the continued growth of production in the

Soviet Union, Eastern Europe, the United States, and certain developing countries.

The report notes a disequilibrium in Western Europe, the United States and Japan between over-all economic expansion and the demand for finished steel products. This led first to surplus production capacity, then to increased competition internationally and finally to curtailment of investment in new plant. Among the causes, the report mentions changes in the structure of economic growth from steel-intensive to less steel-intensive industries. The commission secretariat, with the help of an expert group, is preparing a study dealing with the situation that has arisen in recent years through the advances made by materials such as aluminium, plastics, cardboard and fibre-board, and asbestos-cement.

AVOIDANCE OF DOUBLE TAXATION

A comprehensive agreement for the avoidance of double taxation of income between India and the Republic of Austria was signed recently. The agreement will come into force after it has been ratified by both the Governments and a notification has been issued by the Central Government. The Agreement was negotiated at Vienna in October 1962, when an Indian Tax Delegation headed by Mr V. V. Chari, Additional Secretary, Ministry of Finance, visited Austria at the invitation of the Austrian Government.

India has concluded similar agreements with Ceylon, Pakistan, Sweden, Norway, the Federal Republic of Germany, Japan, Finland and Denmark and a limited agreement relating to Swiss Air with Switzerland.

MEMBERSHIP OF FUND, BANK, IDA

Trinidad and Tobago have become members of the International Monetary Fund and International Bank for Reconstruction and Development (World Bank). Dahomey became a member of the International Development Association. The quota of Trinidad and Tobago in the International Monetary Fund is \$20 million and its subscription to the capital stock of the International Bank is 267 shares with a total par value of \$26.7 million. Dahomey's subscription to IDA is \$500,000. Membership in the three organisations and the total quotas of the Fund and total subscriptions of the Bank are as follows:

Fund	No. of Members	Total
Bank	94	\$ 15,341,750,000
IDA	93	\$ 20,836,500,000
	79	\$ 970,250,000

PRODUCTION OF INDUSTRIAL FIBRES

According to a report published by the Commonwealth Economic Committee, world production of chief industrial fibres in 1961-62 season at some 45,900 million lbs. represented 6 per cent rise over the previous season's total. Natural and man-made fibres increased in much the same proportions. The increase in the output of the former to about 38,100 lbs. was almost entirely the result of a one-third rise in jute production, while in the case of man-made fibres (which reached 7,800 million lbs. in 1961) the growth was largely in the newer non-cellulosics. Preliminary information for 1962-63 indicates that on balance output of industrial fibres will rise further in the season. Cotton and the man-made fibres will increase quite markedly and silk production may rise slightly, but hemp output is unlikely to change much and jute will fall somewhat from the high level of the 1961-62 season due to lower acreages in India and Pakistan. Among wool producers, only New Zealand is expected to show any significant rise and the world clip is estimated to be slightly lower than in 1961-62.

Company Affairs

IMPERIAL TOBACCO: PRESSURE OF EXCISE

THE INCREASE in excise duty on tobacco, raw and manufactured, has caused considerable dislocation in the working of the Imperial Tobacco Company as was revealed by Mr F. A. Collett, its Chairman, while addressing the annual general meeting held recently. This rise, he pointed out, has not only caused increases in selling prices which restrict consumption and make the maintenance of adequate profit margins more difficult, the company also has to manage the increased requirements of working capital through bank borrowings. The deterioration in the company's liquidity, the Chairman added, was in part due to the purchases of the requirements of flue-cured leaf tobacco at an earlier date than usual. But the most important factor has been the larger amount tied up in excise on stocks on hand, due not so much to larger physical stocks as to the higher rate of excise applicable to these stocks. He elaborated the point by saying that cigarette being a perishable commodity, it was always the effort of the company to reduce the period between manufacture and consumption, but in spite of its best endeavours, the company has not been able to reduce it below an average of three to four weeks. A significant point raised by the Chairman was that excise duty was intended to be a tax on the consumer, consequently the shareholders should not be expected to bear the expenses which go into the raising of new capital to finance the outlay in the form of additional working capital. He added that nearly Rs 2 crores of unremunerative capital was permanently tied up at any one time in the form of excise duty. The company has, therefore, made representations to the Government to allow the industry some credit on their excise payments as was being done in many other countries in order that these funds might be put to a more useful purpose.

Mr Collett indicated that the company has borne a part of the additional excise duty thereby restricting price increases to the minimum, particularly in the lower price categories. In an effort to retain their level of profits, greater attention was also being paid to productivity and efficiency. The training programme was being intensified and administrative procedures were being closely re-examined. The company has taken advantage of training facilities which were available to its staff at the Administrative Staff College, Henley-on-Thames in the U.K., Administrative Staff College at Hyderabad, management courses run by the Calcutta Management Association and Indian Institute of Personnel Management. Its own residential training centre in Calcutta was also being utilised to the full in training managers at all levels.

INDIA CEMENTS: HIGHER COSTS

It appears that the cement industry, with its selling prices determined by the Government, is finding it hard to bear the burden of higher costs resulting from various recent fiscal and other measures. Mr Suryanarayana, Chairman of India Cements Ltd., while addressing the shareholders at the recent annual general meeting referred to the various items of costs like railway freight, surcharge on power, which had increased considerably. The scheme of Emergency Risks Insurance alone, he added, had cost the Company something like Rs. 1.54 lakhs. In reply to various representations the Government did agree to increase the retention price, but this increase of Rs. 3.75 per ton means only Rs. 2.75 per ton to the producers because the balance of Re. 1 is to be made over to the State Trading Corporation for meeting the increased freight rates suffered by the Corporation in connec-

tion with the distribution of cement. The Chairman rightly pointed out that the increase accounted fell short of industry's expectations. It is quite relevant to indicate that the industry has been forced to bear the increased costs brought out mainly by Government collections progressively from 1961 while the Government has given effect to the revised retention price only from June 1, 1963. Moreover, the retention price raised by Rs. 2.75 per ton will further be reduced by 25 nP. per ton in the sense that the State Trading Corporation has, with effect from June 1, 1963, reduced the selling commission of the selling agents from Rs. 1.50 per ton to Rs. 1.25 per ton.

The Chairman made a reference to the commissioning of the Sankari plant which was scheduled to go into production by the middle of this year but was delayed because the ships carrying the machinery were held up for six to eight weeks due to the freezing of various ports of embarkation. The construction work, he indicated, has been progressing rapidly and the operations will commence by the end of October this year. With the commissioning of the Sankari unit, the annual production for the company will be seven lakh tons and the project for doubling up of the Sankari plant has also been taken up. While the company has been making these efforts to increase its capacity, its actual production suffered on account of factors beyond the control of the management. Its first kiln was shut down for major repairs for a period of nearly 54 days and its new 750-ton kiln also had to be shut down very frequently which resulted in great loss of production and heavy repair costs. The production during the year consequently was 4,49,149 tons of cement as against 4,57,116 tons in the previous year. Consequently, profits also decreased and the directors had to recommend a lower dividend on the equity capital for the current year. It may, however, be indicated that this dividend was paid on a larger capital structure.

INDIAN OIL: GOOD SHOW

Mr. P. A. Gopalakrishnan, Chairman, Indian Oil Company, Ltd., addressing the fourth annual general meeting held in Bombay recently, informed the shareholders that the sales effected during 1962-63 had trebled as compared to the previous year. The company sold 629,639 kilolitres of oil products and 11,498 metric tons of petroleum coke during the year under review as compared to 211,033 kilolitres of oil in 1961-62. Consequently it recorded a net profit of Rs. 59.61 lakhs and it has been able to wipe out an accumulated loss of Rs. 16.85 lakhs. The Indian Oil Company, which started with two oil products, has now a variety of fourteen items to sell which include high speed diesel, superior kerosene, aviation turbine fuel, etc. The company has already saved Rs. 7.78 crores in foreign exchange in 1962-63 as against Rs. 4.57 crores in 1961-62, by making rupee payments for oil products.

The Chairman referred to the operational cost of products per kilolitre which has declined to Rs. 30.16 per kilolitre in 1961-62 as against Rs. 31.68 per kilolitre last year and Rs. 35.16 per kilolitre the year before. He added that it would have been Rs. 25.82 per kilolitre if certain abnormal expenses relating to previous year had not been met in 1962-63 and if the costs had not increased on account of emergency, and related causes. The Company has increased its storage space from 131,600 kilolitres last year to 309,380 kilolitres on March 21, 1963. The number of depots has also increased from 14 at the end of the last year to 63 and the number of consumer and dealer pumps has increased substantially from 84 to 379

in 1962-63. This in a way is a measure of the company's creditable performance. He informed the shareholders that Indian Oil Company had become the sole distributors to India for Mobil Premium grade lubricants. Two blending plants which were expected to go into production in 1964 were being set up by the Indian Oil Company Blending Ltd., a 50:50 partnership between the Indian Oil Company and Mobil Petroleum.

ALIND'S PROGRESS

In spite of reduced figures of sale proceeds, Aluminium Industries recorded a higher profit of Rs. 55.40 lakhs during 1962-63 as against Rs. 41.37 lakhs a year before. This apparently is contrary to the general trend in a company's performance. But, as Mr. S. Narayanswami, Chairman of the company indicated, while addressing the annual general meeting held recently, this impressive record was the result of the company's programme of effective diversification of its production lines over the last four years. This year's operations, therefore, vindicated the gainfulness of a continued process of expansion and diversification. The Chairman indicated that this process is being carried further and he informed the shareholders that the covered conductor capacity at Kundara is being stepped up and the enhanced capacity will be in full commission before the end of the calendar year. The Hyderabad covered conductor unit will also go into production in the last quarter of the year. The unit which will manufacture solidol or low-voltage plastic insulated underground aluminium cables is also progressing and is expected to be commissioned by August, 1964. The company has also received a licence for the expansion of its rolling capacity at Kundara while arrangements are being made to secure a second Properzi unit for continuous rolling of metal. This will bring the number of Properzi units operated by the company to three including the one working at Hirakud. With the completion of this expansion programme, Alind would rank as a major comprehensive cable manufacturer while retaining its primary place as a producer of high-tension conductors.

The Chairman made a reference to the availability of aluminium metal which, he believed, has greatly improved with the commissioning of the Hindustan Aluminium Company's plant at Hirakud. "It is a matter of no small gratification," he pointed out, "that dependence on external sources and allocation of metal through D.L.F. and similar sources has to an extent been reduced." He also referred to the impact of the Super Profits Tax on distributed profits which had compelled the board of directors to reduce the dividend for the first time in the company's history. He pointed out that a huge sum of Rs. 39.50 lakhs was being carried to tax provision which included a sum of Rs. 9 lakhs provided to meet SPT demands. This somewhat copious but inevitable provision has disturbed the balance between distribution and ploughing-back for which the Tariff Commission bore handsome testimony as far as this company was concerned. He assured the shareholders that in view of the projects under implementation, there was sufficient reason to look forward with confidence to the future when their interests would be guarded properly.

FERTILIZERS AND CHEMICALS

Considerable advancement in technology was achieved by the Fertilizers and Chemicals Travancore Ltd., during the year ended March 31, 1963 as was revealed by Mr. T. S. Joseph, Chairman, while addressing the annual general meeting held recently. The company introduced for the first time in India a new technique for the production of synthesis gas required for ammonia manufacture. Secondly, it also

replaced the wood gasification plant by an oil gasification plant which was installed as a part of the second stage of its expansion programme. The Chairman, however, pointed out that these technological improvements were not able to achieve much for the company in terms of output because the supply of electric power had not been enough. Against the total requirement of 31,000 KW. the Kerala State Electricity Board has been supplying only 23,000 KW. Another development which affected its output adversely was the sudden incidence of salinity in the Periyar river waters during the summer months of 1962. This resulted in a further loss and together with power cuts it meant a loss of over 4,000 tonnes of ammonia. The Chairman, however, was confident that the company would soon be able to recover from the damage caused by these adverse developments and hoped that the Electricity Board will shortly be able to honour its commitments in full.

He referred to its third stage of expansion programme for which it invited the Government of India to participate in the equity share capital. Shares worth Rs. 3.5 crores have been taken by the Government which makes the latter a majority holder of shares. The third stage of expansion involves the installation of a number of major plants. Apart from the oil gasification plant, it includes the installation of a tonnage oxygen plant, apart from various other units. When the third stage of expansion is completed, the company will have an annual capacity of about 75,000 tonnes of nitrogen, 33,500 tonnes of potash and the ultimate products will be 200,000 tonnes of ammonium sulphate, 135,000 tonnes of ammonium phosphate and 25,000 tonnes of ammonium chloride.

The Chairman informed the shareholders that the company has also been engaged in negotiations with Messrs. Davy Ashmore Ltd., of U.K., a leading firm engaged in manufacture of industrial plants and equipment, for establishing a joint venture to fabricate pressure vessels and specialised steel capital outlay of Rs. 75 lakhs, the balance being proposed to be found by loans to be negotiated with organisations like Industrial Finance Corporation, Industrial Credit and Development Corporation. On a single-shift working this capacity of 450 tons of grade I mild steel; 1900 tons of grade II and 600 tons of grade III stainless steel. The capacity envisaged is 1,440 tons of simple stainless steel and 720 tons of complex stainless steel. The company is negotiating the formation of a joint venture with Power Gas Corporation of U.K. for establishing an engineering and contracting organization capable of planning, designing and erecting fertilizer, chemical, petro-chemical and oil refining plants.

INDIA STEAMSHIP

Mr. A. Ramaswamy Mudaliar, Chairman, India Steamship Co. Ltd., addressing the annual general meeting held recently pointed out that it was the failure of Indian Lines to secure an increase in freight rates which resulted in a loss of nearly Rs. 30 lakhs in the working of the company. The company's fleet, he indicated, has been operating on the India-U.K.-Continent route and the Baltic Sea and Black Sea routes where freight rates have not been increased in route of the ocean going vessels of Lines had had the freight rate increased at least once and in most cases more than once since 1961. He was of the opinion that even if a 10 per cent increase had been allowed, which the Indian Lines had sought in the East-West trade, the Company would have been able to avoid the losses. He further pointed out that

while no increase in the freight rates had been allowed the increase in coal charges, dock levies and stevedoring rates have been substantial both in India and abroad. Some other factors like time taken in berthing vessels at the port of Bombay, weather conditions and labour strike had further caused a loss of 541 days by the Conference ships of the fleet. One saving grace has been that in spite of a decrease in freight earnings as compared to last year, owing to a degree of rationalisation there has been a corresponding decrease in expenditure. The number of ports at which the vessels called was 736 in the total voyages as against 947 in the previous year. The average duration of a round voyage was 126 days as compared to 129 days in 1962. There have also been serious attempts at reducing the expenditure on dock and engineering stores.

The Chairman expressed his agreement with the policy of the Government that export promotion should not be hindered by unreasonable freight rates. He was, however, of the opinion that attempts should be made to balance two apparently antagonistic factors: lower freight rates which maximise exports and higher freight rates which increase the earnings of the Lines. He indicated that the case of what was called the sensitive commodities from the export angle, should be taken up by the Government in consultation with the Conference and freight rates for other commodities should be allowed to be raised.

AHMEDABAD ELECTRIC ISSUE

The Ahmedabad Electricity Company Ltd., has received the sanction to issue a third series of debentures of the value of Rs. 2 crores. These are expected to be issued before the end of the current year. The board of directors intend to revise the company's tariffs upwards in view of the progressive increase in its tax liability. It has, therefore, served notices on the authorities intimating its intention to apply revised tariffs with effect from November 16 this year. The board has been also thinking of the diversification of the company's activities. Its present licence will expire in 1967. In case the licence is not renewed, it will become necessary to take up other industrial activities. Though the board has not yet taken any decision on the particular field of activity or the items to be manufactured, the possibilities are being considered for which negotiations are being conducted. The Chairman, it is reported, hopes to report some progress about this to the shareholders at the next annual general meeting.

FERTILIZER CORPORATION

The net profit earned by Fertilizer Corporation of India during 1962-63 registered a sizable increase of more than Rs. 14 crores over that of the previous year and the Corporation's operating factories at Sindri and Nangal recorded a substantial increase in production.

The profit before providing for depreciation and interest on loan from Government of India amounted to Rs. 7,27,97,389 during 1962-63. Out of this amount, Rs. 5,07,74,883 was provided for depreciation and Rs. 83,81,553 was utilized towards payment of interest on loan from Government of India. This left a balance of Rs. 1,36,40,953. After adding Rs. 1,89,680 carried over from the previous year's profit, the net profit amounted to Rs. 1,38,30,633 as compared with Rs. 13,89,680 during the previous year. Out of this net profit, Rs. 1,23,00,000 was appropriated to the Development Rebate Reserve. The balance of Rs. 15,30,633 was carried forward. In view of the financial needs of the Corporation's new projects under construction, the available surplus is being utilized for financing these projects.

The management of the fertilizer plant at Rourkela, a substantial part of which was designed, engineered, procured

and built by the Corporation for Hindustan Steel, has been transferred to the Corporation from April 1, 1963.

The Corporation's new projects—Trombay in Maharashtra, Namrup in Assam, Gorakhpur in U.P. and Korba in Madhya Pradesh—are in various stages of development. According to present indications, the Trombay Plant is expected to start production of ammonia and urea in August 1964 and nitrophosphate by the end of 1964 or the beginning of 1965. The Namrup factory is expected to go into production by the end of 1965 while the Gorakhpur project will be completed in all respects in 1966.

The Korba plant (Madhya Pradesh) will be the first complete fertilizer production unit of the Corporation to be designed, engineered and built by the Corporation's Planning and Development Division. Only necessary process know-hows for coal gasification and ammonia and urea synthesis will be purchased from specialist foreign firms. The Korba plant thus stands out as an important milestone in the growing field of fertilizer technology in India.

PANIPAT WOOLLENS

The Panipat Woollen and General Mills Company Limited is entering the market to raise Rs. 40 lakhs. The issue will open on October 9 and will close on October 16 or earlier at the discretion of the directors but not before October 11, 1963. The present issue is made up of 3,00,000 equity shares of Rs. 10 each and 10,000 cumulative redeemable preference shares (9.3 per cent) of Rs. 100 each. Out of this issue, 1,22,653 equity shares of Rs. 10 each have been allotted to the existing shareholders on right basis. Another 60,307 equity shares of Rs. 10 each have been allotted to friends and relatives of directors. In addition to these equity shares, 109 cumulative redeemable preference shares (9.3 per cent) of Rs. 100 each have also been allotted to existing shareholders on right basis. The issue for public subscription is made up of 1,17,040 equity shares of Rs. 10 each at par and 9,891 cumulative preference shares (9.3 per cent) of Rs. 10 each. The entire issue has been under-written. The authorised capital of the company is Rs. 1 crore and issued, subscribed and paid-up capital is Rs. 13,80,580. Fresh capital is being raised to expand the present capacity of the company which at the moment has concentrated on the production of woollen goods. Having established itself in the production of a variety of woollens, it has now turned its attention to the manufacture of cotton goods. A beginning is being made with the installation of 12,000 spindles. Land has already been purchased for the cotton spinning unit and other ancillary purposes and for future extension of cotton mills by installing more spindles and cotton waste plant. The building is already been purchased for the cotton spinning unit and other ancillary purposes and for future extension of cotton mills by installing more spindles and cotton waste plant. The building is already under construction and the required plant and machinery have been ordered. With the extension of the company's activities in the field of cotton goods manufacture, it is certain to show higher profitability and the shareholders can hope for positively better results. With these prospects in view, the issue is likely to receive a good response in the market.

CAPITAL ISSUES

Seven companies have been authorized to raise fresh capital of Rs. 5.42 crores. The consent is valid for 12 months.

Voltas Limited, Bombay has been authorised to issue debenture capital of Rs. 1 crore. The capital is divided into 7 per cent mortgage debenture of Rs. 1,000 each and will be offered to the public for cash at par.

Shree Bhawani Cotton Mills Limited, Calcutta is to issue capital of Rs. 10 lakhs in equity shares of Rs. 10 each for cash at par.

Protein Products of India Limited will issue Rs. 70 lakhs

equity capital in shares of Rs. 10 each at par. All the shares will be issued for cash except shares of the value of Rs. 7 lakhs which will be allotted in consideration of technical services etc. to Compagnie Rouselet of France. The French firm will also be allotted shares of the value of Rs. 2 lakhs for cash. Shares of the value of Rs. 41 lakhs will be offered to the public by prospectus.

Andhra Sugars Limited, Tanuku, will raise further capital of Rs. 10 lakhs divided into 100,000 equity shares of Rs. 10 each for cash at a premium of Rs. 3 per share to the public.

Cibatul Limited will issue Rs. 1 crore capital divided into 100,000 equity shares of Rs. 100 each, for cash at par. The entire issue will be offered to the existing shareholders of the company.

Heavy Electricals (India) Ltd., Bhopal, a Central Government undertaking, is raising further capital of Rs. 2.45 crores, divided into 24,500 equity shares of Rs. 1,000 each for cash at par.

The Mysore Spg. & Mfg. Co. Ltd., Bombay is to issue capital not exceeding Rs. 743,500 in equity shares of Rs. 50 each by capitalising the company's reserve to a like extent in the proportion of one share for every eight equity shares held.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951—during the week ending 1st September, 1963. The list contains the names and full addresses of the licensees along with the articles of manufacture and annual installed capacity.

IRON & STEEL CASTINGS AND FORGINGS:

Shri C. R. Das Gupta, 6, Nandi Street, Calcutta-29 (West Bengal). Steel forgings 9,000 tons. Heavy structurals 3,000 tons.

COAL:

Shri Dwarka Prasad Agarwalla, Chandore Colliery, P.O. Jharia, Distt. Dhanbad (Mouza Chandore, P.O., Jharia, Distt. Dhanbad, Bihar). Coal 15,000 tonnes. Pure Samla Coal Co. Pvt. Ltd., 108, Stephen House (6th floor) 4, Dalhousie Square East, Calcutta (P.O. Nutandanga, Distt. Burdwan, West Bengal). Coal 72,000 tonnes.

INTERNATIONAL COMBUSTION ENGINES:

Hindustan Motors Ltd., P.O. Uttarpara, Distt. Hooghly, (West Bengal). Automotive Diesel Engines, 15,000 Nos. (including 3,000 petrol engines). **Premier Automobiles Ltd.**, Construction House, Ballard Estate, Bombay-1 (Maharashtra). Automotive Diesel Engines (including, Meadows Diesel and petrol engines) 15,000 Nos. **Simpson & Co. Ltd.**, 202-203, Mount Road, Madras-2 (Madras). Automotive Diesel Engines 6,000 Nos. **Jyoti Ltd.**, P.O. Chemical Industries, Baroda-3 (Gujarat). (1) Secondary relays for protection against over current short circuits etc.—3,600 Nos. (2) Primary relays for protection against over current & short circuits—1,200 Nos. (3) Relays, control devices and indicating devices such as over voltage relays, time relays, differential relays, signal relays, special purpose relays, synchroscopes, directional relays etc. 960 Nos. (4) Current and voltage regulators—600 Nos.

ELECTRICAL EQUIPMENT:

Geep Flash Light Industries Ltd., 28, South Road, Allahabad-1 (Uttar Pradesh) Lamp caps for miniature bulbs 10 millions Nos.

ELECTRICAL CABLES:

Express Cables Pvt. Ltd., 16 Roy Lane, Calcutta-7, (Bihar State). A.C.S.R. & A.A. Conductors 2,000 tons. **Shri Ramesh Chandra G. Shah**, C/o M/s. Lalubhai Amichand, 225/27, Tardeo Road, Bombay-7. Proposed name: M/s. Bombay Conductors and Electricals Pvt. Ltd. (Ahmedabad Distt., Gujarat). A.C.S.R. & A.A. Conductors. 2,000 tons.

Nandram Narayandas, Sweet Cottage, Gwallor, (Madhya Pradesh). A.C.S.R. and A.A. Conductors. 2,000 tons.

ELECTRONIC EQUIPMENT:

The Gandhi Electric Industries Private Ltd., 94, Meadows Street, Fort, Bombay-1 (Maharashtra). (1) Photo Electric equipments—500 Nos. (2) Transistorised phase failure—250 Nos. (3) Automatic lighting control units—100 Nos. (4) Electronic Adjustable speed—100 Nos. (5) Grinder load control equipment — 100 Nos. (6) Process Timber — 250 Nos. The English Electric Company of India Ltd., 35, Golf Links, Post Box No. 174, New Delhi, (Madras). Electronic Test equipment—360—600 units.

AUTOMOBILES:

Simpson & Co. Ltd., 202/203, Mount Road, Madras-2. Proposed name: M/s. Chassis Frame India Ltd. (Madras). Pressings for automobiles. 12,000 Tonnes (Metric). **Simpson and Co. Ltd.**, 202/203, Mount Road, Madras-2 (Madras). Commercial Vehicles chassis in the 3-5, tonnes payload range 12,000 Nos.

TRANSPORTATION:

Voltas Ltd., 19, Graham Road, Ballard Estate, Post Box 1198, Bombay-1, (Maharashtra). (1) Fork Lift Trucks (Petrol/Diesel driven)—200 Nos. (2) Fork Lift Trucks (Electrically driven)—300 Nos. (3) Handlift and Pallet Trucks—15,000 Nos. (4) Spares for the above Rs. 5 lakhs worth. **Shri S. Ghose**, 11, Government Place East Calcutta-1. (Calcutta, West Bengal). Pallet Trucks (Electrically operated of 1000 kgs. to 4000 kgs.) capacity Rider and non-rider types 300 Nos.

CONVEYING EQUIPMENT:

Dynacraft machine Co. Private Ltd., Juhu Lane, Andheri, Bombay-58, (Jogeshwari, Bombay, Maharashtra). Conveying equipment—Rs. 40 lakhs worth.

MACHINE TOOLS:

Khalsa Foundry (Regd.) Kashmir Road, Batala (Punjab). Horizontal, Vertical and Universal Milling machines—36 Nos. Tool and cutter grinding machines—24 Nos. **R. S. Machine Tool Corporation**, 435, Jissore Road, Calcutta-28 (West Bengal). Milling machines and Accessories—120 sets. **Extrusion Processes Private Ltd.**, Rambaugh, Ghodbunder Road, Malad, Bombay-54 (Maharashtra). Impact extrusion Presses—36 Nos. Trimming and Finishing machines—36 Nos.

EARTH MOVING MACHINE:

Kirloskar Pneumatic Co. Ltd., Hadapsar Industrial Estate, Poona-1 (Maharashtra). Power Transmission Equipment (Torgue Convertors)—2,400 Nos.

COTTON:

Raghuvanshi Mills Ltd., 11-12, Haines Road, Bombay-13 (Maharashtra). 6,788 spindles for the manufacture of cotton yarn.

JUTE:

Anglo-India Jute Mills Co. Ltd., Post Box No. 189, 31, Netaji Subhas Road, Calcutta (West Bengal). 100 looms for the manufacture of mixed fabrics containing jute and cotton/rayon.

CHANGE IN NAMES (Owners or Undertakings)

During the week ending 21st Sept., 1963

From M/s. Ferro-Alloys India Private Ltd., Bhubaneswar to M/s. Indian Metals and Ferro-Alloys Ltd., Bhubaneswar. From M/s. The Saraswati Sugar Syndicate Ltd., Yamunanagar to M/s. The Saraswati Industrial Syndicate Ltd., Yamunanagar. From M/s. Ahuja Textile Mills, Hanumangarh to M/s. Shree Hanumangarh Textile Mills Ltd., Hanumangarh.

LICENCE REVOKED

During the week ending 21st Sept., 1963

M/s. OFU-Lynx Ltd., Calcutta: Furnaces.

BOOKS BRIEFLY

The Hunger for Power

First Annual Electric Power Survey of India: Published by the Central Electricity Authority; July, 1963; Copies from Manager of Publications, Delhi; Price Rs. 5.00.

Reviewed by **R. P. AIYER**

WHEN ONE seeks to sell a product, there is need for an appraisal of the nature of the market. This doctrine, however, has not been very relevant in determining the target of installed capacity for power plant during the first decade of our planning. The situation during this period has been one of demand outstripping available capacity. Nevertheless, it was recognised in 1955 that a systematic power load survey should be undertaken so as to provide valuable data for location of new industries. From then on continuous stress was laid on the importance of load surveys on a year-wise basis. Much useful work has been done by the Central Water and Power Commission since 1955 and in 1957 the Commission had completed preliminary load survey of all the States. These load surveys indicated that the power demand on an all-India basis would double up every five years until at least the end of the fourth five-year Plan.

Load survey to be realistic has to be a continuous process and this responsibility is vested on the Load Survey Directorate of the Central Water and Power Commission. Nevertheless, for some time past, it has been thought that there should be a second look on the load survey pattern to arrive at a more realistic assessment of the rate and structure of load growth in the various regions of the country.

This led the Government of India setting up in December 1962 an Electric Power Survey Committee which was charged with the task of making recommendations regarding the future pattern of power development and distribution in the country.

The Committee's Report now made available provides a broad picture of the power requirements of the country up to 1970-71 as expressed by yearly gross margins, Power-Systemwise and Statewise.

The survey covers the entire Public Utility Industry, operated by Statutory Corporations like the Damodar Valley Corporation, the State Electricity Boards and the Licensees' Undertakings.

Interlinking of the country's Power Systems is now an accepted policy and therefore until this process is completed, the gross margin requirement, expressed as a percentage of peak load, may vary from as high as 30 to 40 per cent for isolated systems to as low as 15 to 20 per cent for large fully integrated and fully co-ordinated regional Grids such as are being planned to be established in the future.

On the basis of this premise the scheduled capability in terms of Maximum Demand is expected to rise from 2226 MW in 1955-56 to 16025 MW in 1970-71. During the same period the peak load is expected to rise from 1683 MW in 1955-56 to 17,681 MW in 1970-71 with a minus Gross Margin in 1970-71 of the order of 1656 MW.

The survey has demarcated the country into seven regions as follows: Western Ghat — Kerala, Madras, Mysore

and South Andhra; Eastern Ghat — North Andhra, South Orissa, East Maharashtra and Central & Southern Madhya Pradesh; Satpura — Gujarat, Central and Western Maharashtra, Western Madhya Pradesh and extreme South Rajasthan; Western Himalayan — Jammu & Kashmir, Himachal Pradesh, Punjab, Delhi and Rajasthan; Central Himalayan — Uttar Pradesh and North Madhya Pradesh; Eastern Himalayan — Bihar, West Bengal, JVC & North Orissa; and Assam — Assam, Manipur, Tripura, NEFA and Nagaland.

The region-wise power situation in terms of scheduled capability related to peak load demands would indicate a gross margin of the order of—1656 MW in 1970-71 for the seven regions indicated above

Non-utility Power Stations are not covered in the survey. The capability of these undertakings will decrease from 964

SUMMARY OF BASIC FINDINGS OF SURVEY Energy Requirements (All-India): 1955-56 — 1970-71 (Public Utilities Only)

Year	Capability (MW)	Peak Load (MW)	Gross Margin (MW)	Energy Requirements (Mil. KWH)
1955-56	2,226	1,683	543	8,270
1960-61	3,880	3,312	568	16,385
1961-62	4,393	3,794	599	20,676
1962-63	5,056	4,236	820	23,710
1963-64	6,126	5,315	811	29,165
1964-65	7,880	6,479	1,401	35,054
1965-66	10,953	8,264	2,689	44,916
1970-71	16,025	17,681	—1,656	95,148

Capability is defined as the maximum kilowatt output ability of the systems at the time of system peak load with all power sources available with no allowance for outages and with sufficient kilowatt hours available to supply the energy requirements of the system. Thus capability must provide for scheduled maintenance, emergency outage, and system operating requirements in addition to the estimated load and any unforeseen load.

Peak Load is the maximum simultaneous ultimate customer demand which occurs during the fiscal years as measured by actual deliveries at bulk power sources. The peak load, therefore, includes time losses but no auxiliary power requirements.

Gross Margin represents the difference between capability and peak load as defined above.

MW. in 1961-62 to 811 MW. in 1970-71 and the demand will also likewise come down from 566 MW. in 1961-62 to 480 MW. in 1970-71.

Does the Committee's 1st Annual Electric Power Survey of India conducted by experts reflect a position which is very much different from the load picture presented by the various Power Systems and co-ordinated by the Central Water and Power Commission? Presumably not, but nevertheless the second opinion which the load survey now presents may perhaps give further evidence of the need for the country's power programme being sustained at levels which should at least keep up with the demand in the various regions of the country.

Ultimately the issue is not so much as whether or not a given demand for power is evident or not, but how much of the country's resources could be diverted for power development. In this context the determining factor will of course be the overall resources, and from the scale of power planning which is now evident there is no doubt that the authorities are giving due regard to the necessity for adequate allotment of resources for development in this vital sector.

Electric power surveys are common features in industrially advanced countries like the United States and Japan where primarily these surveys are conducted to enable electrical plant manufacturing industries to co-ordinate their programme so as to dovetail with the needs of the Public Utility Systems. The First Annual Electric Power Survey of India has also made an attempt in this direction although for some years heavy units of electrical power plant would still have to be imported from overseas.

COTTON INDUSTRY

The Indian Cotton Textile Industry, 1962-63 Annual: Editor M. P. Gandhi; Published by M. P. Gandhi & Co., Nanabhy Mansion, Sir Pherozshah Mehta Road, Fort Bombay; Price Rs. 6/-; Pages 152.

The Indian Cotton Textile Industry Annual, 1962-63, as usual discusses the principal problems pertaining to cultivation, export, consumption, prices of raw cotton and futures trading, etc. The statistics given in the section "Cotton Industry at a Glance" and in Appendix 'A', provide an authoritative character to this Annual. Interesting details regarding the allotment of cotton spindles and automatic looms are provided in the chapter "Other Developments" (Expansion of Textile Industry). In the decentralized sector — handlooms and powerlooms — is given the progress made in the reversion of handlooms into powerlooms upto the end of December, 1961. International textile situation and compulsory exports of cotton textiles have been dealt with in greater details. The annual should be useful to students of commerce studying the subject as part of the B.Com. and textile technological course in the various universities of India.

INDIAN ECONOMY

Indian Economics Year Book (1963): Raj Narain Gupta; Kitab Mahal, Allahabad; Pp. 356; Price Rs. 3.00.

The book under review is running its fifth edition which is perhaps enough proof, if proof is needed, of its usefulness and as the Indian economy assumes new dimensions the usefulness of such a book is bound to be increasingly realised.

The book has much to commend itself to those who have often to look up for figures and facts relating to Indian economy. The book is concise without being sketchy.

CORRECT IDEOLOGY

Correct Thinking and Standard Ideology: L. N. Bhatt, 14A/86, W.E.A., Karol Bagh, New Delhi; Pages 144. Price Rs. 4.00.

In the words of the author, one of the main purposes of the book is to bring to the notice of the nations of the world the fact that the ideologies at present current in the world cannot all be correct — only one or at most two of them can be so — and also the necessity for their forging by mutual discussion a correct ideology for general acceptance

Readers' Roundtable WORK-STUDY

Sir,—Brig. Pennathur's article on 'Getting the Best Out of It' in the issue of Eastern Economist of September 6, does provide a hint for a 'facilities utilization analysis' to tackle the acute shortages in our scientific and technical personnel, scarce materials like cement, steel, etc., and living space in the big cities. It is common knowledge that the scientific and technical talent at present is quite under-utilized, rather in some cases not at all effectively utilized. Even worse is the case with scarce materials; substitutes can replace them to a much greater extent than is actually the case. Worst is the case with living space. Being quite unrelated to what one actually requires in so many of the big bungalows a number of rooms remain vacant all the year round. Besides, the covered area of our class rooms, laboratories, auditoriums, libraries and cinema halls can also make available much valuable space if their wholtime effective utilization is ensured. Work Study experts such as Brig. Pennathur can help much in overcoming these shortages.

Roorkee

I. D. AGARWAL



"PLEASE MONSIEUR, LET US POOL OUR RESOURCES TO FIGHT THE COMMON THREAT."

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

THE PANIPAT WOOLLEN & GENERAL MILLS COMPANY LTD.

REGISTERED OFFICE: KHARAR (Near Chandigarh), Punjab.

DATE OF OPENING OF SUBSCRIPTION LIST: 9TH OCTOBER, 1963

The list will open on the 9th October, 1963, and will close at the close of banking hours on 16th October, 1963, or earlier at the discretion of Directors, but in no case earlier than the close of banking hours on the 11th October, 1963.

AUTHORISED CAPITAL

	Rs.
8,00,000 Equity Shares of Rs. 10 each ..	80,00,000
20,000 Preference Shares of Rs. 100 each ..	20,00,000
	1,00,00,000

ISSUED, SUBSCRIBED & PAID UP CAPITAL

1,38,058 Equity Shares of Rs. 10 each	13,80,580
	13,80,580

PRESENT ISSUE

3,00,000 Equity Shares of Rs. 10 each	30,00,000
10,000 9.3% Cumulative Redeemable Preference Shares of Rs. 100 each	10,00,000
	40,00,000

OUT OF THE PRESENT ISSUE

1. 1,22,653 Equity Shares of Rs. 10 each have been allotted to the existing shareholders on right basis	12,26,530
2. 60,307 Equity Shares of Rs. 10 each have been subscribed for by and allotted to the friends and relatives of Directors ..	6,03,070
3. 109 9.3% Cumulative Redeemable Preference Shares of Rs. 100 each have been allotted to existing shareholders on right basis	10,900
	18,40,500

ISSUE FOR PUBLIC SUBSCRIPTION

1,17,040 Equity Shares of Rs. 10 each at par	11,70,400
9,891 9.3% Cumulative Redeemable Preference Shares of Rs. 100 each at par	9,89,100
	21,59,500
	40,00,000

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 in one or more calls as may be determined by the Board of Directors provided that there shall be an interval of at least one month between the two calls and between the allotment and the first call.

APPLICATIONS FOR SHARES

Applications are required to be made in the prescribed form accompanying the Prospectus.

BOARD OF DIRECTORS

1. Shri G. L. Gupta	Industrialist
2. Rai Sahib Jogi Dass Jain	Advocate
3. Shri Rup Chand	Businessman
4. Shri Aftab Rai	Industrialist and Businessman
5. Shri Arjan Singh	Landlord
6. Shri Vishwa Bandhu Gupta	Industrialist
7. Shri R. L. Kaushik	Landlord and Hony. Magistrate
8. Lala Dalip Singh Arya	Industrialist and Businessman
9. Shri Shiv Kumar Gupta	Industrialist
10. Shri Suresh Kumar Gupta	Businessman

11. Shri Mahavir Gupta Industrialist

MANAGING AGENTS

Indian Industries Company, Kharar (Near Chandigarh)
Punjab.

BANKERS TO THE ISSUE

1. The Punjab National Bank Ltd.
2. The State Bank of India.
3. Dena Bank Ltd.

SOLICITORS TO THE ISSUE

M/s. Anand, Dasgupta & Sagar, 5, Scindia House, New Delhi.

UNDERWRITERS

Equity Shares

- | | | |
|---|----|-----------|
| 1. M/s. P. Roy Company,
Stock Brokers, 3/8, M. M. Road,
Jn. Panchkuin Road, New Delhi | .. | 5,85,200 |
| 2. M/s. Bharat Bhushan and Co.
H/45, Connaught Place, New Delhi | .. | 5,85,200 |
| | .. | 11,70,400 |

Preference Shares

- | | | |
|--|----|----------|
| 1. Life Insurance Corporation of India
Bombay. | .. | 5,00,000 |
| 2. The Oriental Fire and General Ins.
Co. Ltd., Bombay. | .. | 2,00,000 |
| 3. Indian Guarantee & General Ins. Co.
Ltd., Bombay. | .. | 1,50,000 |
| 4. M/s. P. Roy Co. 3/8, M. M. Road,
Jn. Panchkuin Road, New Delhi | .. | 1,39,100 |
| | .. | 9,89,100 |

BROKERS TO THE ISSUE

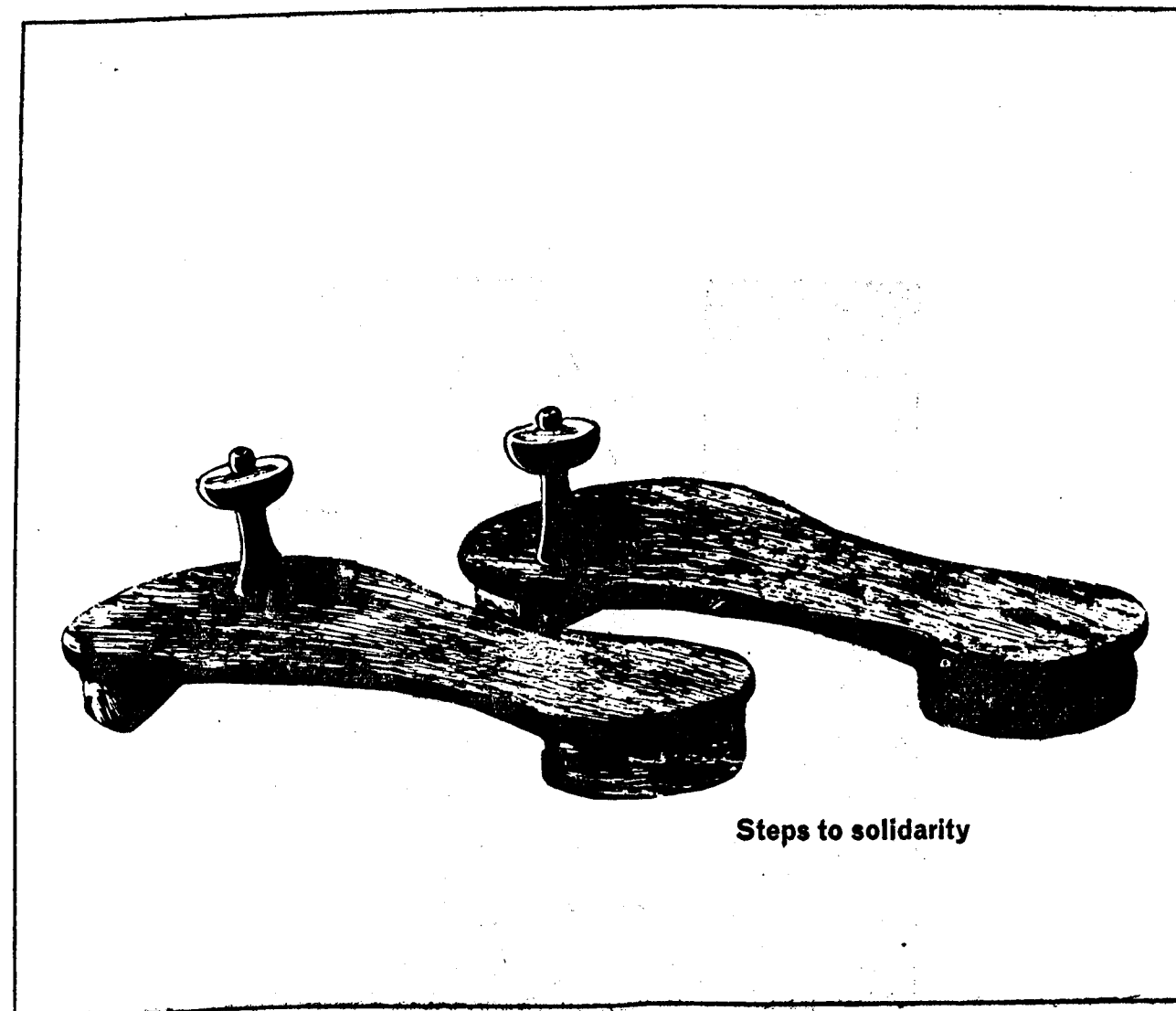
1. M/s. P. Roy Company, 3/8, M. M. Road, Jn. Panchkuin Road, New Delhi.
2. M/s. Bharat Bhushan & Co., H/45, Connaught Place, New Delhi.
3. M/s. Harbans Singh Mehta & Co., 33, Regal Building, Parliament Street, New Delhi.
4. M/s. Labh Chand Rode, 3, Delhi Stock Exchange, Asaf Ali Road, New Delhi.

5. M/s. K. B. Malik & Co., 7, Prem House, Opp. Odeon, P.B. 311, New Delhi.
6. M/s. H. P. Mehta & Co., 18, Stock Exchange Buildings, Asaf Ali Road, New Delhi.
7. M/s. Harish Chandra Gutt & Co., 45/47, Apollo Street, Bombay.
8. Merwanjee Bomanjee Dalal, Allahabad Bank Building, Apollo Street, Fort, Bombay.
9. M/s. P. R. Subramanyam, 70-A, Stock Exchange Bldgs., Apollo Street, Fort, Bombay.
10. M/s. G. M. Pyne, Allahabad Bank Bldg., 14, India Exchange Place, Calcutta-1.
11. M/s. Chitra & Co., 322/323, Linghi Chetty Street, P.B. No. 1557, Madras-1.
12. M/s. Dalal & Co., National Ins. Bldg., P.B. No. 149, Madras-1.
13. M/s. P. B. Afzulpurkar, Sultan Bazaar, Hyderabad (A.P.)
14. M/s. P. R. Subramanyam, Shree Shiv Plot 6, Frontier Street, Benson Cross Road, Bangalore-6.

ACTIVITIES — EXISTING & PROPOSED

The Company was incorporated in 1947 and has established itself as a manufacturer of a wide range of woollen goods. New Woollen and Worsted Spinning Handloom and Powerloom Weaving, Dyeing and Finishing, and Hosiery Departments were added thereafter, with the result that about the year 1959, the Company came to occupy not only the position of one of the largest suppliers of woollen goods for Defence requirements but catered also for civilian needs of good quality suiting cloth, Tush and other shawls and knitting wools etc. under the popular trade name of "Pantex". The Company started in 1960 the manufacture and supply of the much-needed tentage for the Army. The Company has also started the export of goods to various countries. The Company is also manufacturing woollen cloth for industrial purposes. The sales of the Company reached Rs. 2.48 crores in the year ended 31-3-1963. Having declared a dividend of 12 per cent per annum for 3 consecutive years the Company is declaring the dividend at 12 per cent again for the fourth time in succession for the year ended 31-3-1963, in spite of the Super Profits Tax and other enhanced taxes.

Having established itself in the supply of woollen goods, the Company has now turned its attention to the manufacture of cotton goods. The beginning is being made with the installation of 12,000 spindles. Land measuring about 35 acres has been purchased for the Cotton Spinning Unit and other ancillary purposes and for future extension of Cotton Mills by installing more spindles and cotton-waste plant. The required plant and machinery have been ordered. The building is already under construction. With the working of the cotton unit, the profits of the Company are expected to show a further increase. The Directors consider that the prospects of and payment of dividend on Preference Shares, should be such that the Company should, in the absence of any unforeseen circumstances, be in a position to pay reasonable dividends on its equity shares.



Steps to solidarity

"I shall work for an India...
in which all communities
shall live in perfect harmony..."

THIS IS THE INDIA OF MY DREAMS"

— MAHATMA GANDHI

To Gandhiji, differences in sect, caste or creed were meaningless. To him the concept of national unity and the attainment of this ideal were more than a mere dream. "I am indeed, a practical dreamer. My dreams are not airy nothings. I want to convert my dreams into realities, as far as possible." He lived and died for this ideal. On this day let us resolve to make his dream a reality. This will be the greatest tribute to his memory,



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CORPORATION MEETING

INDUSTRIAL FINANCE CORPORATION OF INDIA

Speech delivered by Shri K. P. Mathrani, I.C.S., Chairman, Industrial Finance Corporation of India, at the Fifteenth Annual General Meeting of the Corporation held on the 30th September, 1963.

DURING THE fifteen years of its existence, the Industrial Finance Corporation of India has sanctioned gross financial assistance of the order of Rs. 202.7 crores to various industries. During the same period assistance of the order of Rs. 102.57 crores had been disbursed or made available. Projects of a total order of Rs. 433 crores, that is roughly 30 per cent of the total net investment in the organised industries in the private sector since Independence, are estimated to have been helped to fruition through this I.F.C. assistance. Consistent with its very considerable role in promoting the industrialisation of the nation, the Industrial Finance Corporation has been enlarging the range and content of its activities and is assuming the part and function of a development bank and not merely a lending institution. These and other striking facts about the progress of the Industrial Finance Corporation have been brought out in the Fifteenth Annual Report which is for the year ended the 30th June, 1963 and in the speech delivered by the Chairman, Mr. K. P. Mathrani, at the 15th Annual General Meeting held on the 30th September, 1963.

Following is the text of the Chairman's speech: Gentlemen,

I have great pleasure in welcoming you to this Annual General Meeting of the shareholders of the Corporation and placing before you the Fifteenth Annual Report of the Board of Directors and the Accounts of the Corporation for the year ended the 30th June, 1963. Printed copies of the Report have been circulated to the shareholders and I shall, with your permission, take the Report as read.

2. With the close of the year, the Corporation completed the fifteenth year of its service to Indian industry. As the shareholders are aware, the Corporation was established on the 1st July, 1948, i.e. during the very first year of our Independence. The activities of the Corporation, therefore, reflect to some extent, the results of the efforts since Independence to establish a sound industrial base for developing the economy of the country, particularly in the private sector. Starting from a modest beginning, the activities of the Corporation have progressively increased both in scope and in magnitude. Apart from rupee loans, which still constitute the major of its operations, the Corporation now sanctions loans in foreign currencies, gives guarantees in respect of deferred payments and foreign loans and has, in addition, during the last few years, ventured forth into promotional activities, such as underwriting of public issues in the form of equity and preference shares and debentures and also direct subscription to such issues. The Corporation has thus gradually been assuming the role and functions of a development bank and not merely a lending institution.

3. In order to project these widening activities of the Corporation, the form of presentation of the Annual Report has been suitably altered to give a complete picture of the total financial assistance approved and disbursed by the Corporation instead of confining the statistics only to the loans sanctioned, as has been the practice in the past. The appendices, therefore, contain combined statistics of all forms of assistance. Another notable feature of this year's Report is that statistics in the appendices to the Report have been prepared on the basis of net sanctions, i.e. exclusive of the figures

relating to the facilities approved by the Corporation which were subsequently not availed of by the applicant concerns or were cancelled or withdrawn by the Corporation for various reasons.

4. During the 15 years of its existence, the Corporation has sanctioned gross financial assistance of the order of Rs. 202.7 crores. The net amount of the financial facilities approved during this period, after accounting for cancellations and withdrawals aggregating Rs. 38.37 crores, totalled Rs. 164.33 crores, made up of rupee loans of Rs. 118.39 crores, foreign currency loans of Rs. 9.29 crores, underwritings and direct subscriptions of Rs. 9.48 crores and guarantees to the extent of Rs. 27.17 crores. As against the facilities sanctioned, assistance of the order of Rs. 102.57 crores had been disbursed or made available till the 30th June 1963 and the assistance outstanding on that date, after accounting for repayments, aggregated Rs. 78.92 crores.

5. While the figures of total assistance rendered by the Corporation are impressive enough, they do not tell the whole tale. Even more noteworthy is the total cost of the projects which have come to fruition because of I.F.C. assistance; this is estimated at Rs. 433 crores i.e. roughly 30 per cent of the total net investment in the organised industries in the private sector since Independence. Viewed in this light, I.F.C. may be said to have played not an insignificant part in developing the industrial economy of the country in the private sector. With the contribution it has already made, the experience it has gained and the reserves it has built up, the Corporation now stands poised to assume larger and more positive responsibilities envisaged by the Finance Minister in his statement in Parliament on the 6th September, 1963.

6. Turning to the year under review, it has been a particularly satisfactory one in every respect—from the point of view of the variety and magnitude of the assistance sanctioned and disbursed, the working results, the areas and regions assisted and the clientele served and the nature of industries financed. During the year the Corporation sanctioned financial facilities of the order of Rs. 40.14 crores made up of loans aggregating Rs. 22.61 crores, underwriting and direct subscriptions amounting to Rs. 5.19 crores and guarantees of deferred payments and foreign loans totalling Rs. 12.34 crores. The assistance disbursed or made available during the year was of the order of Rs. 22.43 crores, out of which the cash out-goings amounted to Rs. 18.1 crores. The figures of both the sanctions and disbursements are the highest in any one year since the inception of the Corporation, being almost twice the corresponding figures of the previous year.

7. Our gross income for the year was Rs. 394.72 lacs which shows an increase of Rs. 90.54 lacs i.e. almost 30 per cent over the previous year's figure. The gross profit of Rs. 167.26 lakhs for the year, subject to provision for taxation, is higher than that of the previous year by about Rs. 37 lacs. After providing a sum of Rs. 84.95 lakhs towards taxation, including Rs. 5.76 lakhs towards super-tax for the years ended the 30th June, 1962 and the 30th June, 1963, the net profit for the year comes to Rs. 82.67 lakhs. These results could be regarded as satisfactory and satisfying.

8. Out of the current year's profits a sum of Rs. 30 lakhs has been transferred to the General Reserve Fund which now

stands at Rs. 166.08 lakhs. In addition Rs. 17.60 lakhs have been appropriated to the Special Reserve Fund under Section 36(1) (viii) of the Income-tax Act, 1961. We have further transferred a sum of Rs. 15.82 lakhs to the Special Reserve Fund under Super Profits Tax Act, 1963. With these appropriations, the reserves now total Rs. 3 crores as against the paid-up capital of Rs. 7 crores.

9. The Corporation did not have to make any further provisions towards the reserve for bad and doubtful debts, the balance in which now stands at Rs. 14.47 lakhs. The existing provision relates largely to three very old accounts, action in regard to which is in progress. It is hoped that the bulk of these will be cleared or regularised during the course of the current year. Apart from these, our borrowers have, with rare exceptions, been prompt and punctual in the payment of our dues. Some of the old arrears of principal have been cleared and the percentage of defaults in the repayment of the instalments of principal has come down further from 1.24 per cent to 0.87 per cent. It is a matter of some satisfaction that one of the concerns which was in arrears for some time past has now been leased out to enable liquidation of the account in an orderly manner.

10. I am glad to inform you that as envisaged in my last year's Speech, the balance of Rs. 18 lakhs in respect of the subvention availed of by the Corporation from Government for paying the minimum guaranteed dividend was repaid during the year and thus the statutory liability in this regard stands completely discharged. A provision of Rs. 19.25 lakhs has been made in this year's accounts towards the payment of guaranteed dividend at 2½ per cent per annum in respect of the original issue of share capital of Rs. 5 crores and 4 per cent per annum in respect of the additional issue of Rs. 2 crores made in March 1962. I am conscious of the fact that the present position in regard to the dividend in respect of the first issue is somewhat anomalous and I hope that a satisfactory solution of this problem will be found when amendments are made to the I.F.C. Act.

11. As I have mentioned earlier, the promotional nature of I.F.C.'s activities has been progressively increasing in the last few years. During the year under review, we approved 18 proposals for underwriting of an aggregate amount of Rs. 3.37 crores — Rs. 1.52 crores in respect of equity shares, Rs. 17 lakhs for preference shares and Rs. 1.68 crores in regard to debentures. In a number of cases, the Corporation has sanctioned underwriting facilities in conjunction with loans as also other facilities for substantial amounts. A notable underwriting undertaken by us during the year was in respect of the 6½ per cent debenture stock 1968-77 of the Oil India Ltd., where we acted jointly with a consortium consisting of the Life Insurance Corporation of India, the State Bank of India and its subsidiaries, the Industrial Credit and Investment Corporation of India Ltd., and certain leading commercial banks, companies and share brokers. The Corporation underwrote the stock to the extent of Rs. 1.68 crores and in addition subscribed directly to the extent of Rs. 1.82 crores.

12. As you are, no doubt, aware, the Corporation did not enter underwriting business till December 1956 after it had acquired adequate experience of other activities and had also built up some reserves. Since then, we have progressively increased our operations in this field and have up-to-date given net sanctions in 42 cases to the extent of Rs. 7.66 crores. During this period 28 issues involving a commitment on our part of Rs. 6.25 crores were actually placed on the market and shares and debentures worth Rs. 4.51 crores devolved on the Corporation as a result of these operations. The proportion of the shares and debentures which have devolved on the Corporation as a result of its underwriting commitments is

no doubt, quite large, but, as you will appreciate, this is due mainly, to the condition of the capital market. The projects assisted by us are, however, basically sound and viable and we have every reason to hope that after they have gone into production they will give us adequate return.

13. The depressed state of the market, particularly during the last few months, is obviously, a matter of concern to us and as you will have seen from the press reports, this question has been a subject of consultation between the Central Government, the Reserve Bank of India and the institutions concerned. It is our feeling that this is a temporary phase which need not hold up the industrial development of the country. We propose to continue to play our part in the Plan targets in respect of industrial development in collaboration with other sister institutions. We shall, naturally, review our policy in this regard from time to time in the light of the conditions that may develop.

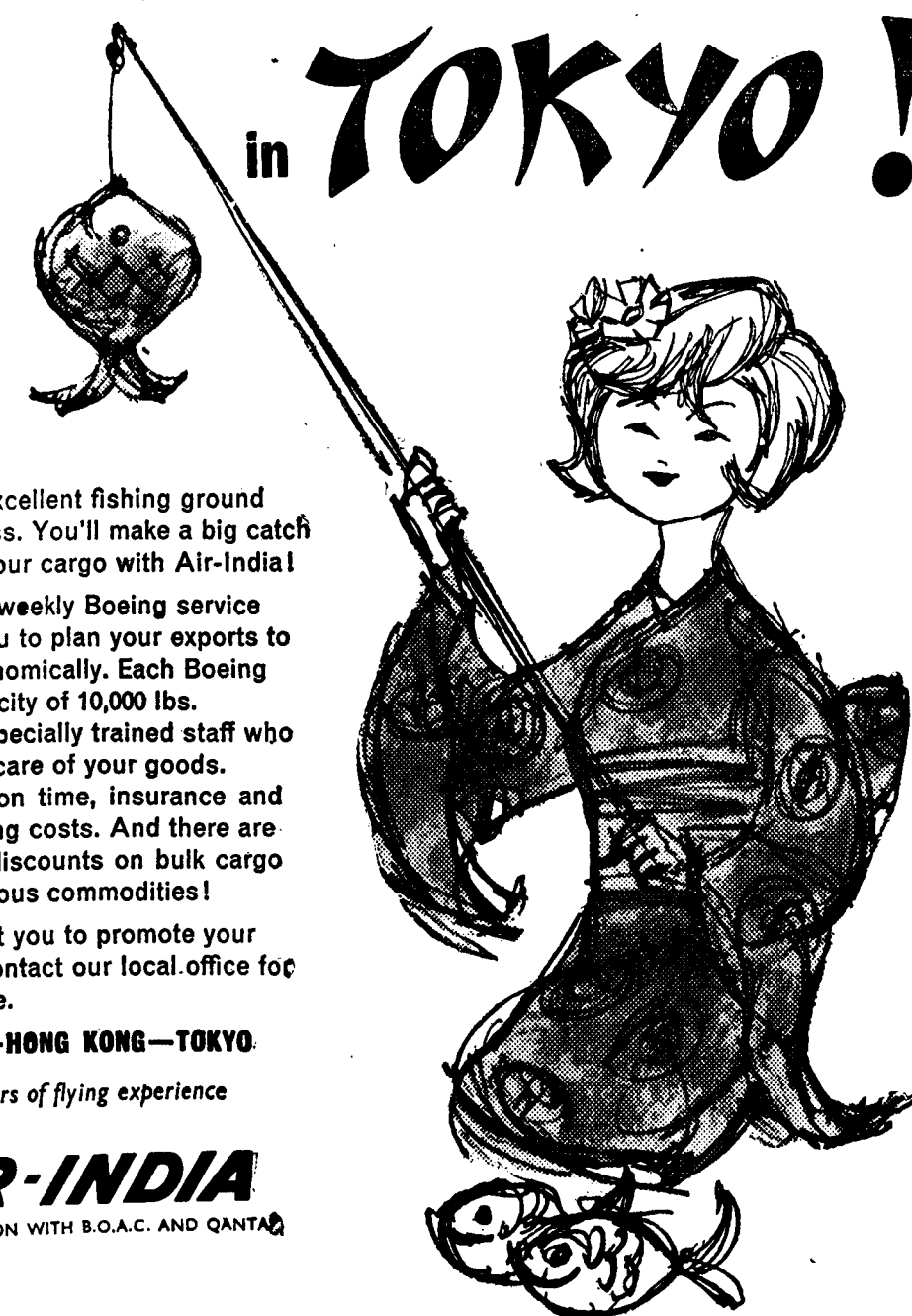
14. Whereas the bulk of our lending operations continue to be in rupees, the number of sub-loans in foreign currencies has been on the increase. Up to the 30th June, 1963, the Corporation had approved sub-loans in foreign currencies for a net amount equivalent to Rs. 9.29 crores. Out of the two loans of 30 million dollars sanctioned to the Corporation by the Agency for International Development (AID) of the United States of America, the Corporation had committed itself to a sum of \$14.85 million (Rs. 7.07 crores). We have a number of pending applications as also enquiries with us and we therefore propose approaching the AID through Government for a further allocation. We are also committed to a sum of DM 12.25 million (Rs. 1.5 crores) out of the two DM lines of credit aggregating DM 40 million. The demands made on us for sub-loans from the West German credits are particularly numerous and we hope that these credits will be further supplemented in the near future.

15. During the year under review the Corporation was also sanctioned a line of credit from the Banque Francaise du Commerce Extérieur, Paris (commonly known as BFCE) to the extent of 50 million Francs for financing the import of capital goods mainly from France and the relative protocol was signed in October 1962. A sum of 6.67 million Francs out of this credit has already been committed. A beginning in the sanction of sub-loans in Japanese Yen equivalent to U.S. \$0.25 million out of the amount allocated to us by the Central Government last year has also been made during the year.

16. With the above additions in foreign currency resources, the Corporation hopes to meet the foreign exchange requirements of its borrowers on a larger scale. However, in view of the fact that except for the West German credit, other credits are tied to purchases in the respective countries, the gap in our resources of a substantial line of credit in convertible currencies remains to be bridged. I hope that with the good offices of the Central Government this vital need of the Corporation will be met in the larger interests of the Indian industry.

17. Apart from the quantum of assistance rendered by the Corporation during the year, its distribution is of some importance. For some years past, sugar industry has been the largest single recipient of our assistance. During the last year, however, the position has changed and non-ferrous metal industry — principally aluminium — was sanctioned the largest quantum of assistance, namely 16.8 per cent followed by textiles (15.2 per cent), sugar (15.1 per cent) and basic chemicals (10.9 per cent). While considering requests for assistance we have shown particular sympathy to projects enjoying high priority which will help to fill the vital gaps in

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the industrial economy of the country. Accordingly, we agreed to assist a small project for the manufacture of glass-lined equipment for use in chemical industry, a scheme for the manufacture of tyre bead wires, a project for the manufacture of malleable iron pipes and fittings, a unit for the manufacture of gelatine, a scheme for the manufacture of injection moulding machines and moulds and an alloy steel project of the capacity of 25,000 tons per year. In most of these cases, the parties have been able to secure dependable foreign collaboration and know-how.

18. The distribution of our assistance according to States has also shown a departure from the pattern obtaining in the previous year. While in the past Maharashtra led the list of our beneficiaries, during the current year that distinction goes to Madras State which was sanctioned 29.4 per cent of the total assistance followed by Maharashtra, Assam and Mysore. Uttar Pradesh, Orissa and Punjab have also claimed a sizable proportion of our sanctions during the year. Thus, in consonance with the Government directive, a larger proportion of our assistance is being availed of by the less developed parts of the country.

19. As in the past, the Corporation has paid particular attention to industrial co-operatives. The net financial assistance approved by the Corporation upto the 30th June, 1963 to this sector of industrial economy amounted to Rs. 36.86 crores representing about 22 per cent of the total sanctions by the Corporation. This assistance has been sanctioned to fifty sugar factories, three spinning mills and one unit engaged in the extraction of vegetable oil. These co-operatives, I am glad to say, have been meeting their obligations to the Corporation in time.

20. An interesting feature of the operations of the Corporation during the recent years has been the progressively smaller number of requests which have been finally turned down. During the year under review apart from one request for underwriting, no application was finally rejected by the Corporation. Credit for this goes partly to the entrepreneurs who have been bestowing greater care to the preparation of their projects and have been furnishing the information and data required by the Corporation for processing the requests. But this also reflects the constructive approach of the Corporation in considering these requests. Very few of the applications received by us are complete in all details and much work on them is necessary before they are considered acceptable. During the course of our examination it has been our aim to help the prospective entrepreneurs suitably to modify their schemes, where necessary, so to make them financially and technically viable. This has been facilitated by the setting up of a technical organisation within the Corporation and by our utilising the services of the Technological Consultancy Bureau of the National Industrial Development Corporation Ltd. The parties are thus assured of sound financial and technical advice and are in a position to revamp their schemes to the mutual advantage of themselves and the Corporation. This may sometimes give rise to complaints of delays. We have, however, found that the time spent in careful examination at that stage leads to more expeditious completion of the projects and their successful operation in the long run.

21. At the last Annual General Meeting I informed the shareholders that the Corporation had entered the market for the issue of bonds for Rs. 6 crores at 4½ per cent per annum at an issue price of Rs. 99.50. The issue was fully subscribed. I take this opportunity of thanking the shareholders and other investors for their support in making the issue a success. The Corporation has also, since the 1st January, 1963, taken over the management of the bonds which hitherto was entrusted to the Reserve Bank of India.

22. It might be of interest to you to know that the total amount of disbursements so far in cash in respect of loans sanctioned and shares and debentures subscribed to or taken up by the Corporation as a part of its underwriting commitments aggregated Rs. 87.79 crores. These have been financed to the extent of Rs. 22.62 crores out of the repayments of loans to the Corporation, Rs. 24.75 crores from borrowings from the Central Government, Rs. 28.24 crores from borrowings from the market by issue of bonds, Rs. 2.18 crores from the foreign credits and the balance of Rs. 10 crores from the paid-up capital and reserves. It will thus be seen that disbursements have been financed from the internal resources (including share capital) of the Corporation to the extent of about 37 per cent and from borrowings from the market to the extent of 32 per cent; the balance of about 31 per cent coming from Government and foreign loans.

23. Until last year the Corporation used to levy a small premium for premature repayment of loans by the borrower concerns whether from the accumulated profits or from additional share capital or from other sources. This policy has been reconsidered and with a view to encouraging the borrowers to repay our loans from their internal resources, the levy of premium in such cases has been completely withdrawn. Further the payment of premium in respect of premature repayments made from other sources has also been suspended for a period of two years with effect from the 1st July, 1963. The system of

*Here with a loaf of
Bread beneath the bough,
a bottle of Gold Coin,
a book of verse and thou,
Beside me singing in
the wilderness—and wilder-
ness is Paradise enow.*

— with apologies to 'Omar Khayyam'

This fruit-ful
drink is delicious,
refreshing and so
nourishing. It is
really good for
health and beauty.

Gold Coin

Real
APPLE JUICE

Non-Alcoholic
SPARKLING &
NON-SPARKLING



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levy of commitment charges has also been rationalised. Until recently commitment charges were recovered for late execution of mortgage documents and for non-drawal of loan amount according to schedule. A deposit for ensuring the utilisation of the facility sanctioned was also required. These have been replaced by a single commitment charge levied at 1 per cent on the amount of loan not availed of, calculated from the date of acceptance of terms and conditions by the borrower concerns. The revised basis for the levy of commitment charge is in line with the practice followed by other long-term lending institutions.

24. We have continued to act in close collaboration with sister institutions such as the Life Insurance Corporation of India, the Industrial Credit and Investment Corporation of India Ltd. and the State Bank of India and have financed some of the bigger projects in partnership with them. In respect of one project, we have worked jointly with the International Finance Corporation, Washington and the Industrial Credit and Investment Corporation of India Ltd. to assist in the setting of an alloy steel plant. Our association with commercial banks has also become closer. Such joint collaboration with other institutions and banks helps not only in bringing to fruition large projects which are essential for the economy of the country, but also in the exchange of ideas and the sharing of risks. I am grateful to these institutions and banks for the co-operation and consideration they are showing to us at every stage.

25. Our relations with various Chambers of Commerce and our borrower concerns continue to be cordial. We deeply appreciate the constructive suggestions that they have made from time to time for improving our service to our bene-

ficiaries.

26. Our practice of appointing non-officials on the Boards of our borrower concerns has proved fruitful and we have benefited much from their advice and assistance. I take this opportunity to thank them on behalf of the Board of Directors for the keen interest they have taken in their work. I should also like to convey our thanks to the members of our Advisory Committees for the able and objective assistance they have given to the Corporation.

27. Our appreciation and thanks are due to the United States of America Agency for International Development with whom our relations have been very cordial. We are also grateful to Kreditanstalt Fur Wiederaufbau and to the Banque Francaise du Commerce Extérieur for the consideration they have shown us.

28. Before concluding I should like to express my sincere 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 Shri S. P. Virmani and Shri K. S. Sundara Rajan, who ceased to be Directors of the Board and to Shri M. Ct. Muthiah, Shri V. P. Varde and Shri C. C. Desai who are retiring this year. Their sound advice and active participation in the affairs of the Corporation has been of great value. Lastly, I record with pleasure the appreciation and thanks of the Board of Directors as well my own to the General Manager and the entire staff of the Corporation for the loyal and devoted work on their part during the year.

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

THE INDIA CEMENTS LIMITED MADRAS-2

Speech delivered by Sri P. Suryanarayana at the Seventeenth Annual General Meeting of the Company held on Thursday, the 19th September 1963

Ladies and Gentlemen:

On behalf of the management and on my own behalf, I extend to you all a cordial welcome to the Seventeenth Annual General Meeting of your Company and place before you the Annual Accounts of the Company for the year ended the 31st March, 1963, and the Directors' 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 has been over-shadowed by the threat of war due to the unprovoked aggression by the Chinese on our frontiers. The entire industrial activity of the country had consequently been geared to a war-footing, laying aside for the moment, the planned industrial policy of the Government under the current Third Five-Year Plan. Needless to say, the cement industry has not lagged behind in its contribution to the defence efforts. The industry has, as its measure of contribution, maximised production and has tried to meet the full requirements of this vital commodity for the national effort to defend our country. The Government is now faced with the responsibility of defending the country against any possible future Chinese aggression, in addition to pressing on with its plans for economic development and rapid industrialisation. The defence of India requires colossal sums of money and it is the duty of every one by to contribute their maximum to this cause. The Private Sector has not been hesitant to respond generously to the Govern-

ment's appeal for donations to the National Defence Fund. I am very glad to inform you that all the cement manufacturers in the country have together contributed a sum of Rs. 25 lakhs to the National Defence Fund. Your Company has contributed a sum of Rs. 2 lakhs, while our workers and staff have contributed a sum of Rs. 13,305 to the National Defence Fund.

The emergency has, in its wake, forced the Government to impose new taxes and additional levies on a number of items required by the industry and people in general with a view to raise additional revenue to meet the grave situation. One of the proposals seriously affecting the Corporate Sector is the Super Profits Tax. This new tax, in spite of amendments, has had a disturbing effect on the financial markets and also on capital formation. It is hoped that Government will realise the serious repercussions of this levy on the Corporate Sector and avoid the resulting damage to industry.

Another additional burden cast on industry is the scheme of Emergency Risks Insurance, which has been in effect since the beginning of this year. Under this scheme, it is obligatory to take out insurance in respect of every factory and the goods produced therein. THE RATE was originally fixed at 25 nP. per Rs. 100 in the case of factories and 15 nP. per Rs. 100 in the case of goods. Subsequently, this has been reduced to 11.25 nP. and 7.5 nP. per Rs. 100. Your Company has had to expend on this item a sum of Rs. 75,795 for the first quarter and in all a sum of Rs. 1,53,887 to date. It is hoped

that this measure will only be a temporary one during the continuance of the emergency.

Now, coming to our own affairs, as already stated in the Directors' Report, there was a tremendous loss of production during the year under review due to reasons beyond the control of the management. The first kiln was shut down for major repairs for a period of nearly 54 days and the new 750 tons kiln had to be shut down on and off very frequently, necessitating great loss of production and also heavy repair charges. I am glad to report that the difficulties have, however, been overcome and the performance of the kilns so far during this year is quite satisfactory and upto the rated capacity.

I would like to refer to the commissioning of the Sankari Plant. The project has proceeded according to schedule except for a slight set back in the time fixed for the commencement of production. We had originally anticipated going into production by the middle of this year. But owing to causes entirely beyond our control, I am afraid, it will be possible to commence production only in October. In spite of prompt shipments by the foreign suppliers, the ships carrying the machinery were held up for nearly six to eight weeks due to the freezing of the seas at the ports of embarkation due to an unprecedented winter in Europe, delaying our original plans to commence operations by the middle of this year.

In addition, the supply of indigenous items of machinery were also greatly delayed by the local suppliers following the national emergency. But I can assure you that every effort is now being made to complete construction and commission the plant as early as possible. Since all the machinery has now arrived at site and the construction work is progressing fast, there should be no reason why we should not commence operations at Sankari by the end of October.

With the commissioning of the Sankari Unit, our annual production will be seven lakh tonnes of cement, an increase of nearly 40 per cent over our present production. The project for doubling up the Sankari plant has also been taken up.

The country's production of cement is still far below the targets set by the Planning Commission. As I mentioned to you earlier, the emergency has given an impetus to greater production which if kept up, may yield the desired results of fulfilling the Plan targets.

The country's foreign exchange position continues to be difficult with no prospects of exports increasing in the light of increasing consumption for our own needs and defence purposes.

Your Company has during the year under review produced 4,49,149 tonnes of cement as against 4,57,116 tonnes produced in the previous year. The fall in production as compared to the previous year was due to stoppage as already stated, of one of the kilns for effecting major repairs for nearly 54 days and also the frequent shut down of the big kiln.

The statement of accounts has been in your hands for quite sometime. The profit, before deduction of depreciation and the Managing Agents' commission has decreased by Rs. 6,12,038 as compared with the previous year.

The production of clinker, cement and sales were lower at 4,37,965 tonnes, 4,49,149 tonnes and 4,49,740 tonnes respectively.

Mention has been made in the Directors' Report regarding coal subsidy. I do not wish to add anything besides saying that we are pursuing our representations to the Government, asking for the fixation of the subsidy on the basis of actual expenses incurred in getting the coal by sea-cum-rail route.

The fall in production which has resulted in lower profits has reluctantly forced your Directors to recommend a lower dividend on the equity capital for the current year. Members

will of course take into account that this dividend has to be paid on a larger capital structure.

As I mentioned to you on the last occasion, there has been a steady increase in the pits' mouth cost of coal, railway freight on movement of all goods, surcharge on power and on other heads since 1st November, 1961, when the Government of India fixed the retention price for cement. Representations were made to the Government, drawing its attention to the increased cost and requesting them to enhance the retention price. Our representations have at last borne fruit and the Government of India have recently announced an increase of Rs. 3.75 per tonne. Out of this, only Rs. 2.75 nP. per tonne will go to the producers, the balance of Re. 1 being made over to the State Trading Corporation for meeting the increased freight rates suffered by the Corporation in connection with the distribution of cement. The increase now granted falls short of the industry's expectations. It would be relevant to point out that while the industry has been forced to bear the increased costs brought out mainly by governmental actions progressively from 1961, the Government have given effect to the revised retention price only from 1st June, 1963. Although the Government have raised the retention price by Rs. 2.75 per tonne, the actual price accruing to the producers will be less by a further 25 nP. per tonne in that the State Trading Corporation have with effect from the 1st June, 1963, reduced the selling commission from Rs. 1.50 per tonne to Rs. 1.25 per tonne.

The present increase is supposed to have taken into account the premium payable by the industry towards the Emergency Risks Insurance, though the industry wanted an extra margin on this account. What is disheartening about Government's decision is that the increase in price is to be only on a prospective basis.

Mention was made in the previous reports of the Directors in regard to the Company's arrangements with the Cement Marketing Company of India Limited for marketing of the cement produced by your Company. The agreement expired on the 15th September this year. The arrangements with the Cement Marketing Co. of India Limited have worked exceedingly satisfactorily over the period of five years of the agreement.

However, in view of the fact that your Company's production will reach about a million tonnes with the completion of the Sankari expansion scheme, the management feel that your company should develop its own sales organisation and for this reason, your Directors have had to take the decision that the agreement with the Cement Marketing Company of India Limited be allowed to lapse and the company itself take over the distribution of the cement.

In this connection, the management wish to place on record their appreciation and sincere thanks to the Cement Marketing Company of India Limited, who have handled the marketing of our cement for the last five years extremely well.

I am glad to inform you that the working of the Sankar Institute of Polytechnic has been very satisfactory. The classes are now conducted in the new buildings which were occupied in June 1962. The Junior School started in 1962 has also been doing well. Both the Institutes continue to render great service to the children of the employees of the Company.

The relations with labour at the factory and the staff at the head office continues to be cordial as usual. I take this opportunity, once again, both on my behalf and on your 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 services and cooperation in the years ahead.

I thank you all, gentlemen, for giving me a patient hearing. N.B.: This does not purport to be a report of the proceedings.

CHAIRMAN'S STATEMENT



INDIANOIL'S FOURTH ANNUAL GENERAL MEETING

"BOUND TO BECOME AN OIL GIANT IN THE COUNTRY"

Mr. P. A. Gopalkrishnan, ICS, Reviews Activities

Addressing the fourth Annual General Meeting held at the Registered Office in Bombay on September 25, 1963, Mr. Gopalkrishnan said:

The Balance Sheet and Profit and Loss Statement are in front of you for your ratification. You will see that the Indian Oil Company has made a profit of Rs. 59.61 lakhs after making provision for payment of tax in 1962-63 over an equity capital of Rs. 322.25 lakhs. This gives a net return of 18.5 per cent and a net profit per kilolitre of Rs. 9.3. With this amount of Rs. 59.61 lakhs, it is proposed to wipe off accumulated losses of Rs. 16.85 lakhs, make provision for development reserve of Rs. 43.44 lakhs and carry forward a small balance. The net profit would have been over Rs. 90 lakhs if we had received agreement to receive the following amounts from Government or other parties:

- (i) Rs. 10 lakhs and odd which was realised by Government as C & F duty which was really not due.
- (ii) Rs. 14 lakhs and odd from Government on account of abnormal bridging expenses, emergency risks insurance, demurrage etc.
- (iii) Rs. 3 lakhs and odd from Government on account of unrecovered freight in Nunmati Supply Area.
- (iv) Rs. 4 lakhs and odd from other oil companies on account of Central Sales Tax which the IOC has paid on behalf of other companies.

The Indian Oil Company is pursuing these cases. Besides, the Company has paid Rs. 10.79 crores as Customs Duty, Rs. 6.67 crores as Excise Duty and Rs. 1.04 crores as Sales Tax, making a total of Rs. 18.50 crores (Rs. 4.24 crores received from other oil companies). The total amount by way of these three duties paid by the Indian Oil Company from its very inception is Rs. 22.39 crores.

SALES TREBLED

The quantity of product sold in 1961-62 was 322 kilolitres per person employed at the end of March 1962. The quantity of product sold in 1962-63 was 482 kilolitres per person employed at the end of March 1963.

Sales have almost trebled in 1962-63 compared with the previous year. They amounted to 629,639 kilolitres, plus 16,764 kilogrammes of greases and 11,498 metric tons of Petroleum Coke as compared to 211,033 kilolitres (plus nil kilogrammes

of greases and nil metric tons of Petroleum Coke) in 1961-62. Starting with two oil products, the Indian Oil Company now sells fourteen products viz., High Speed Diesel, Superior Kerosene, Inferior Kerosene, Aviation Turbine Fuel, Furnace Oil, Tea Drier Oil, Light Diesel Oil, Transformer Oil, Axle Oil, Lubricants of different sorts, Iomex, Motor Spirit, Greases and Petroleum Coke.

Technical advice is now available for giving advice to industrialists and others in the use of proper lube oils and fuel oils. A full-fledged lubrication department has been set up with officers in all branches for the purpose.

BLENDING PLANTS

Under a series of agreements with Mobil Petroleum, the IOC have become the sole distributors in India for Mobil Premium Grade Lubricants and two blending plants are being set up by the Indian Oil Blending Limited of which the Chairman of the IOC is the Chairman and the IOC and Mobil hold equal shares. The Blending Plants are expected to go into production in 1964 thus leading to saving in foreign exchange. The IOC has already saved Rs. 7.78 crores in foreign exchange in 1962-63 as against Rs. 4.57 crores in 1961-62 by making rupee payments for the oil products from communist countries and avoiding payment in foreign currency.

STORAGES

The storage space of the IOC at port and main installations has increased nearly two and a half times during the year under review. The company has also established a large number of inland depots and retail outlets to promote its sales and service to the consumer.

The times are difficult. While the Government is ready to collect Customs Duty and Excise Duty as the products are withdrawn for despatch, they are not prompt in paying the bills. Various rules come into play such as Supply Orders, Inspection Notes and Consignees' Receipts. In result the amount outstanding at the end of August 1963 is over Rs. 8 crores. Out of this over Rs. 4 crores is outstanding on account of DGS and D bills alone and about Rs. 4 crores with the State Government and other State Undertakings. Since the Indian Oil Company caters to the needs of almost all Government Departments and State Undertakings, the burden on the Company is terrific. It has to carry big over-drafts and Rs. 2 lakhs per month becomes the interest charged alone. On the

one side there is a ceiling price fixed by Damle Committee on certain assumptions and on the other there are terrific outstanding bills owing to Government Rules and Regulations. The burden on the Company is very much and working capital requirements have gone up. So in the current year, the rate of profit on the equity capital is likely to go down, particularly because of the increase in duty on all kinds of products.

OPERATIONAL COST

The next important item is the operational cost per kilolitre of product sold. Excluding sales to Hindustan Organizers, which are made from tankers direct, the operational cost in 1960-61 was Rs. 35.16 per kilolitre. In 1961-62, it was Rs. 31.68 per kilolitre. In 1962-63, it was Rs. 30.16 per kilolitre. It would have been Rs. 25.82 per kilolitre if certain abnormal expenses pertaining to previous years had not been met in 1962-63 and if the expenses had not increased as a result of the emergency and other causes.

Almost all the oil products sold by Indian Oil Company as well as by other companies are used both in the rural areas and urban areas. The tax paid to the Government comes from the pockets of the entire population. Many middle men get profits out of the business. So do the oil companies which employ quite a number of persons. Therefore the oil industry is very important to the people as well as the Government.

CHAIRMAN'S STATEMENT

THE FERTILISERS AND CHEMICALS, TRAVANCORE LTD.

Mr. T. A. Joseph Reviews Activities

Addressing the Nineteenth Annual General Meeting held at the Registered Office, Udyogamandal, on 30th September, 1963, Mr. T. A. Joseph said:

You will notice that the financial year of the Company has been changed. This became necessary to fall in line with that of other public sector companies. The accounts circulated to you relate, therefore, to a period of fifteen months, i.e. from 1st January, 1962 to 31st March, 1963.

The period under review has witnessed two major events in the history of the Company. They are—the introduction for the first time in India of a new technology for the production of synthesis gas required for Ammonia manufacture and the closure of the wood gasification plant, which has been serving the Company from its inception. The Oil Gasification Plant installed as a part of the Second Stage of the Expansion Programme of the Company, has introduced a new technology, by which raw light naphtha is utilised for producing hydrogen by the partial oxidation process. The Plant, which has been commissioned in the last quarter of 1962, has a capacity to produce sufficient hydrogen to make 80 tonnes of Ammonia a day. With the introduction of this new process, the Company has closed down the firewood gasification plant. It was mainly on considerations of economy that the wood gasification plant has been closed down, although it had served the Company usefully for 17 years and has fulfilled a very useful purpose in the field of fertiliser development in India.

While we have made a remarkable advancement in technology and have been able to raise our production capacity considerably, the factory has been facing severe set-backs in achieving the production target. Ever since the Electrolytic Hydrogen Plant was commissioned in 1960, the Kerala State Electricity Board has not been able to supply the Company

WORLD REFINING CAPACITY

The oil industry is about a hundred years old and many international giants have risen, particularly in the United States. In 1950, North America had about two-thirds of the world's refining capacity. Now it is less than half. Refining capacity is increasing in consuming countries, the sources of supply supplying only crude oil and there is a frantic and systematic search for crude in almost all countries. The world's refining capacity is very nearly 1,200 million tons. Russia exports 40 million tons of oil and oil products per year. So you can imagine the size of the international oil industry. Compared to it, the Indian Oil Industry is very small and the business of the Indian Oil Company is much smaller. Barauni Refinery is expected to go on stream in March or April 1964 and Koyali and Cochín Refineries are expected to go into production by March 1965 and June 1966 respectively. The ultimate capacity of the four Public Sector Refineries is 9.75 million tons and when the Indian Oil Company begins to distribute the production of these refineries it is bound to become one of the oil giants in the country.

Finally, I wish to point out that this young Indian Oil Company has started off well and has made a profit for the first time in 1962-63, which is creditable. I thank you for your co-operation and advice and thank all those officers and staff in the Company, who have worked hard to make the year successful.

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

the full requirements of power required for operating that Plant. As against a total requirement of 31,000 KW the Electricity Board has been supplying only 23,200 KW. Thus, even under normal conditions, the factory could have achieved only approximately 75 per cent of its production capacity, provided power supply to that extent was regular. But during the period, the Company had to face very severe power-cuts indeed. In 1962 there was a power-cut commencing from the 1st of March to the 10th of May. During 1963 the cut started earlier than usual and it was much more drastic. From 1st February, 1963, the factory could work only at 50 per cent production, because of the power-cut. This cut went on till the end of June. In between there was a period of about 3 weeks when Ammonia production was almost nil.

Another unforeseen development that completely upset the production programme of the year was the sudden incidence of salinity in the Periyar river waters during the summer months of 1962. This resulted in a further substantial reduction in the Company's production, as several of the important Plants had to be kept idle for fear of being permanently damaged by saline water.

The power-cuts and salinity in the Periyar waters alone accounted for a loss of production of over 4,000 tonnes of ammonia. On top of this there was the planned closure of the wood gasification plant to facilitate the inter-connections of the new Oil Gasification Plant and the commissioning of the latter. This however, was only in the normal course of things; but it was unfortunate that the loss of production consequent on this change over also fell in a year when we

had to face great difficulties on account of power-cuts and salinity.

The factors which I have just described have been responsible for the poor financial results during the period under review. As you have seen from the Statement of Accounts, these adverse factors have resulted in a loss of nearly Rs. 36 lakhs. This loss, however, has been covered in full by drawing from the previous profits carried over and the taxation reserves which are not required. You will notice, however, that we have provided Rs. 63.88 lakhs for depreciation as against Rs. 38.75 lakhs in 1962. A surplus of Rs. 3.85 lakhs has been carried over to the next year.

In view of the foregoing your Directors have not been in a position to recommend any dividend this year.

In the normal course the Company should be expected to derive from this year the benefits arising out of the increased capacity consequent on the installation of the Oil Gasification Plant. But as I stated earlier the current financial year itself has started with a drastic power-cut which kept on till the end of June. Even after the restoration of power supply the Company has not been given its full requirements. We are still working on a 75 per cent load as the Electricity Board is yet to make available the shortage of 7,600 KW. Besides, the rainfall this year has been very much below par so far, and it remains to be seen whether our Hydro-electric sources would be able to keep up their normal supply level after the monsoons are over. I do hope that with the commissioning of the Panniar Project towards the end of this year, the Electricity Board will be pleased to honour its commitments to us in full.

As I mentioned to you last year, we had invited the Government of India to participate in the equity share capital of the Company and to give us the necessary loans to finance the third stage of our expansion programme. Shares worth Rs. 3.5 crores have been taken by the Government of India as on 1st July this year. Thus, the Government of India now holds a majority of shares in the Company. Certain consequential amendments to the Articles of Association have been proposed and placed before you at this meeting.

The second stage of expansion was completed well in time and formally inaugurated on the 8th December 1962. The plant has had the usual teething troubles, but has been performing quite satisfactorily since then. I am glad to inform you that the Company has been able to complete the second stage of expansion according to the sanctioned estimate therefor.

The third stage of expansion, of which I had given an indication last year, is well under way. This expansion involves the installation of a number of major plants, the important ones being an Oil Gasification Plant and a Tonnage Oxygen Plant, which together will produce sufficient gases to make about 150 tonnes of ammonia a day, a 150-tonne ammonia synthesis plant, a phosphoric acid plant of 100 tonnes P₂O₅ capacity, a 450 tonnes sulphuric acid plant, a 300 tonne ammonium phosphate plant, a 300 tonne ammonium sulphate plant and a 50 tonne ammonium chloride plant. Although the target date for the completion of the third stage is 1965-66, the Company expects to complete the programme well ahead of that date.

When the third stage of expansion is completed, the Company will have a capacity of about 70,000 tons of nitrogen and 33,500 tons of P₂O₅ per annum, the ultimate products being 200,000 tons of ammonium sulphate, 135,000 tons of ammonium phosphate and 25,000 tons of ammonium chloride.

Superphosphate capacity will continue at the present level of 44,000 tons. In addition, the NPK mixture capacity will go up to 350,000 tons per annum.

The Company is now engaged in planning the utilisation of some more of its by-products. The Company has already obtained a licence for the production of dry ice. In addition investigations for the utilisation of waste gases of the Superphosphate and Phosphoric Acid Plants are in progress.

The Company is now engaged in planning its programme of activities for the fourth Plan period. Having regard to the experience of FACT and the planning and designing organisation the Company has already built up for its expanding activities, I am glad to say that the Government of India have decided to assign a very important role to the Company in the field of building up additional capacity for fertiliser production in the country. The Government of India have now asked FACT to plan, design and construct at least three complete fertiliser plants before the end of the fourth Plan period. The Government of India have also indicated that allocation of further units will be considered if the Company has more capacity. I need not tell you that the magnitude of the task involved is immense as the total outlay on the three complete fertiliser projects will be of the order of Rs. 100 crores. The Company is, therefore, taking the necessary preliminary steps to equip itself to undertake the task assigned to it by the Government of India.

In addition, the Company has also been engaged in negotiations with Messrs. Davy Ashmore Limited of U.K., a leading firm engaged in the manufacture of industrial plants and equipment for establishing a joint venture to fabricate pressure vessels and specialised steel work. A scheme drawn up for this purpose has been submitted to the Government of India. According to the schedules drawn up, this unit which is likely to be established in an area adjacent to FACT will go into production in the beginning of the fourth Plan period. The Company is also negotiating the formation of a joint venture with Power-Gas Corporation of UK for establishing an Engineering and Contracting Organisation capable of planning, designing and erecting fertiliser, chemical, petro-chemical and oil refining plants.

The Company has been rendering suitable assistance in the form of technical advice and consultancy services to other units coming up in Kerala. At present the Company is providing the necessary consultancy services to Mannam Co-operative Sugar Mills Private Limited.

To take care of the additional responsibilities and work that will be devolving on the Company on account of its expansion of activities, we have taken steps to augment the strength of the Company's technical personnel. Technical training facilities have been increased. We have at present 33 engineers including diploma holders and 70 university graduates under training in addition to 62 artisans. With a view to strengthening our middle management and to developing future managers, we have introduced a system of recruitment, training and absorption of executives. The first group recruited under the scheme has started the training on the 1st of August.

On the sales and marketing side, I am glad to inform you that the Company has made very good progress during the period. As a result of the programmes like fertiliser festivals introduced by the Company, fertiliser consciousness has grown considerably among the farmers of Kerala. Consequently, the Company has been able to raise its sales in Kerala from Rs. 11 lakhs in 1958 to Rs. 114 lakhs in 1962-63, the figure for 1961 being Rs. 68 lakhs. Although the progress has been

good, we still believe, that the fertiliser consumption in Kerala should increase several times more, before we can say that the State is taking reasonable advantage of the facilities available. The Company is, therefore, working according to a long term plan, with a view to achieving a sale of about Rs. 6 crores worth of fertilisers in Kerala State alone. The Company has also extended its programme of intensive campaign to the neighbouring districts of Madras State. The results have been very encouraging.

While the Company has been going ahead with a rapid expansion programme, our neighbours have also been expanding. New units are coming into our area. Instances are, a Zinc Smelter, a Cement factory based on the calcium carbonate sludge released by our Company, an Oxygen Acetylene unit using our surplus oxygen and an Ossein Plant. All these require considerable quantities of water. During the summer months the flow in the Periyar river has been so low that salinity has been creeping up to a dangerous extent. From a statement made by the Kerala Minister for Electricity a few weeks ago, we have learnt that when the Idikki Power project is completed, the water used for generating power in that project would be dropped into the Muvattupuzha river and as a result the water position in Periyar would be very much worse. This is certainly a matter of great concern. I would take this opportunity to stress that the urgent need now is to augment the availability of water in the Periyar

river and hence it will be suicidal to divert any more of its water to other river basins. The construction of the Idikki Power project should, I feel, be re-designed in a manner that would prevent Periyar waters being diverted elsewhere. If the logistics of Idikki dictate the need to drop the tail waters to the Muvattupuzha river, it is vital that the project also provide for re-diverting the water used by it back into the Periyar river by means of an inter-communication canal between the Muvattupuzha and the Periyar rivers. If such a step is not contemplated now itself, the completion of the Idikki project will place the present industries in the Periyar basin, in a very unfortunate position indeed. The numerous Lift Irrigation Schemes in the Periyar basin would share a similar fate resulting in a substantial drop in rice production in the area.

Management labour relations continued to be cordial during the period. The Work Study and Job Evaluation work is progressing satisfactorily.

I would like to take this opportunity to express our deep appreciation of the excellent work that is being done by the executives and workers of the Company.

I now move that the Directors' Report and the Audited Statement of Accounts for the financial year 1962-63, namely for the period 1-1-1962 to 31-3-1963 be adopted.

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

INDIA STEAMSHIP COMPANY LIMITED

Address delivered by Sir A. Ramaswami Mudaliar, K.C.S.I., D.C.L. (Oxon), Chairman, India Steamship Co. Ltd. at the Annual General Meeting of the Shareholders of the Company, on the 30th September, 1963.

Gentlemen,

The Audit Accounts and Directors' Report for the period ending March, 1963, has been in your possession for some time and with your permission, I shall take them as read.

Before dealing with the Directors' Report and the Audited Accounts, I think it would be appropriate that I place before you frankly the course of events during the last two years regarding the financial position of the Lines operating on the India-U.K.-Continent routes and associate routes. It is no satisfaction to me to present a Balance Sheet showing for the fourth year in succession, a substantial loss, and shareholders have a right to know why these losses have been incurred during this period.

In 1961, the Conference Lines engaged in this Trade came to the conclusion that an increase in freight rates both in the Eastward and Westward direction was necessary if they should earn a reasonable margin of profit on their operations. Elaborate calculations were made of the Balance Sheets of various Lines by Auditors specially appointed for the purpose and based on their findings, a Delegation of the Conference Lines visited Pakistan and India, to get the approval of both Governments to a formula that they had devised, for making what they considered to be legitimate profits for the operating Lines. The Delegation found, when they met the Pakistan Authorities, that they were considering the proposals of a proposed foreign shipping company, which would cater to the entire Pakistan shipping, from and to Pakistan ports, East and West, cargo, both ways, at a lower freight than the Conference was on this route, at a lower freight than the Conference was prepared to offer. The Conference Delegation, after consulting the two Indian Lines, and with their approval, decided to visit Pakistan and come to the best arrangements so that the Conference Lines may continue to operate for the Pakistan Trade. The agreement they came to, instead of raising

the freight rates, reduced the rates substantially on some of the commodities, notably Jute and Gunnies, moving from Pakistan. They further agreed that till the end of 1962, they would not increase any freight rates from East to West. The Delegation then met the Indian Government and came to an agreement with the Government, whereby, as a corollary to the agreement with the Pakistan Government, they agreed not to raise any freights till the end of 1962. They further agreed with both Governments that there would be six months' notice given by the Conference on the 1st January, 1963, indicating the freight increase they would desire to make, the period of six months being utilised, for negotiations with Shippers and consultation with Government. As you would see, the final result of all these negotiations and agreements, was that the Conference which wanted a freight increase to be made in 1961, agreed in effect to no freight increase in the East to West Trade till the 1st July, 1963. The Conference had already increased the West to East freight by 10 per cent on the 1st October, 1961.

I stated, that to meet the so called threat of competition from a new shipping company which was going to use tramp shipping, the Conference reduced the freight rate on Jute from Pakistan, from sh. 173, (the rate which prevailed from 1958 to 1961) to sh. 160. The rate in 1957, when the last increase was made was sh. 187. It was quite obvious to the Conference that the freight rates on Gunny exported from India should be in parity with the Pakistan jute rates. There was, therefore, a similar reduction in the exports from India, which meant a rate of sh. 173/6 per 1,000 kilos of gunnies, against sh. 187 in 1961. I do not want to go into the comparative figures of other commodities, common to the export trade of India and Pakistan, which had to be kept at parity in the trade of each country. In effect therefore, the Delegation which felt that the Lines were incurring a loss on the existing freight rates in 1961, had to content themselves for nearly

two years with the same rates in most cases and at even reduced freight rates in others, before coming up for a revision in freight rates to either of the Governments. The threat of the proposed shipping company, as it happened, and some of us felt that it was bound to happen, was no real threat, for the simple reason, that ships on charter or tramp ships, cannot serve the trade as effectively and carry cargo from and to as many destinations as the Conference, which has about fifteen to twenty Member Lines operating in this trade, each Member with several ships.

It has been generally agreed by shippers and Government ultimately, that an increase in the freight East to West was justified. Both the Shippers and the Maritime Freight Commission have acknowledged that a freight increase East to West was indicated, if the Lines engaged in this Trade were to function and continue to offer to Shippers an adequate service. It is unfortunate that there has not been an agreement on the rate of increase that would be justified. It may be pointed out that during 1960, 1961 and 1962, every Conference of Lines engaged in other overseas trade, increased the freight rate and some of the Conferences have increased it twice during these three years. The Indian Lines had suggested an increase of 10 per cent in the East to West trade, but the Conference fixed an increase of 12½ per cent on the ground that the increase proposed will result only in an effective 10 per cent increase or even somewhat less, because of the non-increase or slightly lower increase in commodities, which have been termed sensitive commodities, whose exports may be affected by freight increases. The question of sensitive commodities and how they should be dealt with is a matter still to be discussed with the Authorities, by the Conference, and I hope as a result of the discussions, a more cordial atmosphere will prevail between the Conference and the Governments concerned.

I have stated, that the last increase in freight rates was in 1957. Comparing the rates then prevailing with the rates now announced, it would be found that in many cases, the rates are only slightly higher than they were at that time. While I am equally anxious that the export trade should be promoted and that our foreign exchange earnings should meet some portion of the present gap in foreign exchange, I would venture to suggest that the price factor and the profit factor of some at least of the export items, should be carefully evaluated before either an increase in freight, or a decrease in the rate proposed, is finally advocated and adopted.

It is with this background that I would like to deal with the results of your Company during the year under review. The Directors' Report discloses that there has been a loss of about Rs. 30 lakhs in the working of your fleet. I would only like to point out that even if a 10 per cent increase had been allowed in the East to West Trade, during that year, the loss would have been avoided.

I have heard it suggested that while other shipping companies are showing a profit, your company is showing a loss. The fleet of your Company is operating on the India-UK-Continent route and the Baltic Sea and Black Sea routes, with a small number of calls to South American ports. It is in this route that the freight rates from East to West was not increased from 1957 to 1961 by the Conference, and has further not been allowed to increase for nearly two years by arrangements with Governments. It is the result of the voyage earnings of Lines in these routes alone, that should be compared to get an exact perspective of the functioning of the companies concerned. Many companies have other routes, in which the large number of ships they have, ply. Some of them have large investments of reserves, the income from which is also appropriated towards profits. As I have already stated, every

other route of the ocean going vessels of Lines, had had the freight rate increased at least once and in some cases more than once, since 1961. I hope these factors will be appreciated in the unenviable task of indulging in comparisons.

The Directors' Report shows that the freight earned during the year was Rs. 8,00,21,725 as against Rs. 8,97,26,920 in the previous year. The decrease in freight is to a large extent compensated by a corresponding decrease of 53 lakhs in port expenses and other charges generally included under this heading.

During the year, the total number of Liner voyages completed, was 48 as against 54 in the previous year.

While there was no increase in the freight rates from India in the routes followed by your vessels, the increase in port charges, dock levies and stevedoring rates, have been substantial, both in India and abroad. There has also been unusual delays in the time taken to berth vessels at these ports, notably at the port of Bombay. Weather conditions and labour strikes, have increased the delay in some ports more than in the previous year. These factors account for a loss of 541 days by the various ships of your fleet. Another unforeseen and unaccountable delay was sustained in one of the ports of the Baltic Sea, when at the time of the Small Pox scare in Western Europe, a seaman on one of our vessels was suspected to be affected by this disease. It turned out that

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 1963 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 28th October, 1963 to those stockholders whose names are registered in the Company's Stock Register on the 14th October, 1963.

Applications for transfers received in this office before 12 O'clock noon on Monday, the 14th October, 1963, 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
AGENT

VICTORIA HOUSE,
Calcutta, 28th September, 1963.

the suspicion was baseless, but the Port Authorities quarantined the ship for 36 days, involving substantial loss in earnings.

In spite of decrease in freight earnings as compared to last year, owing to a rationalisation, there has been a corresponding decrease in expenditure. The number of ports at which your vessels called was 736 in the Liner voyages, as against 947 in the previous year. The average duration of a round voyage was 126 days as compared to 129 days in 1962. There has been a serious attempt at reducing the expenditure on deck and engineering stores but victualling expenses have gone up slightly in sympathy with the rising costs.

The average age of the fleet of your company was nine years in March 1963, and the fleet is in good condition thanks to the attention which has been paid to maintenance.

I referred earlier, to the fact that even with the increases proposed by the Conference, there is only a very slight increase in actual freights over those prevailing in 1957, for several of the commodities. Even so, I am in complete agreement with the policy of the Government of India, that Export Promotion should not be hindered by unreasonable freight rates. It is the same policy which has been adopted by countries anxious to promote their exports and thereby minimise their dependence on foreign exchange. Though National Lines of some of these countries have been compensated in various other ways for their loss in earnings. I would, however, point out that the Indian Lines taken together, are themselves earners of very considerable foreign exchange, particularly if their share in the India-UK-Continent trade is taken into consideration. The Government of India is naturally anxious to expand Indian tonnage, particularly tramp tonnage, thereby avoiding over-dependence on foreign carriers. It is, therefore, really a matter of balancing two apparently antagonistic factors, but I believe that the balance can be struck if the varying factors are taken into consideration in their proper perspective.

I would have greatly wished that the Maritime Freight Commission had consulted the Indian Lines in particular, at some stage before they gave their final decision as to what they considered was a fair increase in freight rates from East to West, to the Continent of Europe. As I have already stated, the consideration of what are called sensitive commodities from the export angle, will be taken up by the Government in consultation with the Conference. I believe that representatives of Indian Shipping Lines in this Trade, will be in a position, from their local knowledge of facts, to assist the Government in coming to fair conclusions.

When referring to this subject of export, I stated last year "It is to be emphasized that as against the small voice of Indian shipping companies, the loud and uncontrolled menacing voice of some shippers of comparatively small exports sometimes prevails." I expressed the hope that the shareholders of shipping companies will join with the management in impressing on the public the need for fair play as between Indian shipping companies and Latin exporters and importers.

THE FUTURE

Shipping is an unpredictable industry—its factors, some of them are outside the control of the Management of Shipping companies. Even so, I express the hope that we have come to the end of deficit Balance Sheets.

The share of the Indian companies in the import and export trade of the United Kingdom is every year increasing by one per cent. The determined efforts made by the Government to increase exports are beginning to have effect in the volume of trade that is moving both to West Europe and to East Europe.

Recently there has been an improvement in the berthing facilities in some of the Indian ports, and what is more im-

portant, the drafts of the River Hooghly, which have the biggest influence in the carriage of cargo to and from the port of Calcutta, have been improved.

The determined effort of the Government to carry through the industrial development that has been planned, affords opportunity for larger import of goods from abroad.

These are factors which may to a certain extent dispel the gloom that shareholders of shipping companies may feel.

THANKS

We are grateful to the Minister of Shipping for his continued interest in Indian Shipping and for his helpful advice from time to time. The Officers of the Ministry of Shipping, the Director General and his Deputies and Assistants in particular, have helped Indian companies and their advice has benefited the management of these companies. We look to their sympathetic guidance in days of difficulty. I am certain that being in charge of the welfare of Indian Shipping, they will, while having regard to the foreign exchange position, also have equal concern about earnings and requirements of Indian Shipping.

TRIBUTE

It is no conventional language that I shall be using when I offer my hearty thanks on behalf of the Board and myself to the Officers and Staff both afloat and ashore, for the devoted services they have rendered during the year.

I should also like to express my thanks to the Shippers, Brokers and Forwarding Agents, for their firm support to us and for the confidence they have reposed in us and in the quality of our shipping service.

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

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RECORDS AND STATISTICS

Reorganisation of Central Excises

(Continued from Previous Issue)

TAXATION policy is best formulated in the Economic Affairs Department of the Finance Ministry in association with other economic ministries. The Central Board of Revenue should cease to be a department of Government. It should be the chief revenue authority concentrating on efficient management of the collecting agencies but its views on the feasibility or otherwise of each levy should continue to be obtained.

There has been no rationale in fixing the strength and status of Members of the Board from time to time. There should be an objective assessment of workload and responsibility to determine both the number of Members and their Chairman's status.

There should be two Boards, one for direct taxes and the other for indirect taxes, each with its own independent Chairman.

The Board for indirect taxes, which may be called the Board of Central Excise and Customs, should sit as a Board to consider all aspects of technical, administrative and establishment work. The strength of the Board and distribution of work among its Members should be determined by the volume of work. The Chairman should be drawn from either Wing of the Service. Besides co-ordinating the work of the Board, he should be the Finance Minister's adviser on indirect taxes. The Board should be responsible for implementing taxation measures and evolve requisite techniques. It should report to Government the difficulties of administration so that remedial measures could be taken.

The data now used to formulate new proposals is neither up to date nor complete. It is also insufficient for consideration of excise levies. The Board of Central Excise and Customs should set up a tax research bureau to collect, collate, analyse and provide it with all relevant material and data. The Central Excise field force is best suited to collect the information required for the tax research bureau.

The Directorate of Inspection should be reorganized to concern itself with investigation and study of major revenue and technical problems and not with the routine inspections. Its regional offices will then be unnecessary.

The Statistics and Intelligence Branch is hardly equipped to undertake any intelligence work. Little is gained by mechanical tabulation of the same statistical summaries which are also manually consolidated. It should be reorganized after a detailed study to be made by a committee of statistical experts. It should be equipped to build up fuller statistical information.

If articles to be taxed are properly defined, there should be little room for technical chemists in the day to day administration of excise levies. The principal function of Regional and the Control Laboratories should be of carrying out analysis where duty liability depends upon the chemical composition of an article. Their needs in equipment and personnel should be reviewed in this light.

Field Organisation

The Multiple Officer Range Scheme has evoked widespread criticism from official and non-official witnesses alike. The main objectives of the scheme have not been achieved; the gravamen of criticism is:

- the Deputy Superintendent in charge of the Multiple Officer Range is unable to inspect his charge objectively;
- evidence is not conclusive that yields of tobacco have increased following introduction of the scheme;
- delays are greater and there is lack of continuity of supervision;
- an extra rung in the hierarchy is introduced and the responsibility has become difficult;

(e) despite travelling longer distance licensees cannot readily find the proper officer and complaints of delays are frequent.

Concentration of staff farther from areas where work arises increases risks of smuggling and evasion. Frequent rotation has created a feeling that the administration lacks faith in its men and has affected morale besides reducing scope for specialization.

There is greater loss of time in travelling and more expenses. Rotation of officers dislocates family life besides causing other difficulties where accommodation is provided by factories. There is mutual bickering and rancour and the control of the Deputy Superintendent is ineffective.

Multiple Officer Range Scheme may be suitable for areas of concentration of industry but it is not so where production units are dispersed. Periods of rotation should be reduced to a minimum of one year to provide for continuity and specialization.

The primary revenue unit should be a sector with workload manageable by an Inspector, and an adequate number of sectors should cover the whole country. The general pattern, except in areas of concentration, should be single officer sectors manned by Inspectors. The utility of Sub-Inspectors is extremely limited.

Supervisory Hierarchy

Too many tiers of supervision and lack of adequate delegation delays resolution of difficulties. Both should be remedied. Compact groups of sectors and Multiple Officer Ranges should form a Range in charge of a Class II Superintendent whose office duties should be drastically curtailed. He should essentially be an inspecting and supervising officer. There is neither room nor need for a non-gazetted Supervisory Officer between the Sector Officer and the Superintendent. Range should not be offices of record but each Range should have one or more additional Inspectors for enforcement, etc. work. There is no justification for retaining two classes of Superintendents. Control over Ranges should vest in Class I officers in charge of Divisions with adequate powers to shoulder responsibility and take decisions.

The Divisional office should have three branches, each in charge of a Class II Superintendent for administration, technical including statistical and intelligence control, and adjudication work respectively.

Jurisdiction of Collectorates should be based on all relevant considerations, the purpose being to make them as far as possible comparable. Collectorates comprising portions of two States should be avoided.

Collectors should be assisted at their headquarters by two Deputies so that they are not tied down to their desks.

Integration of customs and excise work outside major ports may continue but service conditions of officers engaged in customs work whether they are of Customs or Central Excise Departments should be made comparable. There is not much scope for the merger of customs and central excise administration or for integration of their Class II and Class III cadres.

Collectors, Deputy Collectors and Assistant Collectors should be redesignated Commissioners, Deputy Commissioners and Assistant Commissioners respectively.

Ministerial and executive cadres should continue to be separate.

A large proportion of Lower Division Clerks actually undertake Upper Division Clerks' work. Adjustments should be made in the strength of Lower Division Clerks who should be em-

ployed only on routine duties as envisaged by the Second Pay Commission.

There should be a common grade of Office Superintendent for all Collectorates. The numbers required should be determined on the strength of the establishment in each office.

Deputy Superintendents (Ministerial) and Head Clerks in supervisory charges of sections in offices should be replaced by a common grade of Deputy Office Superintendent. Their number should depend upon the number of sections in which an office is organized — each of the three branches in Divisional offices should be in charge of a Deputy Office Superintendent. In Ranges an Upper Division Clerk should be the clerk in charge with a charge allowance.

Ministerial cadres in the Directorates and the Statistics and Intelligence Branch should be merged in those of the office of Chief Central Excise Authority. Present anomalies in career prospects and emoluments should be removed.

Cost of Collection

Commodity-wise costs cannot be worked out under the present system of accounting. While employment of recognised techniques of cost accounting should enable determination both of commodity-wise costs as well as their comparative costs in different Collectorates, the true position of real comparative costs may be obscured by a number of factors. Steps should be taken to develop a fully integrated system of cost control. Costing must be based on basic documents prepared at the time of assessment. Overheads not relatable to any particular excise should be allocated empirically. Costs of Chief Central Excise Authority and its ancillary offices at New Delhi need not be allocated to Collectorates for purposes of comparison. Present cost of collection of excise duties is not unreasonable and is comparable to that of the other two main sources of revenue, though compared to costs of collection of indirect taxes, in some other countries, it is still high.

Textile Fabrics and Yarn

The separate levy of yarn consumed in manufacture of cotton fabrics in composite mills and powerloom units larger than 49 looms, should be converted into fabric duty. There is no agreement on replacing physical-cum-accounts method of control by the audit type of control. Duty may be charged on samples but the procedure should be simplified. There should be closer and early consultation between representatives of industry and excise officers competent to settle procedural details and clear doubts whenever a new duty is levied. Production has increased but the average incidence of duty on cotton fabrics of the compounded levy sector has been falling. Revenue sacrifice in compounding is estimated at Rs. 6 crores annually on the basis of 1961 rates of production. Licensed powerloom units rose from 279 in 1955 to over 26,000 in May, 1962. Neither reduction of looms per unit to constitute the free sector nor raising the compounded levy rates is likely to improve revenue. The benefit of the revenue sacrificed often goes to city financiers instead of powerloom owners. Anti-fragmentation measures have not succeeded. Fragmentation has resulted in the costs of administration sometimes exceeding the revenue collection. Schemes to relate the compounded levy to actual or potential production and grading it according to sizes of units will both entail excessive costs and perpetuate the tendency towards fragmentation. Cotton powerloom fabrics should not again be exempted from the duty. Duty from powerloom cotton fabrics should be derived by a levy on yarn delivered from spinning mills and excise control over powerlooms abandoned with economy in administrative costs. The exemption for coarser yarns delivered in hanks should be revoked. All handloom fabrics will then again bear a modicum of tax. If protection for them is to continue, this could either be done by refund of yarn duty to handloom

cooperatives or by increasing the rate of handloom cess, preferably the former. Relief to different sections of powerloom industry may, if found necessary, be given as subsidy.

The monthly exemption slab for independent processing units should be replaced by a scheme of subsidy, the amount of subsidy rising as the quantities processed increase above a floor and upto a ceiling, after which there should be no subsidy.

The revenue from the second stage levy of processing duty on rayon and artificial silk fabrics, should be derived through revised rates of yarn duty. This will reduce administrative costs and also remove the grievance that, unlike cotton fabric processors, artificial silk processors do not have an exemption slab. There should be no exemption slabs for them.

Conversion of the two stage levy on woollen fabrics into a duty on yarn is not feasible.

Avoidable documentation in completion of assessment memoranda and deduction for discounts, 'flag' allowances and the like should be eliminated.

Duty on yarn wasted in processing and milling should be taken into account when fixing rates of refund on export of fabrics.

Remnants of pieces used for cutting samples should be allowed to be delivered on recovery of duty.

Tobacco

The excise systems of other countries give no guidance for remodelling our Scheme. A scheme of assessing duty on cured produce, the liability being discharged by the first buyer but without subsequent control on the tobacco, is not feasible. If the off-take for cigarette production was higher and a tax on manufactured biris administratively feasible, it would be possible to raise all revenue from these manufactured products and leave raw tobacco untaxed. But that is impracticable. There is no workable alternative to the present system of classification for assessment, but the large gap between lower and higher rates is an incentive to misuse of lower rated tobacco. Complaints of this are widespread though statistical study does not indicate any large scale increase in production of whole-leaf varieties. The quality of Indian tobacco should be improved but not through compulsory grading or tariff preferences. There should be stricter restrictions, as in other countries, on collection of bottom, withered, etc. leaves and ratoon. A flat rate of duty is desirable, but as a differential between tobacco for biri and for other uses has been maintained over a long period, a sudden change may upset the equilibrium. The gap between the two rates should be gradually reduced so that a flat rate can ultimately be introduced. Control over production of tobacco should be stricter.

The grower's entry book may be abolished and the curer's entry book restricted to professional curers only. To help curers, some such agency as the Central Warehousing Corporation should set up public bonded warehouses for cured tobacco and make advances on stocks deposited. A specified period adequate for the actual needs of the trade should be fixed for the storage of tobacco warehouses in bond. There should be no extensions and the period fixed should be uniformly enforced. Revision of rates of duty to allow for losses due to dryage and withdrawal of the concession to condone such losses is to react adversely on the producer. But such condonation should be limited to losses on account of natural dryage during period to be fixed for each major variety, taking into account the time taken by freshly cured tobacco to lose its surplus moisture. Thereafter, no claims for losses should be entertained. Condoning losses in curer's premises should be regularised by law.

In re-arranging jurisdictions care should be taken to see that primary revenue officers are able to realise the arrears and, in any case, to check any further rise in arrears. A

mandatory penalty should apply to amounts remaining unpaid. There is no need to demand interest, but curers may be allowed to pay arrears in instalments. Amounts in arrears may be re-assessed on rate enhancements only where tobacco physically exists. Revising other demands where tobacco has already gone into consumption, is for practical purposes of no value. The law to enforce recovery of arrears is adequate. State administrations should realise that a part of the arrear is actually State revenue. There should be reliance on the normal organization to realise arrears and not on employment of special squads. Administration will become simpler and certain grievances of cigarette manufacturers will be met if the two stage levy, first on tobacco and then on cigarettes, could be replaced by a single levy on cigarettes, but a specific tariff with reference to weight of tobacco in cigarettes does not appear practicable.

There is considerable evasion of cigar and cheroot duty and more and more cigars pass for non-taxable than could genuinely be marketed within the tax-free slab having regard to prevailing price, wage, etc. levels. The collection being small, the duty should either be abolished or replaced by a flat specific levy related to weight of cigars and cheroots. Excise labels for cigars lose all meaning when a free slab exists and may be continued only if the free slab is abolished.

Sugar

Either the methods prescribed for testing sugar samples should be replaced by those which will not be open to objection on technical grounds or the earlier definition of excisable sugar should be restored. Documentation and sampling for excise purposes and physical checks are excessive and should be reduced. Departmental chemists should only analyse samples in disputed cases and not become technical consultants or judges of operational efficiency. The scheme of technical control and scrutiny of process accounts should be modified accordingly. Audit type of control should largely replace the present system of physical control. The incidence of duty borne by khandsari sugar produced under compounded levy is much lower than under the notified rates which are themselves low. The production of khandsari sugar by sulphitation process is organized in small factories. The sugar they produce is also often indistinguishable from sugar made in vacuum pan factories. The rate of duty on sulphitation processed khandsari sugar should, therefore, be brought nearer the normal rate. This would be justified in itself and would also largely compensate for the loss of revenue by exempting ordinary khandsari sugar from the duty.

Matches

A simple levy has become extremely complex through successive changes in categorisation of factories and rates of preference applicable to individual producers. Despite a duty preference for factories in the organized sector since 1961, their total production declined. Changes in gross benefits from rate concessions have led to lowering of output of 'B' category factories, some of whom have closed down or fragmented into 'C' category factories whose numbers and output have shown a phenomenal increase. Restriction on licensing of more than one factory belonging to members of the same undivided Hindu family is commonly circumvented and also complained of as discriminatory. Both this and the rule requiring approval of labels have in effect become dead letters and serve no useful purpose.

The existing rate preferences are an incentive to fragment into smaller units or restrict output. The effective tariff should be recast to encourage consolidation and growth. Revised duty differentials have not benefited those for whom they were intended, the labour engaged in small factories or the consumer. The objective of telescopic rates to encourage manufacturers to grow has not been achieved. The duty preference is largely passing into the distributive channels. There is no justification to distinguish between the present 'B' and 'C' category factories for tariff purposes. The criterion of the use of mechanical power may be an adequate one to distinguish factories in the organised from those in the smaller sector, ignoring such use of mechanical aids as, for instance, in grinding chemicals, cutting labels, etc. There should be no preferential slab for manufacturers in the organised sector. There should be a common preferential rate for all manufacturers in the small sector. Aid to individual manufacturers in the latter sector should then be given through cash subsidies, the amount of subsidy increasing as production rises. This will provide incentive to consolidation and growth. Banderolling is preferred by all but as there is scope for substantial economy by eliminating banderolling, an alternative should be explored. Rules relating to certificates specifying the price at which manufacturers may buy banderols need revision. The Departmental Treasury at Sivakasi should be supplied banderols directly from the Security Press. Mar-useful purpose. Uniform retail price cannot be ensured without statutory price control and uniformity in other taxes levied on matches.

Tea

Warehousing of tea stored in Calcutta and Cochin pending auction will relieve the financial burden on producing tea

estates. Excise duty may be recovered on delivery from warehouses after auction. Where estates deliver tea directly to buyers, duty may continue to be recovered at the time of removal from the producing factory. The suggestion to accept post-dated cheques on account of excise duty cannot be endorsed. Tea cess levied on quantities of tea exported may be spread over the entire production and collected in the same way and along with excise duty to facilitate recovery and also lower the cost of tea exported.

Consumption of loose tea which does not bear the package tea duty is increasing. Levy of package duty puts a premium on unhygienic storage and handling of loose tea. The saving of package tea duty is largely appropriated by the distributive channels. The overall duty burden bears more heavily on the rural consumer than on hotels, restaurants, etc. who can order tea in large packs and avoid the package duty. Revenue will improve considerably and the rural consumer also benefit if to the zonal rate was added, in substitution of the package duty, a common rate applicable to all tea going into internal consumption. Warehousing of tea in auction markets will facilitate this and reduce administrative costs. Zonal rates should be fixed taking into account, besides the average selling price, the cost of production also. There is scope for reducing physical checks and excise accounts to eliminate those that are of little value or involve duplication. Powers of officers to supervise destruction should be liberalised to meet day-to-day needs of production. There is no need for a bond for tea waste which is 'ab initio' exempted from the duty. Central and State levies on tea can only be combined into a single stage recovery if constitutional difficulties and the objections of the States can be overcome.

Paper

The complaint that dissimilar varieties are grouped under the tariff at common rates of levy and that the same varieties are at times classified differently at different paper mills is not without substance. The present scheme leads to the grievance that officers usually assess at the highest of several rates applicable. Grouping of varieties for tariff purposes should be on the basis of verifiable physical characteristics. The number of categories could be reduced from the present four to two. The higher rate may apply to varieties identifiable by physical characteristics, e.g. tissue other than cigarette tissue, blotting, toilet, cheque or art paper. The lower rate may include all other varieties. The rate preference for newsprint is liable to abuse, the detection and prevention of which is difficult. A common rate of duty may apply to all newsprint howsoever used, the mechanical woodpulp content being made the criterion to distinguish newsprint from other varieties of paper. Enquiries which are made at the instance of the Ministry of Commerce and Industry to determine whether a variety of paper is provisionally recognised as hand-made before it is exempted from duty may be entrusted to Excise officers. As all boards are assessable at any one of two basic rates of duty, a more broad based tariff description will facilitate administration. The existing procedure prescribes the same physical checks at successive stages in the packing room, store room and at the time of clearance. The scheme should be simplified and all test checks conducted mainly in packing room, checking in subsequent stages being confined to such cases where there is reason to suspect substitution.

Soap

The output of the power operated sector has steadily increased after the levy of duty but there have been only minor improvements in the output of the taxable non-power operated sector. The free slab in power operated sectors accounts for four per cent of its total duty liability. The free and pre-to five per cent of its total duty liability. The revenue foregone in exemption slab in power operated sector is about Rs 10 lakhs annually; the annual revenue from the non-power operated

sector is Rs. 14 lakhs. About 150 power operated factories yield nearly 94 per cent of the total revenue from soap. 350 factories in the non-power operated sector contribute the balance of 6 per cent. Another 1400 non-power operated factories are under excise control but as they pay little revenue, the excise effort in surveillance over them is unproductive revenue. The non-power operated sector may be exempted from the duty; the revenue loss should be offset by abolition of the exempted slab for the power operated sector and recasting the tariff. This will reduce costs without a major disturbance to the economy of the industry. All household and laundry soap should be chargeable at a common rate. As rates of duty for all other soaps are the same, the tariff can be rationalised into two rates, one for household and laundry soaps and another for all others. Criteria such as the size of containers, alkalies used, design of labels, etc. for eligibility to exemption should be reviewed and simplified.

Soap stock should be taxable. If delivered for further processing into power operated soap, it should be treated like other excisable components and raw materials; all other deliveries should be subjected to the duty. Correlation of raw material with production is incomplete if it is confined to consumption of vegetable non-essential oils only.

Footwear

Nouned and executive exemptions have stultified the purpose of extension of the levy to footwear parts. Recovery of duty on excisable footwear parts is contingent on the fact whether they are made into footwear in the same or in any other footwear factory in the excluded sector. Duty should be levied on all footwear and footwear parts produced with the aid of power.

Electric Batteries

Administration of ad valorem levy has presented more than the usual difficulties in assessment of batteries used by certain manufacturers. Changing the basis of levy to a specific rate with reference to the weight or other criteria of batteries should be explored. Flat deduction from published list prices for assessment of batteries is not favoured by the industry. On administrative considerations, battery plates produced by five-worker factories whose output of battery is still exempt, should also be exempted.

Electric Wires and Cables

Preference in valuation for assessment is an incentive to production of non-standard cables. Sub-standard electric cables are hardly in the national interest. Simplification through tariff values for assessment is defeated by the fixation of values and preferences. Duty cannot be calculated in terms even of whole naye Paise. Revenue to be derived from cables can be realised more simply and cheaply by suitable revision of the rates of duty for electrolytic copper and conductor grade aluminium, or taxing rods drawn from such metals, and insulating materials. Such decisions as charging insulating tapes if the weight of cotton fabrics in them exceeds 40%, and on insulation enamels made from taxed imported resins, should be revoked. While not contributing any appreciable revenue, they create administrative difficulties and enlarge the area of conflict.

Patents & Proprietary Medicine

Instead of the intrinsic quality or the therapeutic value of a drug, the format, design, colour or colours, borders, background effect of the label under which it is marketed, determining its liability to duty is irrational. There is also a large discretion to the assessing officer, giving rise to uncertainty which is not healthy for the trade. If the intention is to siphon off a part of the extra profit, this cannot be achieved by charging the duty ad valorem. From the practical point of view, the entire range of pharmaceutical products should be brought under excise levy with selective exemptions, restricted to specified essential life saving drugs. The institution of the loan licensees should be reviewed specially as purity of drugs is so vital to

THE BRITISH INDIA CORPORATION LIMITED, KANPUR

BRANCHES DIVISION

Cawnpore Woollen Mills Branch
New Egerton Woollen Mills Branch

Cooper Allen Branch
North West Tannery Branch

LONDON OFFICE

BEGG SUTHERLAND DIVISION: SECRETARIES & TREASURERS

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Cawnpore Textiles Ltd.
Brushware Limited

Cawnpore Sugar Works Ltd.
Champaran Sugar Co. Ltd.
Saran Engineering Co. Ltd.

Secretaries for: Beta Picker Co. Ltd.

Agents for: The Oriental Fire & General Insurance Co. Ltd.

the well being of the community. Excise administration will be simplified if loan licensees were abolished.

The limits for quantities permitted to be replaced free of duty or delivered as samples free of duty should be reviewed from time to time to conform to the normal practice in the trade. Audit type of control is not feasible with a preponderance of small scale manufacturers, but it could be introduced for well organized laboratories with fully documented accounts only if the whole range of medicine is made excisable.

Coffee

Although the Coffee Board markets the bulk of the crop, it is neither advisable nor feasible to entrust excise administration to it. All coffee could be subjected to a common rate of duty. It is inadvisable to convert the basis of levy to ad valorem to help inferior or low priced grades. Facilities of bulking and garbling coffee should be allowed to all exporters. In view of the importance of the industry and its revenue potential a research foundation should be instituted to secure improved yields and quality of Indian coffee.

Hydrochloric and nitric acids made without the use of power by small manufacturer using duty paid sulphuric acid may be exempted outright as revenue is small and it is not possible to ensure compliance of all the conditions now prescribed.

Films

The suggested substitution of the excise duty on exposed cinematograph films by an increased rate of duty on raw film is likely to bear harder on those producers who take fewer than 14 or 15 copies of each film but will lighten the burden on producers who take larger number of copies. In view of the altered balance between import and excise duties under the Finance Bill of 1963, the matter may be further examined.

Vegetable Oil

Although more oil was produced in successive years by a

larger number of millers and the exempted and preferred sectors had been reduced in size, the revenue declined instead of improving. The share of the small sector in the total output rose in successive years and that of the organized sector declined. The incidence of duty borne by oil produced in the organized sector averaged Rs. 100 per tonne; the incidence on the small scale sector's oil fell from about Rs. 81.60 in 1959-60 to about Rs. 40.60 per tonne in 1961-62. The scheme of duty preferences induced larger units to fragment. Anti-fragmentation measures did not succeed. Compounding led to swelling the profits of the exporters and the benefit of lower incidence in compounding did not accrue to the millers. A more marked distortion occurred in the production pattern of castor oil. Abolition of the exempted sector in March, 1959, was expected to yield about Rs. 4 crores additional revenue, but actual revenue collections fell by about Rs. 3.5 crores over the preceding year. The revenue actually forgone may have even been higher. Fragmentation and growth of numbers of small millers affected also the solvent extraction plants and export trade in oil-cake. As the number of factors which affects the production capacity of the same equipment is large, there is no method of arriving at a fair average production capacity for each equipment for crushing of oilseed. For constitutional and other reasons compounding cannot be made compulsory.

Deriving the total revenue from vegetable non-essential oils by enhanced rates for other excisable goods made with oils as raw material might upset the balance and lead to other complications. A commodity in which half the production is distributed in the small scale sector is not a very suitable article for levy of duty. Government appear to have arrived broadly at the same conclusion as the duty has been exempted but a study of this levy gives an interesting insight into practical and economic effects which an excise duty can have.

(Concluded)

Tourist Traffic in India

A DETAILED analysis of the trends of foreign tourist arrivals in India shows that the decline in tourist arrivals of 3.9 per cent in 1962 as against the figures for 1961, has not been wholly due to the emergency. A region-wise examination shows that 38 per cent of the fall from Europe, 19 per cent from Africa and 22 per cent from East Asia have occurred after the declaration of the emergency, which did not affect the tourist traffic from South America. Western Europe as a whole sent more tourists to India than other areas, foreign tourists from this region accounting for 28.1 per cent in 1962 as against 26 to 27.4 per cent in the previous years. While France and Germany have recorded increase in 1962, for the first time, there has been a small fall in the total number of tourists from this region, especially in regard to tourists from Italy, the Netherlands, Portugal, Sweden and the U.K. The tourists from U.K., however, retained their second place, constituting 16 per cent of the total number of tourists to India, which is about the same proportion they have been maintaining for a number of years. Tourists from Africa for the first time showed a fall in 1962. The fall has been due largely to the decline in the number of tourists from Kenya (from 11,420 to 9,141). The other countries in the region have in fact shown some increases. Tourist arrivals from West Asia, on the other hand, showed an increase in 1962, the rise since 1967 being just nearing two-fold.

Out of the 80 countries from which tourists come to India, 37 showed a total rise of 6,324 in 1962 as against a fall of 11,768 tourists from 43 countries. The high spending category of tourists showed a rise from 82,038 in 1961 to 83,318 in 1962. The number of North American tourists (35,075 in 1962) has registered a sharp increase, being double of the figure of 1957, the tourists from the U.S.A. being the largest nationality in 1962 forming 24.7 per cent of the total

tourists coming to India. The increase in the number of tourists from South America since 1957 has been three-fold, having risen from 536 in 1957 to 1593 in 1962.

The number of pleasure tourists who visited India in the last quarter of 1962 rose from 17,928 in 1961 to 18,932 in 1962. The tourists passing through India on their way to some of the neighbouring countries, also increased from 12,040 in 1961 to 13,930 in 1962. Even in the case of nationalities which have shown sizable fall in the total number of tourists, the pleasure tourists have registered an increase. In the case of U.S.A. the pleasure tourists recorded an increase of 5.6 per cent.

The figures of foreign students and those connected with educational institutions in U.S.A. and Western Europe, who visited India during July and August which are bad months for the tourist traffic generally, also showed an increase. The corresponding figures from America and Western Europe were 1,766 in 1962 as against 1,379 in 1960 and 1,189 in 1962 as against 1,008 in 1960 respectively.

Airborne tourist traffic has been on the increase from all regions except Eastern Europe, the increase being at the cost of arrivals by sea and by land. The proportion of tourists arriving by air in 1962 reached the figure of 67 per cent as against 63.3 per cent in 1961.

The number of tourists disembarking at Palam and Safdarjung has shown a spectacular increase from 21,046 in 1960 to 31,650 in 1962. The increases in the case of Dum Dum and Santa Cruz have been much less. An examination of the data available seems to indicate that there is a good desire on the part of the tourists to make Delhi as the first point of arrival rather than Calcutta or even Bombay.

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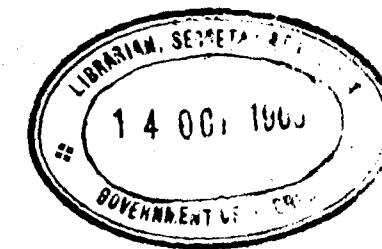


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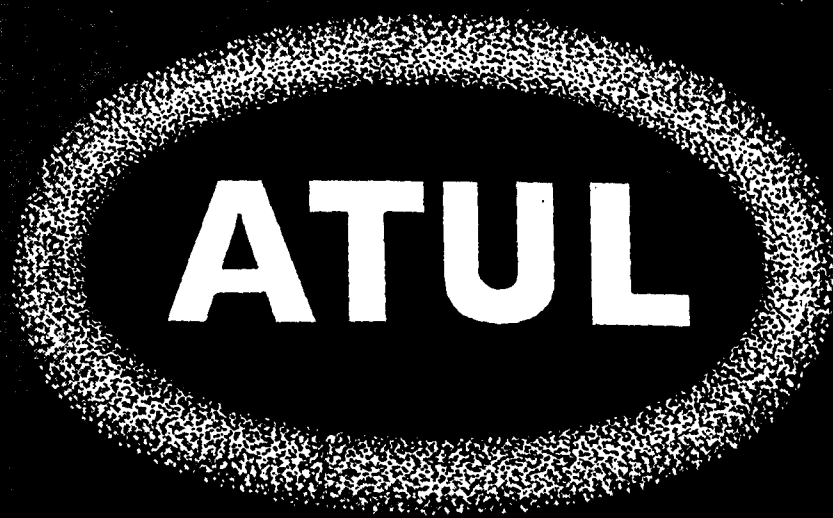
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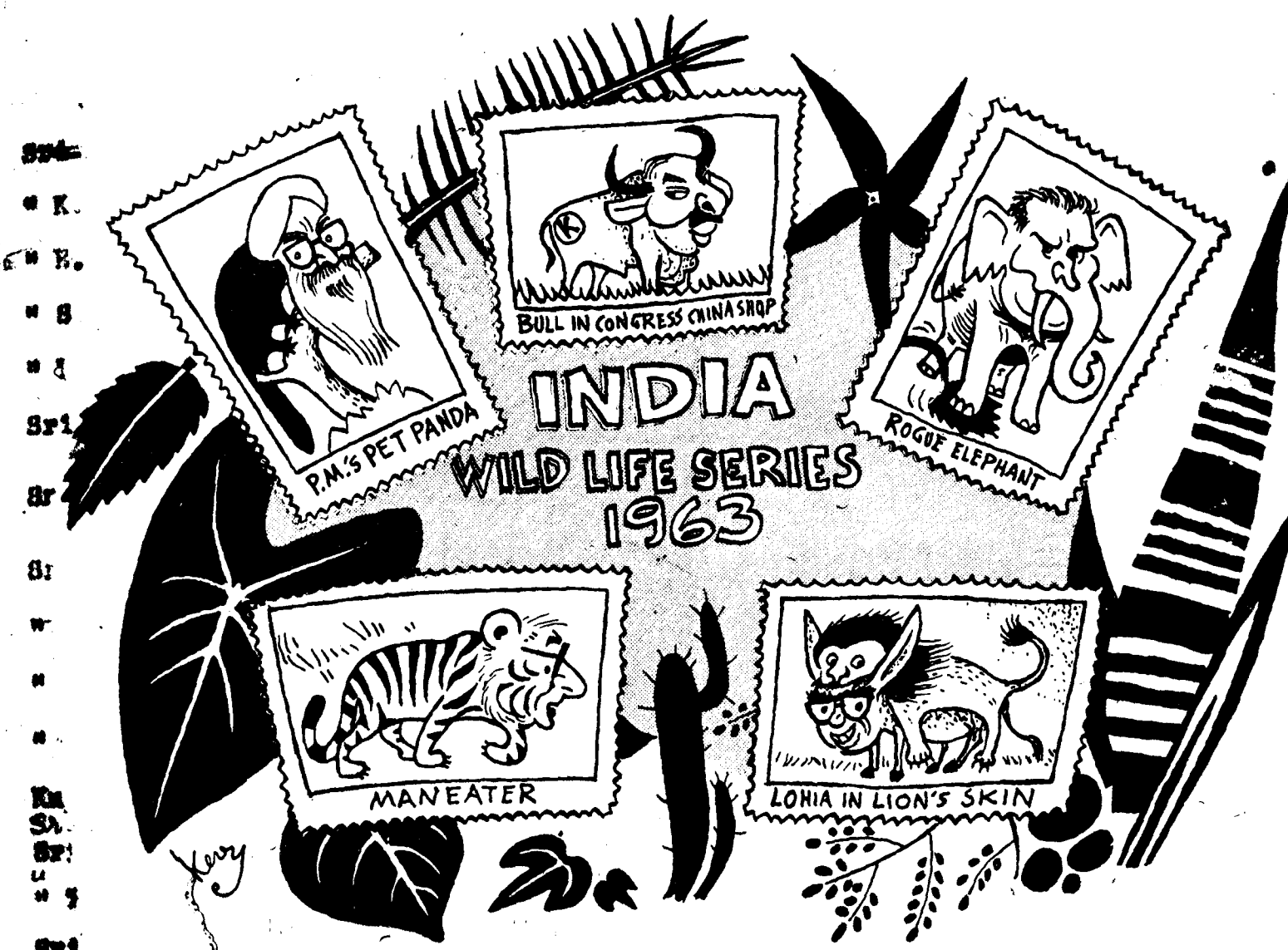
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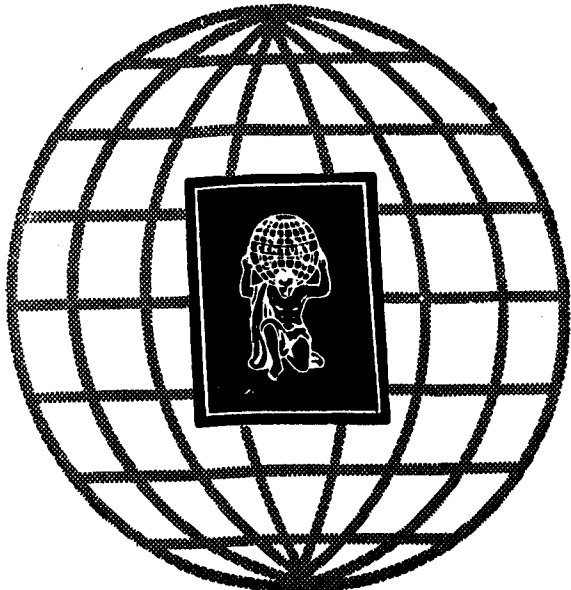
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Towards Tokyo

THE FUND-BANK meetings in Washington last week were clearly an exercise in preparing the ground for the more important next annual session in Tokyo when the Bretton Woods twins would have got out of their teens and are expected to celebrate their coming of age with bold words and even bolder actions. The Fund, particularly, is expected to assume increasingly adult responsibilities. No international institution, however conservative in its leadership, could resist for long global winds of change and fears, chiefly British, that the new Managing Director of the Fund, M. Pierre-Paul Schweitzer, could prove a too worthy successor to Dr. Per Jacobsson in the practice of monetary orthodoxy have not been wholly borne out. Although the annual report of the IMF had deprecated rather ominously the cry of world finance being insufficient to cope with the rising demands of world trade, the Managing Director's speech shows a reasonably receptive attitude of mind.

M. Schweitzer was in fact quite apologetic in his admission that a whole series of arrangements outside the Fund had been found necessary in recent years in providing the means of financing deficits and preserving the exchange rates. He conceded the important role played by the inter-central bank credits which helped to defend sterling in 1961 and the more extensive and formalized network of swap arrangements established over the last two years by the United States with as many as ten industrial countries and with the Bank for International Settlements for an aggregate value of \$1,550 million. It may perhaps be not unfair to the Managing Director of the Fund to suggest that a possible apprehension that such arrangements outside the Fund might in due course become the main instrument through which international liquidity might be sought to be expanded could have been one reason why he has now pledged the Fund to intensive studies of means of enabling it to play a more effective role in the provision of liquidity. M. Schweitzer has promised that the results of the study would be ready for Tokyo, but he has also made it more or less clear that no startling conclusions are to be expected.

The Fund's line of thinking, at any rate for the present, seems to be in the direction of exploring the question of increase in quotas and possible changes in the Articles of Agreement. Limited thus as the Fund's approach is, it is unlikely to satisfy substantially expectations such as those nursed by the British in terms of Mr. Maudling's ill-fated "mutual currency account" proposal of a year ago. Rather more radical ideas for increasing international liquidity may be expected from the inquiry which the ten leading industrial countries, which subscribe to the \$6,000 million International Monetary Fund borrowing scheme, are planning to initiate. This group, which has come to be known as the "Paris Club", proposes to investigate future world liquidity requirements in terms broader than those with which the IMF will necessarily have to concern itself. This group, for instance, may discuss matters such as the gold ratio policies of the major Central banks; one view which has been in the air in this direction is that arrangements should be made for directing the newly mined and Russian gold to low-ratio countries desiring to raise their ratios.

It remains to be seen whether the labours of the "Paris Club" assist directly or indirectly in strengthening the demand made in some quarters that the IMF should evolve into a credit-creating institution and thereby become in due course what is described as "a real international Central bank" rather than just a club of national Central bankers. Much will depend, of course, on American attitudes which, in the eyes of the protagonists of change, have lately become less dogmatic. France, which, as a major creditor nation, can play an influential role in these discussions, is also

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reportedly responsive at present to notions of reform. The French Minister of Finance, M. Giscard de'Estaing, has expressed dissatisfaction with the existing monetary system on several grounds. He has pointed out that, when the Central banks accumulate holdings of the currencies of other countries, there is no "automatic machinery" for a prompt return to equilibrium. There is, he further complains, a lack of reciprocity in that the reserve currency countries, when they move from deficit into surplus, might not be willing to accumulate the currencies of their new debtors. Pleading for a more equitable relationship between debtor and creditor nations and a fairer distribution of risks and burdens, he argues that the present system, whereby some countries keep almost all the reserves in gold and others hold large amounts of foreign currencies, is far from satisfactory. In these circumstances, however tentative or narrowly technical M. Schweitzer's own ideas of change in the structure or machinery of the Fund may be, it is likely that by this time next year the IMF may well arrive at Tokyo, still unwilling perhaps to adventure, but reconciled to being receptive.

Although this country has had to ask for access to the Fund's resources more than once, there is still a feeling that problems such as international liquidity and international good behaviour in the currency sphere, which constitute the main responsibilities of the Fund, are of rather remote interest to countries other than the economically advanced members of the IMF. This is perhaps a wrong impression because the Fund has always performed a role, not at all negligible, as a mentor of morals and manners in international commerce, a subject which is of concern to all countries of the world. In giving advice in these matters the Fund has generally tried to appreciate the special difficulties of less developed countries. In its latest annual report, the Fund has shared the fears of these countries that common market groupings of industrially advanced nations, unless accompanied by liberal attitudes to world trade, are likely to affect adversely the export trades of the nations which are left out. M. Schweitzer notes that the payment position of the less developed countries in 1962 was somewhat more favourable than in the previous year, thanks to higher export earnings.

IFC: Fine and Fifteen

REVIEWING THE evolution and functioning of the Industrial Finance Corporation of India, particularly its progress in recent years, its Chairman claimed recently that it "now stands poised to assume larger and more positive responsibilities envisaged by the Finance Minister in his statement in Parliament." Mr. K. P. Mathrani was rather modest because it can fairly be said of the IFC that it has, to some extent, anticipated Mr. Krishnamachari's plans for converting it into a development bank. The activities of the Corporation have been steadily spreading over an area wider than

But he warns that basic uncertainties persist. Imports of primary products have not kept pace with the growth of national income or of manufacturing production in industrial countries; moreover, export receipts of the less developed countries have been adversely affected by a worsening of their terms of trade. These are two of the difficulties for the easing of which a number of countries over a large part of the world would certainly be relying very considerably on the discussions of the world trade conference which is to be held next March, preceding the Kennedy round of talks at the GATT meeting in the following May.

Meanwhile the deprecatory references in the Fund's annual report to bilateral trade pacts, barter deals or special payment arrangements are likely to be received with mixed feelings in countries which have found it necessary to resort to such devices in order to promote exports or finance essential imports. It is a common assumption but a wrong one that such special agreements are peculiar to trade with Communist countries. India, for instance, has had to enter into transactions of this class with the United States for marketing her manganese ore and with Japan for marketing her iron ore. The point is that, over the greater part of world trade, commerce just does not find it possible to flow smoothly or without special aid and comfort. It follows that the Fund's stricture that bilateral trade pacts tend to encourage stagnation of commerce or depress levels of world trade may perhaps be true in the long term and on the condition that the channels of multilateral trade are themselves being cleaned up by enlightened international action; but, in the short period, they may not necessarily have a restrictive effect. On the contrary, they may stimulate commerce even spectacularly in the present as has been demonstrated through this country's trade agreements with the Soviet Union. World commerce, in other words, cannot be liberalised through sermons on the virtues of multilateral trade. It would be more to the point if powerful trading areas, such as the United States and the ECM would constructively react to suggestions that they should make unilateral trade and tariff concessions in the distressed areas of world trade when the less developed countries are struggling hard to find normally expanding markets for their exports at economic prices.

its original and principal jurisdiction of institutional lending. Apart from the fact that the IFC has been giving not only rupee loans but also loans in foreign currency, its activities have included, for some time now, the giving of guarantees in respect of deferred payments and foreign loans and the underwriting of public issues in the form of equity and preference shares and debentures.

It is well to recognise, however, that the secondary activities of the IFC are necessarily subject to limitations.

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This is so, for instance, with regard to sub-loans in foreign currencies. Till June 30 this year, the total funds guaranteed in this manner are Rs. 9.29 crores. Considering the overall shortage of foreign exchange, it may be conceded that this assistance should have been valuable. Nevertheless, in extent, it is still marginal to the main lending operations of the IFC which are in rupees. Another reason why the IFC has not been able to do more in this direction evidently is that the available resources of foreign currencies are scarce.

The IFC got its funds from the U.S. Agency for International Development, the West German and the Japanese inter-governmental credits and, more recently, a line of credit from the Banque Francaise du Commerce Extérieur. A point worth noting is that the IFC seems to have been rather slow in utilising these resources. Thus, although it has been sanctioned in all \$30 million by the U.S.A.I.D., it has committed in the form of sub-loans only \$14.85 million out of that amount. In the case of the West German credits again, only DM 12.25 million have so far been utilised out of a total of DM 45 million. It has been suggested that the fact that most of the foreign credits are tied to purchases from the lending country has interfered with their prompt utilisation.

This, however, is not a sufficient explanation. The German credits, in any case, are not tied, but here too there is a considerable amount which the IFC has not yet found possible to disburse to its clientele. This apart, the practice of the lending countries tying their credits to their supplies is a factor with which borrowers have got to come to terms. The Corporation has approached the AID for a further allocation. It is also applying to the Central Government for more resources in foreign exchange. While these moves merit sympathetic response, it is simultaneously necessary to study whether the IFC is not being excessively conservative in the engagement of the foreign credits already placed at its disposal.

In the interesting, but difficult, field of underwriting operations, the IFC, as its Chairman has emphasized, is rather a raw practitioner. It was in December, 1956, that the Corporation first ventured into this business. But since then it has been stepping up its commitments and has so far given net sanctions in 42 cases to the extent of Rs. 7.66 crores. During this period, 28 issues, involving commitments, on the Corporation's part, of Rs. 6.25 crores were actually placed on the market, resulting in shares and debentures worth Rs. 4.51 crores

SUMMARY OF FINANCIAL OPERATIONS

(In crores of rupees)

		During the year ended 30-6-1963			Grand Total Since 1948						
		Sanctions (gross)		Amount disbur- sed	Sanctions (gross)		Cancell- ations	Sanctions (net)		Amount disbur- sed	Amount outstand- ing
		No.	Amount		No.	Amount	Amount	No.	Amount		
1.	LOANS										
	Rupees ..	43	19.57	12.17	459	142.57	24.18	383	118.39	80.05	57.56
	Foreign Currency ..	18	3.04	1.94	39	10.31	1.02	36	9.29	2.20	2.20
	TOTAL ..	61	22.61	14.11	498	152.88	25.20	419	127.68	82.25	59.76
2.	UNDERWRITING										
	Equity Shares ..	17	1.53	0.35	30	3.05	0.25	28	2.80	0.53	(c) 0.72
	Pref. Shares ..	4	0.16	0.20	21	2.81	0.38	18	2.43	0.91	0.91
	Debentures ..	1	1.68	1.62	2	2.43	—	2	2.43	2.28	1.62
	TOTAL ..	22	3.37	2.17 (a)	53	8.29	0.63 (b)	48	7.66	3.72	3.25
3.	DIRECT SUB- SCRIPTION										
	Debentures ..	1	1.82	1.82	1	1.82	—	1	1.82	1.82	1.82
4.	DEFERRED PAY- MENT GUARAN- TEES ..	8	3.35	2.31	31	29.25	12.45	22	16.80	12.76	12.07
5.	GUARANTEES FOR FOREIGN LOANS	2	8.99	2.02	3	10.46	0.09	3	10.37	2.02	2.02
GRAND TOTAL ..		94	40.14	22.43	586	202.70	38.37	493	164.33	102.57	78.92

(a) 10 cases cover both rupee and foreign currency loans.

(b) 7 cases cover both equity and preference shares. (c) 6 cases cover both equity and preference shares.

devolving on the Corporation as a result of these operations. The Chairman has conceded that the proportion of the shares and debentures which the Corporation has thus been left to nurse is quite large, but he has explained that this is due mainly to the condition of the capital market. This is an assessment which may perhaps have to be scrutinized further.

The resources of the Corporation are not unlimited and the first charge on them, undoubtedly, is the requirements of its normal lending operations. While a certain enthusiasm for promotional activities is certainly to be admired, it is at the same time proper to sound a note of caution against the Corporation committing its scarce resources unduly to secondary purposes. Recently it was reported that, as one of the measures for reviving the capital market, the IFC was being asked to do more underwriting business in association with the LIC and the ICICI. It is possible that, as Mr. Mathrani suggests, the depressed state of the capital market is a temporary phase, but it is also not unlikely that the depression may not really lift until fiscal and other economic policies are liberalised by the Central Government. So long as there is no clear indication that such a revision will be effected, institutions, such as the IFC, must necessarily exercise a wise restraint on their generous impulses for supporting the capital market.

So far as the central area of its activities is concerned, the IFC is certainly doing solid and even spectacular work. During the 15 years of its existence the Corpora-

tion has sanctioned in all Rs. 164 crores as loan assistance and in the same period it has disbursed actually about Rs. 103 crores. It has been estimated that the total cost of the projects which have come to fruition because of IFC assistance is of the order of Rs. 433 crores, that is, roughly 30 per cent of the total net investment in the organised industries in the private sector since Independence.

A principle which governs the Corporation's lending policies is that the industrial priorities written into the five-year Plans should be respected and honoured. The Corporation has always claimed that it has tried to do this. But, rather surprisingly, the sugar industry, which cannot, by any means, be described as having been given a high priority rating in the five-year Plans, had been the largest single recipient of IFC assistance for some years past. It is not suggested here that there may not be a perfectly sound explanation why this was so, but it is certainly a matter for gratification that the industry-wise pattern of IFC lending is now apparently becoming diversified. New growth industries, such as aluminium and basic chemicals, are becoming more prominent in the IFC portfolio.

In the matter of the regional pattern of IFC lending, again, there seems to be a shift to the advantage of what may be regarded as the less-developed parts of the country. The distribution of IFC assistance, however, is essentially a matter of the credit-worthiness of the

STATE-WISE DISTRIBUTION OF FINANCIAL ASSISTANCE SANCTIONED FROM 1-7-1948 TO 30-6-1963

	(Rupees in crores)
Maharashtra ..	28.73
Madras ..	26.43
West Bengal ..	17.41
Mysore ..	12.20
Uttar Pradesh ..	11.05
Bihar ..	9.95
Andhra ..	9.61
Rajasthan ..	8.94
Gujarat ..	8.80
Punjab ..	7.63
Orissa ..	7.29
Assam ..	6.43
Kerala ..	6.42
Madhya Pradesh ..	1.50
Delhi ..	1.50
Pondicherry ..	0.41
Andaman & Nicobar Islands ..	0.03
TOTAL ..	164.33

INDUSTRY-WISE DISTRIBUTION OF FINANCIAL ASSISTANCE SANCTIONED FROM 1-7-1948 TO 30-6-1963

	(Rupees in crores)
SUGAR	
Co-operatives ..	35.59
Other units ..	5.84
Chemicals	41.43
Non-Ferrous Metals ..	17.97
ENGINEERING	17.85
Mechanical ..	12.54
Electrical ..	5.37
Textiles ..	17.91
Paper ..	17.29
Cement ..	15.55
Ceramics and Glass ..	6.35
Mining and Quarrying ..	5.33
Rayon ..	4.42
Automobiles ..	3.94
Hotels ..	3.73
Rubber ..	3.62
Iron and Steel ..	3.29
Others ..	2.21
TOTAL ..	164.33

projects for which the loans are sought and the competence with which the financial and technical data are assembled and presented to the Corporation. It certainly takes two to make a loan and the borrower's obligations are no less compelling than the lender's.

As the dimensions of IFC financing expand from year to year, it is most agreeable to witness a simultaneous improvement in its technical efficiency. Although relatively young in years, the IFC is already old in its reputation as a sound institutional lender. This reputation continues to grow — a fact which the excellent form of presentation of its 15th annual report makes it easier to appreciate. It is no small credit to the IFC that even in the tricky field of financing industrial cooperatives, it has been remarkably successful in adhering to sound banking principles. Although the net financial assistance provided to industrial co-operatives has aggregated to the large amount of

Air-India Takes Off

AIR-INDIA has bettered its record of earnings of any year in the past by netting in an operating profit of as much as Rs. 3.45 crores for the financial year 1962-63. Thus a decade after the nationalisation of this service, Air-India has entered its "take-off" stage, as its General Manager, Mr. B. R. Patel, claimed, while releasing the tenth annual report of the Company recently. This is indeed gratifying in the context of the record of international air transport organisations generally. It is common knowledge that competition in this field has been steadily growing. This is clearly reflected in the earnings figures available for the previous year of some of the major air-lines of the world, such as B.O.A.C., K.L.M., Alitalia, Sabrins, Lufthansa and TWA. Every one of these has failed to show profits, which only goes to show how formidable a task it is to extract profits in this difficult field today, notwithstanding the higher fares (consequent on the high operational costs) and the enormous addition to seating capacity (made possible by the introduction of Boeings). For there are several factors inhibiting the growth of air travel, not all of which are amenable to the control of air-lines.

Primarily, the ability to maintain or increase profitability depends on the load factor, and this has become specially difficult since the rise in traffic is still lagging behind existing capacities. But there are a number of other factors besides, some peculiar to one or more airlines. To take Air-India, for instance, there have been our own Government restrictions on foreign travel, the Chinese aggression on our borders, the Cuban crisis, the introduction of the U.K. Immigrants Act and, last but not least, the U.S. Government's "Fly American" policy. It is against this background that the working of Air-India has to be evaluated.

It is a fair measure of the feeling of confidence that Air-India has today that it should want to throw its weight on the side of those aviation companies which have been urging the lowering of fares. In case fares

Rs. 36.86 crores, representing about 22 per cent of the total sanctions, the Chairman was able to say that this class of borrowers had been meeting its obligations to the Corporation in time.

The larger picture of bad and doubtful debts generally is also quite satisfactory. The Corporation, in fact, did not have to make any further provision during the year ended June 30, 1963, towards the relevant reserve and the Chairman has been able to report that the percentage of defaults in the repayment of instalments of principal has come down further from 1.24 per cent to 0.87 per cent. It is a small matter, but it is nevertheless a significant indication of the IFC's solid progress that the subvention availed of by the Corporation from the Government for paying the minimum guaranteed dividend in the early years has now been wholly paid back. Solvency may not be a heroic quality, but it is a necessary virtue for any financial institution.

were to be lowered, how will Air-India fare? With its lowest operating cost, according to Mr. Patel, Air-India could well absorb the initial impact of lower fares and benefit from the resulting expansion of the market. With its plan to add to its existing fleet of six Boeings a new Boeing every year until 1970, Air-India should also have a relatively bigger fleet than now to be better able to compete with other leading air-lines on equal terms.

According to the annual report, Air-India succeeded in increasing its traffic (scheduled services) in 1962-63 by 21.2 per cent over the previous year. Significantly, the increase in capacity was only 16.7 per cent, which indicates a reversal of the erstwhile trend resulting in over-capacity. Its overall load factor too increased from 43.7 per cent in 1961-62 to 45.3 per cent in 1962-63. Operating revenues rose from Rs. 21.57 crores in 1961-62 to Rs. 24.53 crores in the year under review. Although even operating expenses, excluding interest on loans, showed a slight increase from Rs. 20.80 crores in the previous year to Rs. 21.07 crores in 1962-63, it is noteworthy that Air-India could manage successfully to reduce its operating costs to a level where its break-even factor (on the basis of present fares and rates) is about 40 per cent, probably the lowest in the world.

By reason of this stimulating record, it is only fair that Air-India should have decided to pay to the Government a dividend at the rate of five per cent on its equity capital of Rs. 13.41 crores. There is a Government loan capital as well of a like amount, but Air-India need not pay interest on this till October, 1966. As regards the borrowed loans from the U.S. commercial banks and the World Bank of \$20.41 million, Air-India has already repaid with interest more than half of the loan and hopes to pay back the rest of the loan also by 1966. If Air-India were to maintain the same efficiency and the present rate of progress, it will not be very long before it is well and truly air-borne.

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Highlights of the Week

IMPORT POLICY

IF THE TRADE was pleasantly surprised at the announcement of the import policy for the second half of the current financial year a fortnight earlier than was expected, it has been disappointed at the mere maintenance of the import quotas of the established importers and Consumers' Co-operative Societies at the first six months' level. The Minister for International Trade, Mr. Manubhai Shah, speaking at the joint meeting of the Import and Export Promotion Advisory Councils last month, seemed to encourage expectations that, as a result of the encouraging export performance this year and slightly more than one-third of the aid promised by the Aid-India Club being available in the form of untied loans, some liberalisation of the import policy might take place. Second thoughts on the part of the Ministries of International Trade and Finance and an upward revision of defence requirements appear to have been responsible for belying these hopes of the trade.

The continuance of a cautious policy with regard to exports by established importers and Consumers' Co-operative Societies have apparently been prompted by fears that the current uptrend in exports may not be maintained during the rest of the 1963-64 financial year. Doubts have again cropped up that the Rs. 745 crores target set for exports this year may not be realised owing to the shortages that have developed in such exportable commodities as sugar, cashewnuts, groundnuts and steel scrap.

This, however, does not rule out all possibilities of a slightly higher level of imports in the aggregate during the six-month period October, 1963—March, 1964. The import policy in regard to actual users, who account for nearly 33 per cent of the country's imports today, is yet to be announced. In view of the greater assistance made available by the Aid-India Club for maintenance imports, it may be expected that the actual users' imports may be somewhat liberalised. Relaxation in their case is indicated in the interest of fuller utilization of industrial capacities.

KASHMIR

IN HIS farewell address to the State Legislature on the eve of tendering resignation under the Kamaraj Plan from the Prime Ministership of Jammu and Kashmir, Bakshi Ghulam Mohammad last week announced two important changes which his party proposed to effect in the Jammu and Kashmir Constitution during the Budget session early next year. One of these changes envisages redesignation of the "Head of the State" and of the leader of the Government there as Governor and Chief Minister respectively, instead of Sadr-i-Riyasat and Prime Minister as is the case at present. The second one proposes that Members of Parliament from Jammu and Kashmir, instead of being elected indirectly by the State Legislature and nominated by the Union Government should be directly elected by the electorate.

The significance of these changes lies in the fact that they will take the process of complete integration of Jammu and Kashmir with the Indian Union an important step further. It is not yet known, however, whether the change in the designation of Sadr-i-Riyasat to Governor will also mean a change in the procedure of the nomination of the incumbent to this office. At present, the Head of the State in Jammu and Kashmir is elected by the State Legislature and then nominated by the President. Governors in the other constituent States of the Union are chosen by the President.

Once these changes are effected, the process of integration of the Jammu and Kashmir State with India would have been virtually completed for all practical purposes. Full integration, however, can take place only when the Article

370 of the Indian Constitution, which provides a special status to this State vis-a-vis the other States, because of its peculiar conditions, is abrogated. That day may not be now far as this provision has already been diluted to a very great extent. Since 1954, when the accession of Jammu and Kashmir to India was ratified by the State Legislature, a number of measures have been taken by the State Government voluntarily with the ultimate objective of fully integrating this territory with the Union. The most important among these are: (1) the extension of the jurisdiction of the Supreme Court, the Indian Election Commission and the Comptroller and Auditor-General to the State; (2) the abolition of the permit system of entry into and exit from the State; (3) the removal of the customs barrier between India and Jammu and Kashmir; and (4) integration of Jammu and Kashmir Administrative and Police Services with the two all-India Services, though to a limited extent. Relaxation has also been effected in the matter of acquisition of landed property in Jammu and Kashmir by non-Kashmiris. Although non-Kashmiris are even now not permitted to acquire land in the State, industrialists and businessmen from outside have been allowed to establish industries and trading institutions on lands held on lease. The emotional integration of the residents of Kashmir with their fellow-citizens in the rest of India is also proposed to be fostered through the gradual integration of the National Conference with the Congress Party. The first step in this direction was taken recently when Bakshi Ghulam Mohammad became a member of the latter while retaining presidentship of the former.

IN FINE FLIGHT

THE HINDUSTAN Aircraft Ltd., Bangalore, has been asked by the Government to step up substantially the production of HF-24 — India's first supersonic aircraft. The step presumably has been taken in view of the emergency. In the initial stages, a certain number of these supersonics will be fitted with Orpheus-703 engines to be supplied by Bristol Siddley. Later on, they will be developed for higher performance, using more powerful engines. Plans for producing these aircraft have already been taken on hand. A large number of jigs, tools and fixtures for them have been made.

HAL's programme for the manufacture of helicopters is also stated to be progressing well. It has submitted two project reports to the Government in this connection. Clearance of these is expected soon. Another project on which the company is working is the production of basic jet trainer aircraft. The prototype of this aircraft will be ready for flight trials early next year.

Last week, the HAL turned out the 100th Orpheus-701 engine which powers the Gnat transonic jet fighters. A large number of light four-seater "Krishaks" have also been produced by the company. The IAF has approved this multi-purpose aircraft used for short distance air travel, air observation duties and for pest control and agricultural spraying. Some orders have also been received for the supply of "Krishaks" to the I.A.F.

Reports from Kanpur suggest that the AVRO Project of the Aircraft Manufacturing Depot is also making satisfactory progress. Three AVRO-748s of Series I have already been manufactured and the last one of this series is nearing completion. After this, A.M.D. will be taking up the manufacture of Series II AVROs. They will be powered by the Rolls-Royce Dart-7 engines. No further manufacture of AVROs Series I is contemplated.

The HAL is stated to have saved a sum of Rs. 8 crores in foreign exchange during 1962-63. In this year the com-

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pany improved its net profit as well sales turnover. The net profit amounted to Rs. 94.4 lakhs, as against Rs. 73.09 lakhs in the previous year and the sales Rs. 10.75 crores, as against Rs. 2.61 crores.

TAXES ON TRANSPORT

THE LONG and persistent clamour by the inter-State road transport operators for replacing the present multiple levies on them by a single-point tax may soon bear fruit. The Union Ministry of Transport has set up a nine-member Study Group for going into this question. The Group is headed by Mr. N. P. Mathur, Chairman of the Inter-State Transport Commission. Its other members are: Mr. K. L. Luthra, Director (Transport) Planning Commission; Mr. S. Q. Rizvi, Transport Commissioner, Bihar; Mr. Devi Sahai, Transport Commissioner, Madhya Pradesh; Mr. J. C. Agarwal, Deputy Secretary to the Maharashtra Government; Mr. D. N. Handa, Director of Transport, Rajasthan; Mr. Kehar Singh, Transport Commissioner, Uttar Pradesh; Mr. G. C. Mallik, Deputy Secretary to the West Bengal Government; and Mr. K. Srinivasan, Deputy Secretary, Union Ministry of Transport. Mr. Srinivasan has been named the convener of the Study Group.

Multiplicity of taxes on inter-State road transport and lack of uniformity in their quantum has not only been retarding the growth of road transport in India but also affecting its efficient operation. Now that attempts are to be made under the fourth Plan to foster the development of all the transport services in the country on a closely co-ordinated basis, inter-State road transport development assumes heightened significance. In fact, the tentative proposals put forth by the Planning Commission to the State Governments in connection with transport development programmes in the next Plan contain specific reference to this fact. For roads and railways development, the country is to be divided into eight regions: (1) Madras and Andhra Pradesh; (2) Mysore and Kerala; (3) Maharashtra and Gujarat; (4) West Bengal, South Bihar and Orissa; (5) Uttar Pradesh and North Bihar; (6) Punjab, Himachal Pradesh and Jammu and Kashmir; (7) Rajasthan and Madhya Pradesh; and (8) Assam, NEFA, Manipur and Tripura. This apparently assumes extension of inter-State road traffic. Simplification and integration of the various taxes on road transport should go a long way in fostering its rapid growth.

All the moves for replacement of the multiple taxes on road transport by a single-point tax have been hitherto objected to by the State Governments on the plea of maintaining flexibility in their taxation revenues. The States where the incidence of taxation on road transport is comparatively higher, have also been fearing that a single-point tax may operate to their disadvantage. To assuage these fears, the Study Group has been asked to suggest a scheme for the levy of a single-point tax on inter-State road transport keeping in view that its recommendations do not adversely affect the revenues of the States. The Study Group is to examine thoroughly the procedures for the assessment and collection of motor vehicles tax and goods and passenger taxes on inter-State road routes before suggesting a reasonable basis or formula for the division of the proceeds of the proposed single-point tax among the States. It is expected to submit its report within six months.

FOREIGN TRAVEL

ALTHOUGH THE improvement in the foreign exchange situation as a result of somewhat higher export earnings and substantial assistance made available by the Aid-India Club for maintenance imports has not yet helped in relaxing the import policy, the Reserve Bank of India has slightly liberalised release of foreign exchange for travel abroad. Three concessions have been announced by the Bank last week-end and

further reliefs are not ruled out. The concessions now granted are:

(1) If invitations with offer of full hospitality are received by residents in India from foreign Governments or reputable international agencies for promotion of cultural, educational, scientific and professional interests, a limited number of such invitees will henceforth be allowed to go abroad and a limited amount of foreign exchange will be given to them for meeting incidental expenses. They will also be allowed to extend their stay for a period not exceeding one week, but without release of any additional foreign exchange.

(2) Some relaxation has also been made in the case of persons proceeding abroad for non-technical studies. Hitherto, such persons were released foreign exchange only if they had secured admission in any of the limited number of the listed foreign universities. The number of approved universities to which students desirous of going abroad for study in non-technical subjects can seek admission has been enlarged. They, however, shall be allowed to go in for such studies, and for this purpose foreign exchange will be released to them, provided they satisfy some minimum educational qualifications.

(3) The third concession is for newspapers. Hitherto, foreign exchange was released only to correspondents of news agencies who went abroad to cover important international events. Now, this facility will be as well available to correspondents of newspapers of standing provided the journalists sent are permanent employees and have been working in the paper (sending them abroad) for at least two years. Applications for release of foreign exchange from free-lance journalists intending to go abroad for professional purposes will also be considered.

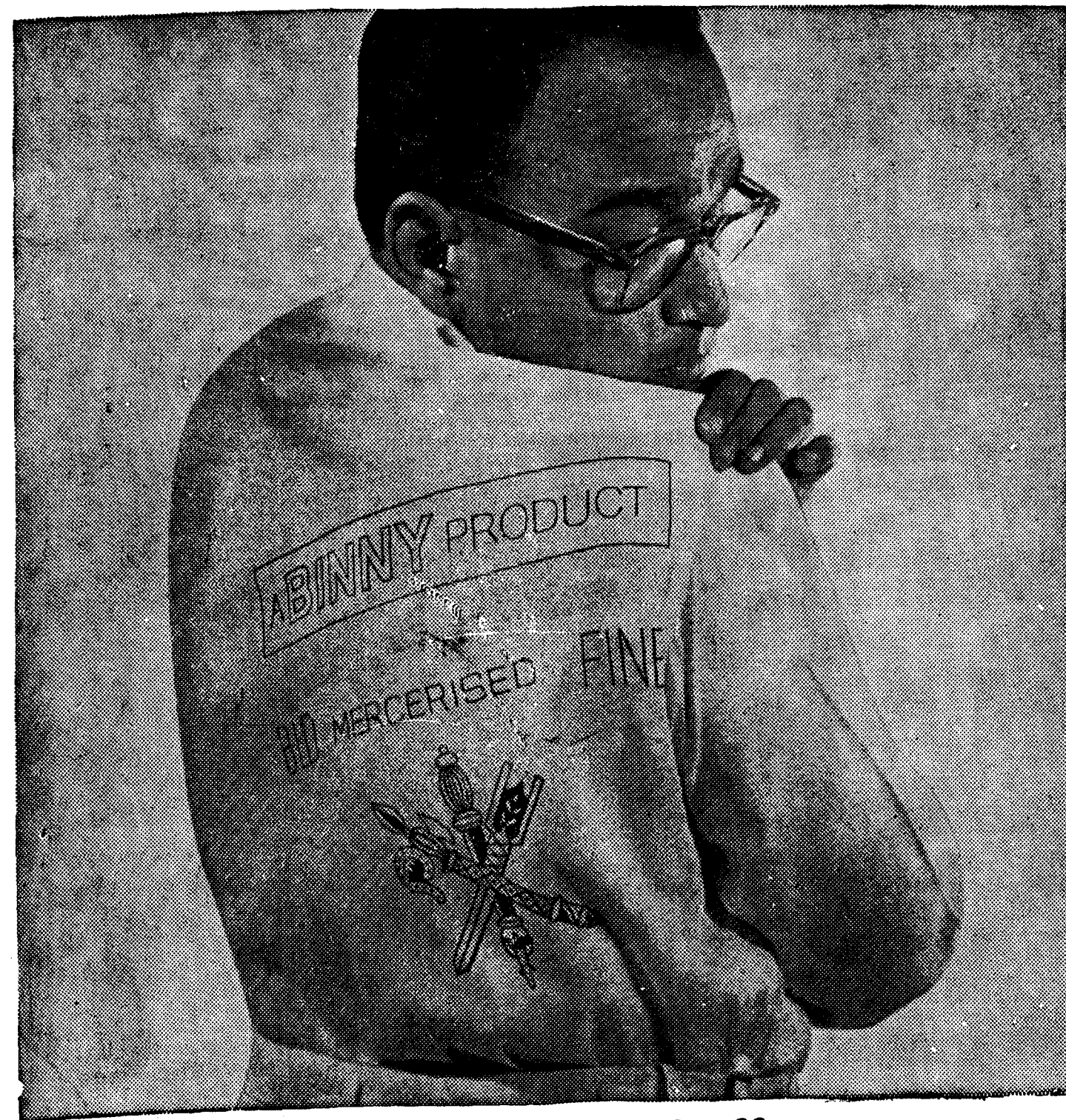
VITAL STATISTICS

THE WORLD's population, according to the 1962 Demographic Yearbook, issued by the United Nations on September 30, 1963, was approximately 3,069 million in mid-1961, recording an increase of 61 million over 1960 which was equivalent to three times the population of Argentina or one-third of the population of the USA. In the eleven-year period 1950-61, the population of the world increased by about 560 million which is larger than the total population of India. The Asian contribution to this increase was 60 per cent—a net addition of 337 million people. The average annual rate of increase was 1.8 per cent during 1950-61, though the rate of increase during the later part of this period was in excess of this, reaching 2.0 per cent between 1960 and 1961.

The population of Ghana increased at an annual average rate of 4.1 per cent between its 1948 and 1960 censuses. In Venezuela, the inter-censal rate of increase between 1950 and 1961 was 4 per cent per annum. Average annual rates of increase of 3.1 to 3.4 per cent were recorded between the censuses taken during the period 1955-62 and the last previous census in Albania, Brazil, China (Taiwan), Kenya, Mexico, the Philippines and Thailand. Higher rates of rise were recorded in smaller areas: the increase in the population of Israel at 8.2 per cent per annum was attributable to high rates of immigration. Although the rate of 2.0 per cent in India may not seem particularly high when compared with the rates of 3.0 per cent and over found in the above mentioned countries, the average yearly net addition of 7 to 8 million persons which this rate represents is a sizable proportion of the yearly increase of the population of the world. High rates such as these and those of the 36 other countries where average yearly inter-censal growth rates of between 2.0 and 2.9 per cent were found, illustrated the general acceleration in the rate of population growth in the world during the past decade.

There were 23 persons for each square kilometre of land in the world in 1961 as against 18 per square kilometre ten

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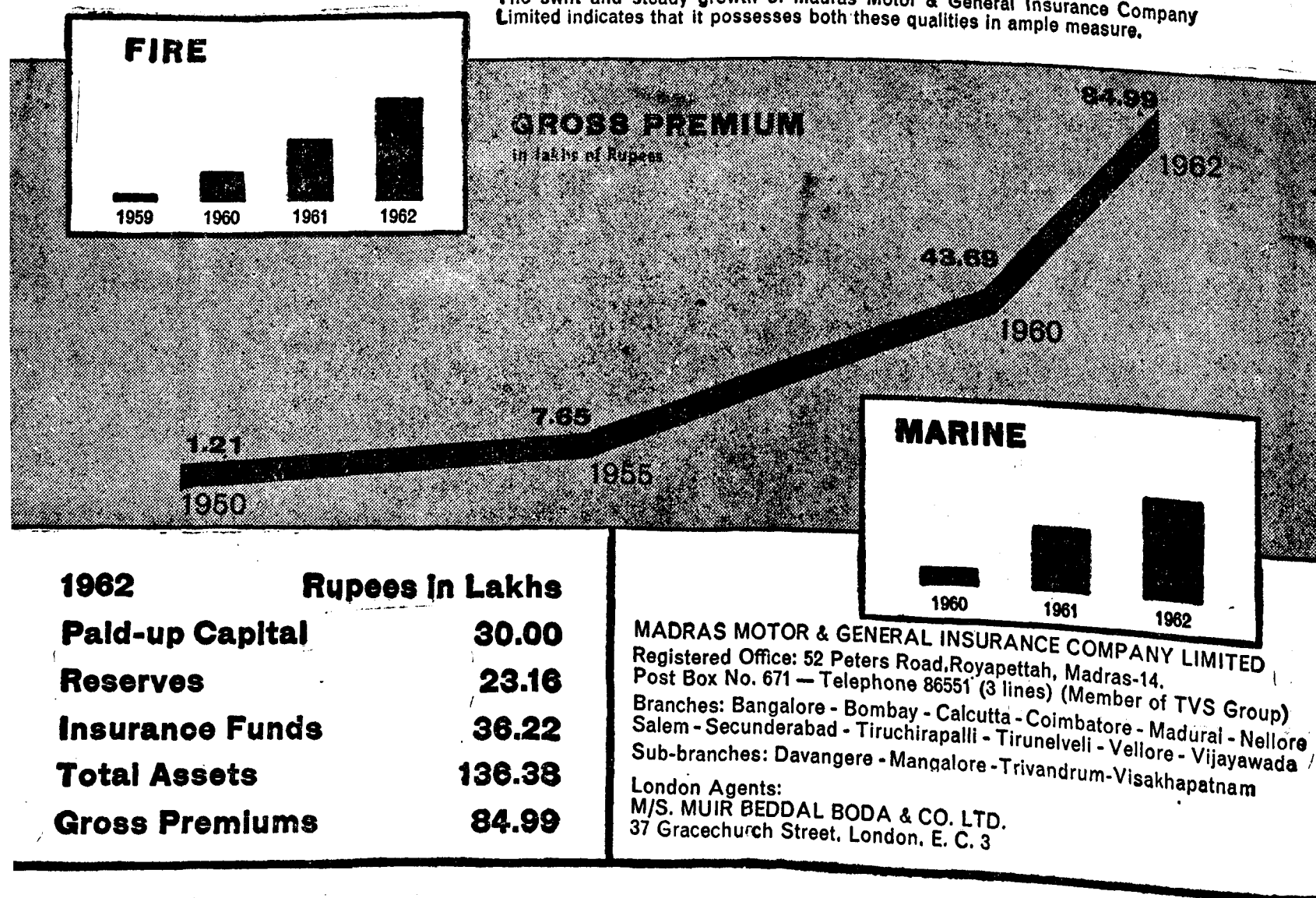
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years ago. The most densely populated region in the world was Central Europe, where there were 138 persons for each square kilometre; South Central Asia followed with 112 persons. At the other extreme was Oceania which had only 2 persons per square kilometre. The Netherlands was the most densely populated of the major countries of the world with 346 persons per square kilometre; next in order were England and Wales (306), Belgium (301), and Japan (254). Much greater densities occurred in certain "city states", ranging from 2,273 in the Holy See to 14,667 in Monaco. Island areas of high density included Malta and its neighbouring Island of Gozo where there were 1,041 persons per square kilometre, the Channel Islands with 559, Bermuda with 845 and Barbados with 588. Australia, Greenland, Libya, Mongolia and South West Africa had not more than one person for each square kilometre.

Birth and Death Rates

The world birth rate was estimated to be 36 per 1,000 population while the death rate was estimated at 18 per 1,000. The highest estimated regional birth rate (47 per 1,000 population) and the highest estimated death rate (26 per 1,000 population) were found in tropical and southern Africa. The lowest birth rate at 18 per 1,000 population was found in Northern and Western Europe. Ivory Coast had the highest birth rate at 56.1 per 1,000 population. The lowest recorded birth rates were 10.6 in West Berlin, 11.8 in Norfolk Island and 13.8 in the Isle of Man. Sweden's birth rate at 13.9 was the lowest amongst the major countries of the world. Ivory Coast reported 33.3 deaths per 1,000 population. The lowest death rates were those of Iceland (7.0) and the USSR (7.2). Infant mortality rates continued their downward trend but they were still high in many areas. Estimated rates for Gabon and Togo were 160 and 120 per 1,000 live-births respectively. The infant mortality rate of Chile was 116.2 per 1,000 live-births. The lowest recorded rates were those of the Netherlands at 15.4 and Sweden at 15.5.

The longest expectation of life was estimated to be in Sweden, the Netherlands, Norway and France where baby girls could expect to live for almost 75 years. Baby girls in England and Wales, Denmark, Israel and the USA had expectation of life at 74 years while those in Czechoslovakia could look forward to a life of slightly over 73 years and those of New Zealand exactly 73 years. There were 16 other countries where the expectation of life for girls at birth was 70 years or more. The greatest expectation for baby boys was estimated to be over 71 years in the Netherlands, Norway and Sweden, implying that the baby boys could not be expected to live as long as the baby girls. As against 26 countries where girls could expect to live at least 70 years there were only 5 countries where the expectation for baby boys was over 70 years. In the Netherlands, Sweden and Norway as stated above, the expectation of life for baby boys was slightly over 71 years and in Israel and Denmark somewhat over 70 years.

The Sex-Ratio

There were more females than males in some of the countries of Europe and North America and in the USSR while countries of Asia and Oceania had more males than females. Males tended to outnumber females at the younger ages but were outnumbered by them at old ages, substantiating the well-known fact that more males were born than females but the females generally had lower death rates at all ages so that proportionally more of them survived to the older ages than did the males.

According to the information received at the United Na-

tions Headquarters, 239 national population censuses were likely to be completed between 1955 and 1964 covering about 67 per cent of the world's inhabitants. A large majority of these censuses had already been taken and the data on total population for approximately 66 per cent of the world's population had already been obtained.

Tokyo was the largest city in the world followed by New York. The October 1960 census of Japan showed that the population of 23 Wards (KU) of Tokyo city was 8.3 million. By October 1961 it had increased to 8.5 million. The April 1960 census of the United States showed a population of 7.8 million in New York. The third largest city was Shanghai, with a population of 6.9 million. Other cities with a population of over 3 million were Moscow (6,262,000), Bombay (4,306,404), Peking (4,001,000), Chicago (3,550,404), Cairo (3,348,000), Rio de Janeiro (3,223,408), Tientsin (3,220,000), London (3,195,114), Sao Paulo (3,164,804), Osaka (3,085,000) and Leningrad (3,036,000). Many countries of the world contained no large cities at all. In fact, 40 per cent of the 190 countries reporting on city populations had no city with as many as 100,000 population. This was particularly so in Africa where 36 out of 53 reporting countries or territories fell into this group.

North America had the highest proportion of urban population, namely 65 per cent; Europe was next with 58 per cent, followed by Oceania with 56 per cent. The USSR and S. America had 48 per cent while Africa and Asia had 25 and 24 per cent respectively. There appear to be regional differences in the relative proportions of the male population and the female population living in urban areas. In African and Asian countries, in general, a greater proportion of the male population as compared with the female lived in these areas. In Europe and North America, the situation was reverse and the females were more urbanised than the males. It might be a reflection of the differing roles of women in the economic life of countries in various stages of economic development.

Households in Asia and Oceania

Large households were relatively more common in countries of Asia and Oceania than in other regions. The average household in American Samoa contained 7.6 persons while in the Pacific Islands the average size was 6.4 persons and in the Fiji Islands it was 6.3 persons. Of the remaining countries where households average 5.4 or more persons, seven [Bahrain, China (Taiwan), the Republic of Korea, the Philippines, Thailand, Turkey and Sarawak] were in Asia and one (Albania) was in Europe. At the other extreme was Christmas Island with 3,000 inhabitants having the average size of the household at 2.3 persons. The Demographic Yearbook has made available household details in regard to only 20 per cent of the world's population because in other cases such information was not available at all. It may be stated that the size of the household was not equivalent to the size of the family because even a private household might contain more than one "family" of persons related by blood or marriage or might be based on family plus one or more unrelated persons. All reporting countries had some households of 10 or more persons, but the range in average size for countries indicated that households in the countries of the Americas (average 3.2 to 4.9 persons) were generally smaller than those in Asia (average 4.8 to 5.7 persons). European households were still smaller with country averages of between 2.8 and 4.1 persons except for Albania where the average was 5.5. In the six African countries for which such data were available, between 3.1 and 4.4 persons lived in a household on the average, though it could not be considered representative of the continent.

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What is Wrong with Our Universities?

By T. M. RAO

IN A COURSE on "Problems of Economic Development," Professor Segal developed his lectures mainly as a critique of David McClelland's "The Achieving Society" and Hirschman's "The Strategy for Economic Development." This was followed by seminar-type discussion of the five year plans and development programmes of different countries such as India, Greece, Puerto Rico and Nigeria. In another course, "Banking and Finance in Developing Countries," Professor Schlesinger organized the whole course as a series of presentations by the students of the problems of selected countries. The one who talked the least during the whole semester was the Professor himself. Teaching methods such as these would, no doubt, seem unorthodox in India, where teachers are obliged to "prepare" students for the university examinations and where the prescribed syllabus is generally outdated by fifteen to twenty years.

At any of the graduate schools in the United States, one semester of intensive accounting course would not only give you a thorough grounding in the fundamentals of the art but put you abreast of the modern developments in accounting theory, such as the recent controversies in the field of depreciation, the debate on "LIFO" and "NIFO" in the area of inventory valuation and such like. The emphasis in the study of the subject is not merely to learn the techniques of accounting; rather it is to use it as a tool for appraising organizational performance. This is, of course, in direct contrast to the Indian scene, where two years' study of the subject will not take you farther than the mechanics of preparation of financial statements.

Now, let us take a look at the Graduate School Bulletin of Columbia University under the Department of Mathematics. Some of the many courses listed are Linear Algebra, Mathematical Logic, Topology, Complex Variables and Functional Analysis. Even an undergraduate, if he is so interested, could study some of these topics in advanced mathematics. In contrast, most Indian universities not only do not offer these courses, but restrict students to a syllabus set in narrow limits.

Credit Hours

If you take the undergraduate's programme of study, he has to do a certain number of credit hours (a credit hour equals an hour's lecture per week) in his major subject of study, as well as in English language and Composition. A large number of credit hours are electives, which means that you can choose other subjects of study such as Anthropology, Economics or History of Art. Even where the undergraduate is preparing for a degree in engineering, he has opportunity to acquaint himself with other branches of knowledge. There is, of course, no reason why an engineer should be ignorant of economics, behavioural sciences and even of art.

Typical of the lack of progress in educational methods in India is the curriculum in the engineering colleges. There is too much of subjects like Building Materials, Building Construction, surveying and workshop and not enough of Mathematics, Structural Theory and Fluid Dynamics. Courses in Steel and Reinforced Concrete have not been revised in the last quarter of a century. Subjects such as Railways, Docks and Harbours, Geology, and Estimating which are purely descriptive, continue to occupy a great deal of the student's time. No wonder, then, that the engineering colleges are far behind in the teaching of theory particularly of Structures, Applied Mechanics, etc. This is also one of the reasons why

so many bright students who join the engineering colleges get disillusioned quickly with their studies.

The picture in the United States is completely different. An undergraduate does not waste his time doing surveying and workshop practicals. Instead, he bites into Mathematics, Physics, Electro-Magnetic Theory and Theory of Structures. Because of the system of electives, he could choose specialization, if he were doing Civil Engineering, in Structural Engineering or Construction or Sanitary Engineering.

Engineering schools in the United States have come to believe that engineering science and education cannot be divorced from the fundamental disciplines of mathematics and physics and that the best training that the schools could give a student is to train him to be a scientist rather than a mere technician. The philosophy guiding the educationists in India would seem to be just the opposite.

Contribution of Business Schools

A significant contribution in the field of education has come from the Graduate Schools of Business Administration in the United States. By combining study of the basic disciplines such as Economics, Finance and Statistics with business subjects like Management, Marketing and Human Resources, the schools have enriched both fields of knowledge. The majority of the teaching faculty who come straight from the business world bring a touch of realism to the discussions in the classroom. They also help to take back to the business practices the high standards of knowledge installed in the academic world.

The most significant thing, however, is the contribution of the business school graduates to the success of the modern industrial corporation. The modern corporation not only needs technical and financial abilities but what is more important, the managerial skills. A well-known commentator went so far as to claim that the relative lag of the British economy could be traced to the absence of Business Schools in Britain and the high prestige attached there to the study of classics and liberal arts. This may not be a rash statement when viewed in the context of the United States where the plentiful supply of managerial talent has been equally matched by the unprecedented growth of the economy. Here, no doubt, is a lesson for the planners and educationists in India.

One should, of course, start with the question "Why has education in India become so stagnant?" Not that we have not tinkered with our educational programmes. But, it has not touched the two basic issues in our educational system. And unless something is done concerning them, it is unlikely that education in our country will break out of its morass.

The first issue is the examination system. The universities in India are nothing more than examination boards. The concern of the students, as well as the teachers, is to prepare for the final examinations. In such an atmosphere, learning and knowledge take the back seat. Cramming and the ability to answer examination questions become all important. Because of the system of outside examiners, very often the question papers make a mockery of what is learnt in the class room.

Earlier in this article, I listed some novel methods of teaching economics in American Universities. What is taught in the class room concerns the most pertinent questions that are being raised in the outside world. There is opportunity

to study current theory as also the freedom to question and criticize it. This is possible because the professor is not restricted to the narrow confines of a syllabus nor is he unduly preoccupied with the idea of "preparing" the students to face an "anonymous" examiner. At the end of the course, he will, of course, set his own examination. But he does not have to wait until he gives the final test to know how his students are faring. During the course of the semester, he has many ways of finding it out. First, there is student participation in class discussions of the subject. Second, there are term papers (a term not commonly known in Indian universities) which you have to prepare and submit. In addition, there are frequent quizzes to see that you are devoting your time to studies. All this keeps the student continuously busy throughout the term. But remember the accent is always on learning and understanding the subject rather than preparing for a final examination.

There is one particular advantage in this type of education. And, that is you have freedom to criticize the prevailing doctrine and advance your own views. In fact, you may disagree with your professor and say why you think he is wrong. Textbook is not the god at which students pay obeisance. It is merely a tool in your understanding of the subject. How refreshingly different is this approach when compared with the slavish acceptance of "received doctrine" and textbook theories as in India!

Now, to come back to the question posed earlier: "Why is the system of university examinations incompatible with genuine educational progress?" The answer is simple. In so far as the attention of the students and teachers alike is riveted on the final examinations, the freedom to experiment with different study methods comes to be severely abridged. Secondly, so long as there is a system of common examinations for a number of colleges put together, the syllabuses would of necessity be outdated because everyone must be agreed before hand on the specific limits within which question papers would be set.

Inadequate Organization

The second fundamental problem concerns the whole apparatus of university administration in India. As the universities have evolved up to now, they are nothing more than examining bodies. If you take the employee strength in the university administration, it would not be wrong to assume that over seventy-five per cent of the number are engaged, in one form or another, in setting examinations and publishing the results. The overwhelming concern of the principal officers of the university, including the Vice-Chancellor and the Registrar, is the conduct of university examinations. Is there any wonder, then, that the universities in India have made so little progress?

The problem becomes clear when you look at the scene in the United States. Here the universities have grown into gigantic institutions of higher learning. Universities like Harvard, Princeton and Stanford, to name only a few, run on hundred million dollar annual budgets each. They attract some of the best minds of our generation to serve on their faculties. They have long ceased to be the mere playgrounds of the undergraduate; rather their predominant concern is with graduate study and research. The number and variety of courses offered at these universities is truly phenomenal. Alongside there is significant contribution to fundamental research in most branches of knowledge. The number of students working for doctoral degrees runs into hundreds at each of these institutions.

How did the American universities make such phenomenal progress over the last 15 to 20 years? The causes may be discovered principally in the university organization itself. If you look at the administrative organization, you will find that apart from the President of the university there are the Chancellor who is nominally in charge of the educational programmes, several Vice-Presidents including a Vice-President for University Development and a Vice-President for Business Management, and the Registrar. Besides, there is a Dean for each of the colleges and graduate schools within the university, who is wholly responsible for the administration of his school within, of course, the limits set by the university budget.

It has been said that a typical university President spends only about a third of his time on academic matters. For most of the remainder he is supposed to be raising funds for the university. This may be considered a trivial function, but if you see the close connection between university development on the one hand and its financial resources on the other, it would soon be evident that finances are perhaps the most pressing need of a growing university. Seeing the vast endowments supporting the American Universities (Harvard is reputed to have an endowment valued at \$300-400 million) and their financial independence, it would soon become clear that the university President plays a very important role.

Vice-Chancellor's Role

Now, who in the administrative organization of an Indian University is charged with the responsibility for university development? Who, in particular, is concerned with raising the financial resources of the university? The answer simply is none, because the Vice-Chancellor who is burdened with administrative detail, does not have the time necessary to think and offer effective leadership. Secondly, as the government is considered the supplier of funds, the universities end up being as poor as the government itself.

One is tempted to ask: "Why does not the Vice-Chancellor go about actively to raise funds for the university from private sources particularly when there is a great need for expansion in university education?" The answer, of course, lies in the fact that our universities have lost their dynamism and have become as antiquated as the apparatus of the government itself.

The only way that the universities can be revitalized is to organize them under fresh charters. In the United States there is a Board of Trustees (sometimes called Board of Overseers) to oversee the affairs of the university. Apart from wealthy financiers, there are on these Boards men distinguished in diverse fields, and who as a collective body are able to provide dynamic leadership in education. The presence of Dr. Saranoff, Board Chairman of RCA or Thomas Watson, Jr. of IBM, has not only helped to broaden the outlook of the universities but has helped to alert them to the developments in the outside world of commerce and industry. The result is that universities have been able to keep in step with the explosive advance of technology particularly in such areas as computer science and space exploration. The burst of new ideas in the behavioural sciences has been equally impressive.

One of the main functions of the Board of Trustees is the selection of the university President. It is well known that a nationwide search for talent and ability goes on before the Trustees make their final choice. When the Trustees of New York University selected James M. Hester as the eleventh President, they were not deterred by the comparative youth

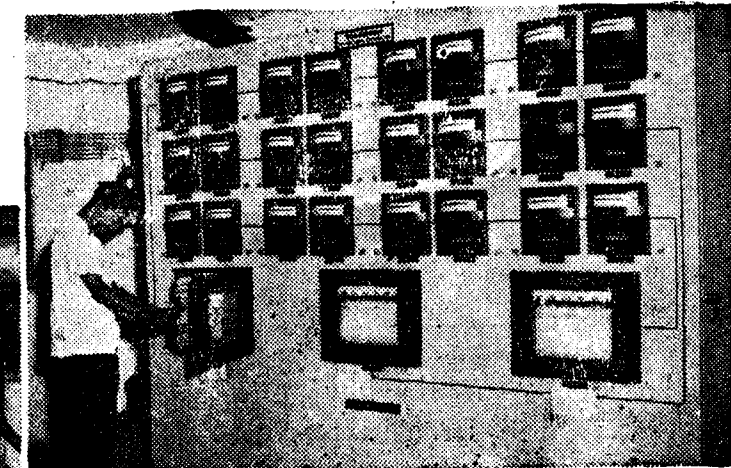
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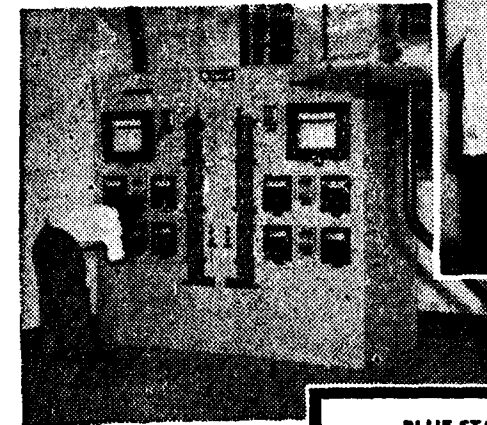
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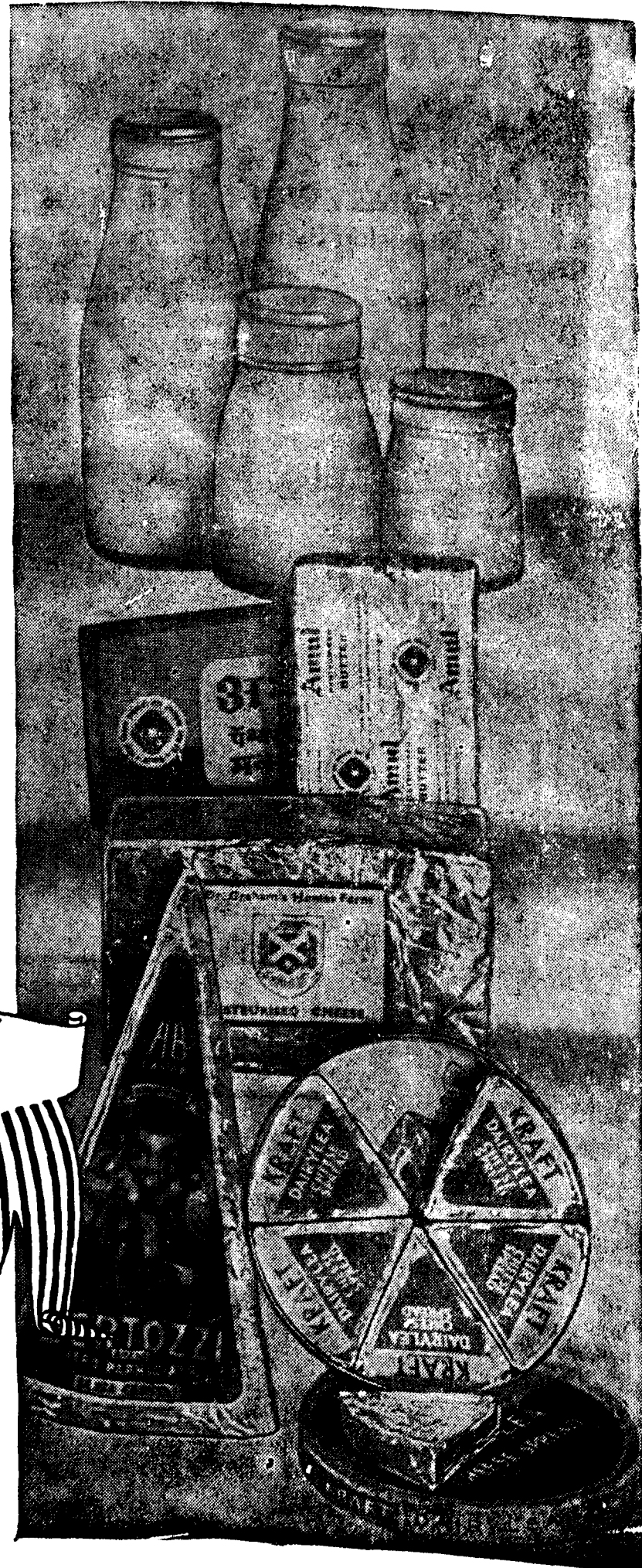
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of the man (he was just thirty-eight at that time); rather they were willing to bestow their trust on a young man who would broaden the financial resources of the university and at the same time raise its academic standards.

The Trustees do not, of course, interfere with the day-to-day administration of the university which is vested entirely in the hands of the President and his aides. While the Chancellor with the assistance of the Deans provides the leadership in formulating educational programmes, the several Vice-Presidents look after the various aspects of the university administration. This leaves the President with enough time to provide the necessary leadership in the field of university education.

The aspects of university development are worth mentioning here. One is the large number of extension courses offered to the public. A citizen interested in Greek Drama can enjoy a series of lectures on the subject by well-known professors. Alongside of humanities, there are a variety of scientific subjects offered such as Statistical Analysis and modern developments in Physical Theory. Extension courses of this kind help to spread knowledge and build a wider community of well-informed citizens.

The other is the institution of summer sessions. In a six-week summer session is compressed a whole semester's course work. For those who want to cut short the length of their studies, summer sessions offer a great advantage. This is the time when there is a great deal of exchange of visiting profes-

sors between different campuses. This is also the time when professors from Mid-West and Pacific Coast come to make their debut at the universities in New York and New England.

Strangely, in India the educational process grinds to a halt with the arrival of summer. Of course, the summer weather is not particularly conducive to serious study in many parts of the country. The difficulty could be obviated by arranging morning classes. But this is not the real reason, of course. In the summer the huge examination machinery is set to work. This is the most important part of the university's work and the raison d'être for its existence. Thousands of students are kept anxiously waiting for their results while anonymous examiners and tabulators juggle their marks and decide their fates. And the consequence is that the whole educational process must wait.

In a developing economy, education must be in the forefront. The nation's schools and colleges must be the sources from which a continuous stream of educated young men come forth to fill the needs of the economy. In a rapidly industrializing society, the accent will, of course, be on engineers, scientists, doctors and the like. But the picture that emerges from India is one of tremendous waste of educational effort. This primarily stems from the outmoded curricula and the antiquated examination system.

Unless there is a new ferment in India's educational systems, it is unlikely that the universities will make a significant contribution to the economic development of the country.



Mr. Sen hopes for normal rice production this season — Report

WINDOW ON THE WORLD

Development as a Business

By ASHOK DESAI

OXFORD:

THE ANNUAL report of the World Bank is a bit sensational: the volume of loans granted by the World Bank and its associates has dropped 30 per cent in the last year, and the Bank's own loans have halved. The Bank is at pains to emphasize that this reflects no trend, but gives reasons which do suggest one. The first is that some countries have been successful in floating loans in Western money markets; the second is that some countries have been "nearing the limit of the amounts they can afford to borrow on the Bank's terms of interest and repayment" though their need for external finance remains high. The first refers principally to Japan; the second refers to a growing number of countries, including India.

Japan's success in foreign capital markets is partly due to her record of rapid and sustained economic expansion—to the widespread confidence in the prospects of investment there which it generates. But this is not what distinguishes Japan from countries that cannot borrow, for many have fairly creditable records and prospects of expansion, and there are generally promising industries even in the more sluggish countries. Nor is Japan the only country which, so to say, guarantees free passage to foreign finance and its profits; nationalisation of foreign enterprises or threats of it and restrictions on repatriation are still rare enough to score newspaper headlines. What distinguishes Japan is the foreign confidence in its guarantee—confidence based on Japan's steadily improving payments position in the last decade, which has made the prospect of restrictions on repatriation of capital or profits virtually unthinkable. This sets Japan apart from most of the developing countries, including the ones which are ceasing to qualify for World Bank loans. And the factor which prevents the latter from borrowing in Western capital markets is the same as what now limits their capacity to borrow from the World Bank—a weak balance of payments position and a continued prospect of it.

International Finance

The fact that countries which were most in need of international finance were also least able to borrow it on money markets was increasingly recognised in the fifties; the World Bank under Camille Gutt played a crucial role in its recognition and in filling the gap between these countries' needs and the available resources. It would be curious if it were to go out of this business for virtually the same reason as international financiers.

There is, however, no intention to go out of business; rather, the Bank seems to be in two minds about the next step. Its dilemma arises thus: if a country is to be able to borrow from the Bank it must be able to service a steadily growing debt; that is, its exchange earnings from exports and foreign aid must exceed its imports by a steadily rising amount. The tendency in developing countries is often the opposite. Since most of them have little industrial capacity, virtually any step of economic improvement, be it building an electricity works or putting more fertilisers into agriculture, increases imports. Further, the collection of taxes is difficult in an economy where farmers and traders predominate, so any increase in public expenditure, whether on investment, extension of civil services or expenditure on social overheads, tends to create or increase budget deficits. This, together with growing urbanisation, increases the de-

mand for consumer goods and tends to generate inflationary pressure and weaken the balance of payments. There is, therefore, continuous pressure on foreign exchange resources, which the burden of service charges only serves to aggravate.

There are four alternatives open to the Bank in these circumstances. First, it can stop lending to countries in payments difficulties: this is what it is doing to some extent at present. Second, it can reduce service charges by lengthening the period of repayment and reducing interest rates. This is the line it has hitherto favoured. There were institutional difficulties in following it, since the World Bank likes to be thought of as a hard-headed business concern and likes to think of itself that way. But it solved the problem by splitting its personality and handing over the softer procedures to its offshoot, the International Development Association. The IDA has been giving interest-free loans repayable over 50 years, in the borrower's currency if necessary; consequently, the volume of its loans has leapt up from \$101 million and \$134 million in its first two years to \$260 million in the third. Already it is nearing the limit of its funds—\$775 million—and seeking their extension through an increase in members' subscriptions. How far this trend

Eastern Economist 20 Years Ago

OCTOBER 8, 1943

No less than twelve resolutions were adopted at the three-day meeting of the Central Advisory Board of Public Health, but there was a distinct feeling of dissatisfaction among the members that though the Board has been in existence for over five years and made important recommendations, the Governments concerned have yet to give effect to a large number of them. The Committee discussed at some length the report of the Committee appointed to investigate the question of food adulteration in India. In addition to making detailed suggestions for the prosecution and punishment of offenders guilty of food adulteration the Committee has recommended that under existing conditions the creation of a cadre of analysts in each province and State will alone meet the situation. The Committee has also suggested that advantage should be taken of the provisions of Section 103 of the Government of India Act, 1935, under which Provincial Legislatures can request that the Central Legislature should pass an Act for the control of food production, distribution and sale. Lately, the Committee has taken care to observe: "While the provision of adequate legal powers is essential for a continuous improvement in the community's food supply, it will be equally necessary to supplement legal measures by administrative action which will be satisfactory in quality. The promotion of co-operatives for the larger production of essential foodstuffs and for reducing the cost of their distribution to the public is a matter for serious consideration by Provincial and State Governments."

can continue obviously depends on the Bank and the principal member countries; but if the IDA eventually takes up the major part of the World Bank's business and increases in subscriptions become automatic, there might be a far-reaching transformation of the Bank from an investment bank running the business of investing in financially pukka projects to an instrument for channeling international aid into investment in developing countries. This is, however, a remote and uncertain possibility yet.

Third, the practice of receiving service charges in the borrower's currency as the IDA is authorised to do might find further extension. However, the currency would be useful to the Bank only if some other borrower wanted it; e.g., if the first borrower produced investment goods for the needs of the second. This would involve planning production in borrowing countries in such a way that they could meet each other's investment needs. This brings us to the fourth alternative—influencing the economic policies of borrowing countries.

The Labour Party's Problems

By JOSSLEYN HENNESSY

LONDON:

UNANIMOUSLY, from Left to Right, the British press believes that the Labour party's display of unity and choice of topics at its Scarborough conference has enhanced its "image" in the country.

How is it that this party which, only a year ago, was tearing itself apart, between moderate radicals on the right and traditional Socialists on the left, has apparently achieved such internal amity? Clearly it is the continuing lead given to Labour by the public opinion polls in recent months which have persuaded the party that it is on the threshold of victory providing that it does not arouse the distrust of the electors by appearing so divided as to be incapable of a coherent policy.

Many observers believe that the electors were satisfied enough with Conservative policies, and that Labour would have remained in the wilderness, had not Selwyn Lloyd sought to counter the 1961 balance of payments crisis and restore competitiveness to UK export prices by launching a Wages Pause, which hit civil servants, and other middle class wage earners, who constitute the floating vote which keeps Labour out or puts it in. Economic observers agree that the UK's current strong balance of payments trend and record exports sales are Mr. Selwyn Lloyd's harvest, while the rising growth rate is the now emerging result of the Conservative investment policies of 1950-80. The 1964 general election may largely depend on how far the Conservatives succeed in getting across to the electors the somewhat sophisticated economic arguments involved and how far Labour succeeds in the simpler task of building up its counter-picture of "twelve wasted years" in which allegedly nothing was accomplished under Tory rule.

Nationalisation Fear

The Labour leaders appear to have grasped at last, what the German Socialists realised several years ago, that the bulk of the electors fear nationalisation and all the old doctrinaire Socialist slogans. They are, therefore, seeking to reassure the voters that Labour is a progressive rather than a "public control" party. This attempt is reasonable and legitimate, but it is clear from listening to the conversations of rank and file members at Scarborough that a substantial section remain orthodox Socialists by conviction, and refrain from voicing their disapproval of their leaders' line, only because they understandably do not wish to rock the boat now that a favourable wind is filling its sails. The leaders have

Here the Bank might try to influence either fiscal and monetary policies or structural policies. Hitherto it has generally thought of the former. As I said above, these tend to be such as to worsen the balance of payments and can often be blamed; and the Bank has a preference for financial as opposed to physical measures. It is difficult to say whether the Bank has actively thought of influencing the structural policies of its borrowers so as to improve their payments position—of encouraging the growth of industries producing import substitutes or exports, including exports of investment goods to subsequent borrowers. The public pronouncements of the Bank betray little; on the other hand, the detailed economic studies of member countries that the Bank has published often point out industries fit to be developed, from which it would not require much imagination to look for industries whose development would ease the balance of payments. Anyway, this is a direction in which the Bank's thinking and policy have furthest scope for evolution.

skilfully avoided controversy by forcibly sweeping nationalisation, defence, nuclear disarmament, foreign policy, and future relations with the European Economic Community under the carpet, and by leaving the definition and mechanics of a Wages Policy wrapped in rosy but vague generalities.

Assuming a Labour victory, the question arises how far Labour's sensible and realistic leadership will be able to assert itself over the traditionalists (a) in the rank and file, and (b) in the trade unions, Labour's strongest single sector of support.

Emotional Subjects

One possibility is that in order to push constructive policies through, the leaders will have to make concessions on such emotional subjects as housing and rent control. On this point the "Economist" represented a widespread non-political viewpoint when it said "No part of Labour's domestic policy is more dangerous than its present vague commitment to re-introduce rent controls, to impede redevelopment by crazily nationalising the freehold of building sites as soon as somebody is efficient enough to start rebuilding on them, to treat the developer who provides this social necessity of new housing space as a pariah who must never get the full market price. The policy would be bound to intensify housing scarcity..."

As for the trade unions, partly because they are the heirs of the world's oldest trades union movement, partly because their thinking is still dominated by the inter-war depression (and therefore concerned with unemployment and deflation instead of over-full employment and inflation), and partly because they will not pay modern salaries to their officials and are therefore over-staffed with second rate thinkers, the unions are the strongest representatives of the Luddites — those who favour preserving old craft techniques against modernisation — for whom Harold Wilson proclaimed at Scarborough, amidst cheers, that there was no room in a Socialist party. It is, however, one thing to applaud the ideal at a euphoristic party conference; it is another to practise it on the factory floor. This is a basic problem which faces whatever party is in power. Hitherto, the Conservatives' headache has been to try to contract or eliminate thickets of traditional industries, now obsolete or in need of root and branch modernisation, such as textiles, shipping, coal mining, and the railways. The rearguard action to bolster them by subsidies or other protective measures, has come, and continued even at

the Labour conference to come from the unions concerned, which for reasons of history are among the oldest and most powerful.

Labour's leaders are under no illusions about this difficulty, which was doubtless among the considerations which led the deputy leader, George Brown, to warn that the achievement of Labour's targets must be a matter of several years, probably spreading over to a second general election.

It is worth noting that the Conservatives have helped to force Labour's traditional preoccupations into the background, because Conservative policies have brought the problems of modernisation, scientific research, and wages policy into the foreground. It may be that, under Mr. Wilson's realistic

Dominance in World Trade

From Our Special Correspondent

PARIS:

SHIFTS AND changes in world trade channels are constant, and there is no country that enjoys a permanently privileged position, safe from challenge, in any major market abroad. True, there are some small nations that are the commercial satellites of some big partner, but if we define a major market as one importing at least \$1,000 million worth of foreign goods each year, there are only two that depend on one other country for over two-thirds of their supplies. They are the immediate neighbours of the USA, namely Canada and Mexico. The fact that a country buys much or most of its imports from one other nation does not signify economic dependence, unless it also sells a good part of its exports to that same country. By that criterion, there are still two countries that are substantial traders and yet do most of their import and export trade with one other nation: Canada and Mexico again, in their relation with the USA.

No nation in Europe enjoys this dominant position in regard to another country. Neither Britain, nor Germany nor France supplies over half of any country's imports. There are cases where Britain and France buy over half a country's exports (sometimes almost all its exports) but these are small countries formerly belonging to their respective empires, which represent a modest market for British and French exports. The only instance of economic domination, approaching U.S. trade relations with Canada and Mexico, is British commerce with New Zealand. Britain takes 51 per cent of New Zealand's exports and supplies 45 percent of its imports. This case is unique in West Europe's foreign trade, and even then one must note that New Zealand is not a major market as we have defined it (i.e. its imports in all are worth less than \$1,000 million a year). If we extend the definition of major traders to include nations that buy at least \$500 million abroad each year, West Europe still has no other trade dependencies besides New Zealand, but the USA has two more: Colombia and the Philippines, buying half their exports and supplying half their imports.

These calculations are prepared by the Common Market trade experts on the basis of 1961 and 1962 commerce. They would seem to be essential for any discussion of "dominant situations" in foreign trade, a subject often debated loosely without regard to the facts. In reckoning the Common Market's influence in world trade, for example, it is necessary to know that West Germany is not the major supplier of any significant importer outside Europe and even within Europe it nowhere succeeds in supplying over a third of any country's imports except in neighbouring Austria; moreover West Germany is not the dominant client for any exporter of raw materials. France, on the contrary, is the dominant

leadership, Labour, because of its link with the unions, can solve these problems more easily. If so, good luck to them!

Nevertheless, as the "Sunday Times" pointed out, one should not assume that the Conservative momentum cannot be restored. If one takes Mr. Wilson as setting a high standard of party leader, the Conservative cabinet is full of antagonists of equal calibre, while Labour's shadow cabinet is not. Butler, Hailsham, and Maudling, are obvious, but Lord Home, Edward Heath, Iain Macleod, Edward Boyle, and Keith Joseph are all of prime ministerial calibre. The government also has the advantage of a strongly reviving economy. And how its annual party conference (due when this report appears in print) handles itself may make a big difference for—or against—Conservative fortunes.

client of a whole string of small exporters of commodities, all recent members of its empire, but the French role in export trade is much more modest: France does not have the number one place among the suppliers of any country buying more than \$500 million abroad annually. There is no nation, then, that is dependent on a member of the Common Market in its external commerce to the extent that a handful of nations are dependent on the USA.

Two tables will show the dominant situations (or something approaching that) in world trade, one for the exports of the three biggest exporting countries (the USA, West Germany and Britain), and one for the three biggest importers of commodities (the USA, Britain and France).

Percentage (within brackets) of each country's total imports bought from:

USA	West Germany	Britain
1. Countries importing over \$1,000 million from abroad annually		
Britain (11)	Italy (17)	Argentina (12)
W. Germany (14)	France (18)	South Africa (29)
Spain (20)	Norway (18)	Australia (31)
India (21)	Belgium (19)	
Brazil (35)	Finland (20)	
Japan (36)	Denmark (22)	
Venezuela (59)	Sweden (22)	
Canada (69)	Holland (23)	
Mexico (70)	Switzerland (32)	
	Austria (42)	
2. Countries importing between \$500 and \$1,000 million from abroad yearly		
Iran (19)	Yugoslavia (19)	Nigeria (38)
Egypt (19)	Portugal (37)	New Zealand (45)
Greece (20)		
Pakistan (25)		
Israel (33)		
Chile (40)		
Philippines (47)		
Colombia (52)		

The export table, then, shows that the USA plays an important role as a supplier to a fairly large group of countries but this role only becomes dominant in the former colony, the Philippines, and in the Western hemisphere (and even then Argentina escapes, making Britain her first supplier). Britain, on the contrary, has this important role as a supplier in surprisingly few countries that import on any

large scale; apart from Nigeria, they are only the white Dominions of the southern hemisphere. For the rest, British exports are widely scattered, and former imperial connections have left little mark in the shape of dominant or privileged situations in trade. West Germany, in contrast, is of the first importance to most Continental nations as a supplier, in part because of her membership of the Common Market, in part because of traditional links with her neighbours. For memory, the value of total exports in the average recent year was \$21,400 million for the USA, \$13,000 million for West Germany and \$10,500 million for Britain.

Turning to the import table, one takes the percentage of each country's commodity exports that were bought by the USA, Britain and France. West Germany drops out because her purchases are scattered around the globe and she is not a major customer for any nation. France takes her place, because she is still the major market for the goods of her former colonies. These figures concern commodities, and not total exports, because no exporter of manufactures relies to any large extent on any one foreign customer, i.e. industrialisation removes the danger of dependence on a single client, a situation that must still be accepted by countries that export mainly or only commodities. Even where the above table shows that, say, Canada or Mexico are important markets for American exports (or Austria for West German exports), it is obvious that such markets absorb only a moderate proportion of total exports from the USA (or West Germany), and an even smaller proportion of total output.

The table alongside reveals that there are still a large number of countries that rely on one client to pick up at least half of their exports. The list is very short where Britain is that client, for British purchases (like West German) are very scattered, and again we can say that the imperial connection has left little mark; apart from New Zealand, the countries concerned are very tiny possessions. The list is much

longer where France is the dominant client, but this reflects the recent liberation of these States (all small in population apart from Algeria) from direct French tutelage. In any case, the commerce in question is evolving rapidly as these territories get the benefits of association with the Common Market. Mostly, these countries sell over half their goods to France because France still offers them guaranteed minimum prices higher than world prices, but this arrangement is destined not to endure. The only important instances of commercial dependence, in sum, relate to the U.S. connection with countries in the Western hemisphere, and it is only there that one finds countries that rely on one big nation to buy most of their exports and supply most of their imports.

Percentage (in brackets) of each country's total exports bought by:

USA	France	Britain
Guatemala (53)	French Guiana (52)	New Zealand (51)
Liberia (53)	Togoland (52)	Barbados (52)
Philippines (54)	Madagascar (54)	Br. Honduras (54)
Costa Rica (58)	Tunisia (55)	Sierra Leone (79)
Canada (59)	Central African Republic (57)	Mauritius (80)
Colombia (60)	Comoro Islands (58)	
Ecuador (61)	Equator (61)	Cameroons (59)
Dominican Rep. (62)	Dominican Rep. (62)	Gabon (60)
Honduras (64)	Niger (62)	
Mexico (73)	Dahomey (70)	
Surinam (76)	New Caledonia (77)	
Bahamas (93)	Algeria (81)	
Panama (94)	Guadaloupe (83)	
	Reunion (85)	
	Senegal (86)	
	Martinique (90)	

Future of Ghana's Industry

By MADAN M. SAULDIÉ

ADDRESSING the press at Accra sometime ago, Mr Imoru Egala, Ghana's Minister for Industries, disclosed that the preliminary results of the recent industrial census in Ghana showed that more than 100,000 industries of all sizes flourished in the country. He added that "from all over the world Ghana's industrial and general investment policies have made her an attractive proposition." It was, he said, the Government's prime concern "to ensure that easy credit from both East and West did not lead the country into establishing ill-considered projects, and that the terms were favourable to Ghana at all points."

This note of warning is significant because Ghana's terms have never been favourable. Even after her independence in 1957, she has not been able to correct the imbalance of her foreign trade and as lately as 1961, the unfavourable factors amounted to 23 per cent. She had been exporting raw materials at cheaper rates in exchange for manufactured goods imported at much higher rates. This has resulted in a perpetually unequal exchange and deterioration of her export earnings.

At the time of independence there were hardly any industries and cocoa production was the mainstay of the country's economy. The country behind Dr Kwame Nkrumah thus had to face a double challenge: one, of diversifying the economy and the second, of processing her own raw materials. The process generated by a £75 million (raised to £108 million) ten-year (later reduced to 8 years) Development Plan launched in 1949 was carried ahead through an Interim Consolidation Plan despite the difficulties in forecasting future trends in cocoa prices, coupled with trade recession in the United States and Europe. The Plan was designed "to cover the completion

of any first Development Plan projects left unfinished, to sustain employment, to provide for reasonable expenditure in the regions and to consolidate the development work already carried out under the First Plan."

The 5-year Second Development Plan which came into operation in July 1959, envisaged a total expenditure of £242 million for general development and an additional £100 million for exploiting the country's hydro-electric potential. While the previous plans laid emphasis on communication, public works, education and general services only, the second Plan stressed the need for increased production and planned expenditure on agriculture, natural resources, industry and trade, although communications and education continued to claim the lion's share of the total outlay.

Having thus built an infra-structure for economic growth, through educational and health programmes, the country undertook to processing her own raw materials and within a span of six years, she was processing her timber through a vast furniture industry with genuine hopes that by the Plan-end, the exports of unprocessed lumber would be reduced to 'minor proportions.' The paper industry is also expanding and by 1970 it is expected to be turning out at least 25,000 tons of paper and paperwood per year. Palm oil is being processed into soap, bauxite into aluminium and hides into footwear and leather goods. A factory processing cocoa beans is springing up soon which would enable more than half of cocoa being exported in the form of cocoa products by 1970. In short, the country is preparing to manufacture within the country all that was being imported in exchange for raw materials. That done, it would not be difficult for Ghana to become in her own dreams "a predominantly industrial trading country" and re-

place consumer goods industries by medium and heavy manufacturing ones. Much also depends on what the 7-year Plan, to be launched towards the close of this year or the beginning of the next, achieves for Ghana.

But it can be expected that by the time Ghana takes to heavy industrialization, she would have tapped at least three essentials of industrial growth—power, chemicals and steel. To meet her power requirements, Ghana finds rich prospects in the \$392 million Volta River Project which when completed would not only provide hydro-electric power but also serve as an all-purpose scheme affecting the economy as a whole. The power when fed to an aluminium smelter at Tema would utilize much of the bauxite deposits concentrated round the city.

In addition, the artificial lake created for the project would help inland transport and navigation, fishing industry and provide irrigation to heavy water-using crops. The construction of Tema Harbour and Tema New Township to be built from Ghana's own resources and estimated to cost £30 million, forms a key part of the whole project.

The work on the 240-feet high Akosombo Dam—a part of the project—has already started and is progressing speedily.

The availability of large quantities of salt might put the chemical industry in motion. Petro-chemical industry would also go up as soon as Tema refinery, expected to refine more than one million metric tons of crude oil in the first year of its working, goes into operation.

Then comes the third essential: steel. By next year, it is expected that Ghana would be producing 30,000 tons of steel from scrap at a small steel plant. The large steel plant to be built at a cost of £1,700,000 and which would lay the foundation of a potential steel base in Ghana, would utilize the ores extracted from Shiene area.

Heavy Industry

Three essentials thus mustered up, Ghana would embark upon heavy industrialization and mass production. The 7-year Plan with a total outlay of £840 million, more than half (£425 million) of which has been allocated for the production of capital goods, might take the former British colony a decisive step forward. By 1970, Plan-end, it is hoped that national production will rise by 38 per cent.

In building up an industrial Ghana, the role of private investment cannot be over-emphasised. Ghana will have to attract and encourage the establishment of new industries both in the private sector as well as in the joint private-Government sector. To that end an Industrial Development and Investment Division has been set up in the President's Secretariat. The Government's policy towards private investment has already been explained more than once. In 1958 Dr Nkrumah in a statement to the National Assembly (Parliament) rightly emphasized that the Government was determined "to expand the industrial capacity of the country and that private capital and technical know-how would be most welcome." This assurance was repeated in his speech to the Assembly in March and again in October 1959, when he declared that the Government aimed (in the spirit of the Indian National Congress' Avadi Resolution) at evolving a "socialist pattern of society."

The Ghana Government has, of late, been making vast concessions to the private sector. The legislation now provides for the refund of customs import duty on raw materials used in the approved local industries. The Pioneer Company Relief scheme, which originally consisted of exemption from tax on profits of pioneer industries for a period of five years, now provides for the extension of tax holiday until the initial capital has been fully recovered. To cap it all, positive help is being given to industrialists in the acquisition of land for their projects — and developing it by providing water, power etc.

up to June 1963, there were 72 privately-owned factories

in Ghana as against 11 State-owned ones. Eight State-owned factories are under construction and plans are afoot for building up another 15. Important private overseas and local industrial investments include a 20-year old Swiss brewery, Pioneer Tobacco Company (a subsidiary of the British-American Tobacco Company), British Tyre Equipment and Reconditioning Company, Coco-Cola, (followed by Pepsi-Cola), a Lebanese bakery, a French industrial gas producing plant, a Canadian roofing sheet factory, Imperial Chemical Industries' pharmaceutical plant and a British vehicle assembly plant. Local private undertakings are generally engaged in the manufacture of prefabricating concrete buildings and structural element, metal production, products of reconstituted milk and cream, aluminium utensils etc. Cottage and village industries may also receive stimulus by the Government's plan to establish village industrial halls to be used by craftsmen such as goldsmiths, basket and kenti-weavers and wood carvers whose products would be marketed by the National Trading Corporation.

But notably enough, all the above listed bigger industries were set up long before independence and not a single of them produced capital goods. Even after independence, private capital has not been forth-coming as hopefully as could be expected partly, because of Dr Nkrumah's proclaimed leftist leanings and partly, due to the Africanisation policies—Africans now occupy all but 0.6 per cent of the positions in the top grades. This has kept most of the managerial genius and technical know-how off her industries. It is time greater incentives were given to the private industrialists and their interests guaranteed so that the pace of industrialisation is not slowed and the rising trends in Ghana's per capita income is maintained. According to the U.N. sources, Ghana enjoys the highest average per capita income of \$245 a year as compared to \$110 for West Africa as a whole, \$65 for East and Central Africa and \$130 for North Africa.



SOUNDS LIKE U.P.C.C.

LISTENING POSTS

"Current" Circulates a Canard

By Our Special Correspondent

NEW DELHI:

THE PRIME Minister at his Press Conference on Wednesday dismissed brusquely a report in the "Current" last week that, at his instance, the Government was preparing the ground for the nationalisation of commercial banking. Mr. Nehru's denial only confirms what has been known to be the fact among informed circles, that there has been no change at all in the Government's policies on this issue as affirmed on two occasions in the last session of Parliament, first by Mr. Morarji Desai and subsequently by Mr. T. T. Krishnamachari each, in turn, speaking as the Finance Minister of the day.

The demand for nationalisation of banks has been pressed off and on, chiefly by the Communists but also by a section of Congressmen. In fact, in the last Monsoon Session, an unofficial resolution in the Lok Sabha, asking for the nationalisation of banks, was moved by a Congress MP who, however, withdrew it after Mr. Krishnamachari had explained that the nationalisation of banking was not necessary either for developing the economy of the nation or as a means of promoting what are described as social objectives. The Finance Minister further pointed out that, apart from the fact that the Government of India, through the Reserve Bank, could already act effectively to regulate banking on sound lines, it was always open to the Government to consider such other regulatory measures as might be necessary to reinforce its authority over the functioning of the banking system. It appears that this continues to be the position of the Government in this issue and in the circumstances much surprise is expressed here at the irresponsible manner in which reports are fabricated and circulated in a matter where it is so clearly necessary to preserve public confidence. A section of the Press, specialising in sensationalism, has no doubt got into the habit of indulging in personal attacks and character assassination. This is bad enough. But when these tactics are carried to a point where false fears can be spread in sensitive areas of the economy, great harm could clearly be done to public interest in the widest sense of the term. Incidentally, while it is conceded that reports appearing in a certain section of the Press are usually not taken seriously even by its regular readers, it is still thought to be rather surprising that the Finance Ministry has not considered it necessary to contradict promptly such wild charges as those built into the "Current" story which alleges, in part, that the LIC has been instructed to buy the shares of certain banks as an exercise in the nationalisation of the banking industry through the back door.

It was an alert, but completely relaxed Mr. Nehru who met the Press this week. The Prime Minister seems to have shed lately much of the burden of his years. He was in great good humour and this was so obvious even as he came to in that the questions (and questioners) were encouraged to become promptly aggressive. On the Kairon affair, especially, the Prime Minister was subjected to something like a searching cross-examination and at one point he was even advised that, in the circumstances of the case, he should at least have kept "mum" over the supposed virtues of Punjab's Chief Minister. Mr. Nehru, however, not only took all this in the good part, but also held more than his own often with the help of a gay witticism here or a deft turn of phrase there. For instance, in the matter of the VOA deal, which incidentally seems to be neither on nor completely off, Mr. Nehru slyly got on the right side of critical Pressmen with a disarming confession that "mistakes do happen in the best regulated families".

From the point of view of hard news, the Press Conference was not very productive. Mr. Nehru is far too old hand at the game to be provoked or persuaded into giving away information as such. But it was certainly useful to have the Prime Minister's clarification of the position with regard to the so-called "second list" of releases of Ministers for Party work. Mr. Nehru explained that he himself had never mentioned any second or third list. All that he had said, while announcing the famous drafting of the dozen, was that he might have some further suggestions to make in due course. He denied that it was his intention to imply that there were to be more departures of Ministers from the Central or State Governments in pursuance of the Kamaraj plan.

It all boils down to this. While the Prime Minister may not be sending out more Ministers from the Centre in the name of the Kamaraj plan, it does not necessarily mean that there will not be any more changes in personnel or portfolios. On the contrary, the Prime Minister clearly said that the allocation of portfolios at present is of a temporary nature in certain cases and that more permanent arrangements will, therefore, have to be made. Again, that there would be some new appointments to the Cabinet is being generally taken for granted. Finally, although the Kamaraj axe may have been put away in the woodshed, it is still not only possible but more than likely that some weeding out will be done among Ministers of State and Deputy Ministers. Action taken in this regard will, of course, be distinct from action taken earlier in terms of the Kamaraj plan. Incidentally, even with regard to the Kamaraj plan, the Prime Minister seems to have given away the show when he said laughingly that perhaps part of the reason for the names of Mr. Gopala Reddi and Dr. Shrimali being included in the list of the six Central Ministers chosen for Party work was that he (Mr. Nehru) had a feeling that six was a satisfactory number, while less than six might be too few. Did I imagine a mischievous twinkle in the Prime Minister's eyes when he said this?

At the end of his Press Conference, Mr. Nehru read out a statement which he disclosed that the Finance Minister had requested him to release at the Press Conference. This statement was on a Government decision to grant 'ad hoc' increases in pensions drawn by retired government employees who are entitled to that benefit. Pressmen were rather intrigued why Mr. T. T. Krishnamachari had chosen this rather unusual procedure for publishing this decision. But there is no doubt at all that this announcement is of more than ordinary social significance. Retired government pensioners have been agitating for a long time against having been left unprotected against the abnormal increase, continuously over the years, in the cost of living. That the present Finance Minister, so soon after taking office, has responded to this call of distress, which is bound to be welcomed, especially among the lower middle-class, is a proof of the Government's awareness of and sympathy with the hard-pressed sections of the community who have to keep stretching their fixed incomes to meet the rising cost of living. Although the increases are necessarily in the form of small amounts, the extent of relief they could bring to the mass of the pensioners who are from the low-salaried class could be relatively significant.

The Planning Commission is likely to place before the country, by November-end, a broad idea of the objectives and tentative targets of the fourth Plan. Currently, as many as 26 Working Groups, consisting of the representatives of the

Planning Commission and various economic Ministries, are engaged on this problem in the larger context of development during the 15-year period to 1981. They are expected to submit their preliminary reports in three or four weeks' time. Some of the particular aspects of development being studied by these Working Groups are the internal and external resources, food policy, industrialisation, international trade, family planning, scientific research and labour and employment. Since increased emphasis is now being placed on advance action in regard to some fourth Plan projects, the Working Groups will be indicating the important schemes which should be taken up in 1966-67 and 1967-68.

Tentatively, the Planning Commission is understood to have suggested to the State Governments that the basic objective of the fourth Plan will continue to be to accelerate the growth of agriculture and industry. Suitable provision, of course, will be made for the development of transport, fuel, power and education. A new element in the planning policy being brought in is the devising of measures to obviate foreign exchange difficulties. Rectification of the balance of payments position is to be an over-riding consideration in the drawing up of the fourth Plan industrial programmes. For this purpose, not only will savings have to be stepped up, but there will also have to be significant improvement in the construction and management of industrial enterprises

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Meanwhile, the mid-term appraisal of the implementation of current Plan is said to have revealed that as a result of increase in prices, the outlay on the Plan programmes is likely to go up by nearly Rs. 600 crores. The two sectors of the economy worst affected by escalation in prices and adjustments necessitated by the emergency are industries and transport and communications. Some of the third Plan projects, it is feared, will have to spill over into the next Plan because of this increase in the cost of executing them and owing to the delays that have occurred in arranging necessary foreign exchange.

For giving a boost to agricultural production next year, the Planning Commission is stated to have addressed recently a circular to State Governments in which it has reiterated the need for expeditiously streamlining the administrative machinery. The attention of the States has been drawn to the fact that in several cases where large investments have been made, the benefits remain to be realised. The States have been advised to earmark as top priority in their 1964-65 Plans, the resources required for the completion of the agricultural projects under execution. They have also been urged to concentrate on areas selected for intensive cultivation of cotton, oilseeds, rice, millets and other crops. Concerted drive has been called for in matters of plant protection, multiplication of seeds, utilization of irrigation facilities and local manures and distribution of fertilizers and credit.

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The National Iranian Oil Company has sharply reacted to Mr. P. R. Nayak's projected visit to Iran and the publicity given to it in India and abroad. It has made it clear, in a formal statement, that no arrangements are being considered for possible grant of oil rights to India outside the framework of Iran's competitive bidding procedure and requirements.

The statement says: "Indian reports of the planned visit of the Oil and Natural Gas Commission's representative to Iran had apparently given rise to such question in industry circles with the result that some companies had inquired whether they also might submit offers before National Iranian Oil Company declares District one acreage formally open for bids next year. The purpose of the Indian Government's representative's projected visit to Iran is to discuss oil matters in general. The National Iranian Oil Company will adhere

very rigidly to its well established procedure with respect to bidding in District one."

The Indian Government, it is explained here, is under no illusion, so far as District one is concerned. But there might be other areas in Iran which could be a subject matter for negotiations. Then again, India is also anxious to make long-term arrangements for importing crude. Prima facie, the present reserves in Assam are not adequate for feeding the expanded Barauni refinery in Bihar. The construction of the Haldia-Barauni crude pipeline is a pointer to this assumption. The existing three refineries in the private sector and the proposed Phillips refinery at Cochin have been allowed to import crude from their own sources. The plan of the Indian Government to import crude through the Oil and Natural Gas Commission however will enable Government to know the geography of crude imports, its discounts and impact of such discounts on the prices and products if any.

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The Government of India have issued a new Rule — 125B under the Defence of India Act — assuming specific powers to regulate supplies of cane in areas reserved for the factories. This is in pursuance of the statement made by the Union Minister of Food and Agriculture in Parliament on September 6, 1963, on measures for augmenting sugar production in 1963-64. He had emphasised the need for ensuring adequate supplies of sugarcane to sugar factories in order to achieve a sugar production of 33 lakh tons and indicated the nature of regulatory measures for the purpose.

The Rule empowers the Central Government to reserve areas where sugarcane is grown for its purchase by factories, after taking into account the crushing capacity of the factory, the availability of sugarcane and the need for production of sugar. It authorises the Central Government to require sugarcane-growers in the reserved area to deliver a specified portion of their production of sugarcane to the sugar factory and the factory in turn to accept and crush that sugarcane.

The Rule also provides for restrictions on animal-drawn crushers not owned by sugarcane-growers, power crushers and khandsari units operating in areas reserved for sugar factories in the matter of licensing or purchasing sugarcane or sugarcane juice for manufacture of gur, shakkar, jaggery, rab or khandsari sugar etc. The units found to be operating without a valid licence are liable to seizure and being rendered inoperative by sealing or otherwise, i.e., by removal of vital parts. They would also be liable to forfeiture in addition to any other penalty which may be imposed.

Powers to require persons engaged in the production, manufacture, supply or distribution, trade or commerce in sugarcane, sugarcane juice, sugar, gur, shakkar, jaggery, rab or khandsari sugar, to maintain and produce for inspection such books, accounts and records as may be required relating to their business and to furnish any required information, have also been provided for.

The powers under the Rule are being delegated to State Governments, who have been requested to give effect to the measures immediately according to the needs of the situation in their States.

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The President has given assent to the Constitution (Fifteenth Amendment) Bill, 1963 and the Constitution (Sixteenth Amendment) Bill, 1963. These Bills were passed by the Parliament early this year and have since been ratified by the requisite number of the State Legislatures as required by the proviso to Article 368 of the Constitution of India.

The Constitution (Fifteenth Amendment), Bill seeks to raise the retirement age of High Court judges from 60 to 62. It also empowers the various High Courts to hear cases against the Union Government. Hitherto only the Punjab

High Court had this jurisdiction. Another feature of this Bill is that now the government servants will have only one opportunity for appeal against two so far available.

The Constitution (Sixteenth Amendment) Bill seeks to enable the Parliament to make laws providing penalty for any person questioning the sovereignty and integrity of the Indian Union. Under its terms, a person shall not be qualified to be chosen to fill a seat in Parliament or in the legislature of a State unless, 'inter alia', he makes or subscribes before a person authorised by the Election Commission an oath or affirmation that he will bear true faith and allegiance to the Constitution and will uphold the sovereignty and integrity of India. The Election Commission has authorised every Returning Officer as the person before whom such oath or affirmation is to be made.

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The question of implementing the principle of 'single point taxation' in respect of transport vehicles plying on inter-State routes, under regular or temporary permits, has been under the consideration of Government. The Transport Development Council, at its last meeting held in April, 1963, recommended the appointment of a study team, consisting of representatives of the Central Government and a few State Governments, to examine the relevant issues. A part-time study Group with Mr. N. P. Mathur, as its Chairman, has now been appointed. It will examine the procedure for the assessment and collection of motor vehicles tax, goods tax and passenger tax in regard to vehicles operating on inter-State routes in different States and recommend a simple and uniform procedure in order to eliminate inconvenience and delay to inter-State transport, without adversely affecting the revenues of the different States concerned. It will also recommend a reasonable basis, or formula, for the division of the proceeds of the three taxes from inter-State transport among the different States concerned. The study group is expected to report within six months.

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The Government of India must express its "grave disappointment" at the short-sighted attitude of the India/UK-Continent Conference which had imposed a 12½ per cent increase in freight rates and "consider themselves free to take whatever steps are required to protect the legitimate interests of Indian trade", said Mr. G. Venkateswara Ayyar, Chairman of the Consultative Committee of Shipping Interests in Overseas Trade. Mr. Ayyar, Secretary, Union Ministry of Transport, was addressing the Committee's eleventh meeting here during the week.

Mr. Ayyar disclosed that the Conferences and Shipping companies serving trade from Calcutta and East Coast of India to US North Atlantic ports, US Pacific Ports and Canada had also announced a 10 per cent general increase in freight rates effective from October 11, 1963. This, he said, was a second increase within a short period of two years, the freight rates in these trades having been increased in January, 1962.

During the course of examination of various complaints received by the Freight Investigation Bureau, according to Mr. Ayyar, it had been observed that shippers in India were placed at a disadvantage vis-a-vis exporters from other countries in regard to freight rates, payment of rebates etc. In many cases, freight rates from India were very high compared to the freight rates from other countries. The shippers in UK-Continent were allowed an option of either 10 per cent deferred rebate or 9½ per cent cash rebate, but no such option was allowed to shippers in India. This discriminatory treatment resulted in large amounts of shippers' money being locked up unnecessarily.

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The Consultative Committee decided that all items of discrimination and disparity in freights should be taken up

again by the Freights Investigation Bureau with the Conferences concerned directly as well as through the Indian Shipping Companies who are members of the Conferences concerned. The Committee was apprised of specific instances of discrimination in freight rates for several commodities including coffee, aluminium sulphate and decorticated mattress type fibre, as shipped from Indian ports and foreign ports similarly situated. The attention of the Conference was also invited to a wide disparity between freight rates for the same commodity from different ports in India to the same destination.

The Committee also noted the additional charge of \$4 per ton levied on shipments from US north Atlantic ports to Cochin, Madras, Vishakhapatnam, Kandla and Gujarat ports. The Committee decided that the Indian Shipping Companies who are members of the Conferences concerned should pursue this question further and try to persuade the Conferences to abolish the additional levies.

The Committee was informed that even though the local representatives of the India-U.K. Continent Conference had been posted in India, complaints from shippers were still being received regarding difficulties experienced in getting timely shipping space, particularly from Madras, Cochin, Vishakhapatnam and Tuticorin. Shipping interests were requested to take necessary steps to ensure that India's export trade to UK Continent was adequately and fully covered and whenever they were not in a position to provide shipping space they should grant immediately dispensation within 48 hours to enable the shippers to make alternative arrangement without losing their accumulated deferred rebate with the Conference. Mr. A. Ramaswamy Mudaliar on behalf of the Conference stated that difficulties regarding shipping space were being gradually resolved and he hoped that these would disappear soon. This complaint, he added, would not in any case figure at the next year's meeting of the Committee.

Earlier, the Committee considered various aspects of the working of Bombay, Calcutta, Madras, Tuticorin, Kandla, Vishakhapatnam, Cochin and Marmugao ports.

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Side by side, the trade representatives of Germany, Italy and Japan were discussing whether they should lodge a protest against what they alleged "Flag Discrimination" recently started by India. According to a Gazette notification of the Government of Goa, there will be three freight rates for the export of iron ore from that enclave. The floor price of 5.25 dollars per metric tons will be allowed to a dealer exporting cent per cent of his ore in foreign bottoms. He will be given 0.15 dollar rebate if he were to ship 20 to 30 per cent of his ore in Indian ships. This rebate will be increased to 1.20 dollars if he were to export 50 per cent of his ore in Indian ships. The following seven shipping companies are scheduled Indian companies which are eligible for the carriage of iron ore for the purpose of earning rebate: Shipping Corporation of India, Indian Steamship Company of Calcutta, Scindia Steamship Company, Abjee Lines and Surrindra Overseas, Great Eastern Shipping Corporation, Jayanti Shipping Company and Thakur Shipping Company. The notification issued from Goa lays down that the concessions will be available to persons who undertake to make the first offer to ship 20 to 30 per cent or 50 per cent as the case may be of the ore agreed to be sold to the shipping companies "at world competitive freight rates prevailing at the time of chartering or freight fixtures." The Gazette notification has a slight variation. It says "at international freight rates prevailing at the time of the shipping."

The Government has finally approved of the Russian Project Report on Heavy Electrical Equipment Plant to be installed at Hardwar. The Plant, when in full production will manufacture 1.5 million kw. of turbo generators, complete with

steam turbos of 50,000 to 200,000 kwt and 1.2 million kwt of hydro electric turbine of 10,000 to 100,000 kwt in addition to heavy and medium size A.C. and D.C. electric motors with total capacity of 1,500 kwt and starting and control apparatus for completing the turbo generator and hydro-electric turbines. For its speedy completion, the Government has agreed to import 75 per cent of the plant and equipment from Russia.

The following ten study groups have been set up in the Ministry of Heavy Industries to work out plans for machine making industries for the fourth Plan.

Electrical Power Equipment: Equipment required for electrical power generation, transmission and distribution, including thermal boilers, and heavy electrical equipment for electrical power utilisation, including large motors and electrical traction equipment.

Transport Equipment: Rail and road transport equipment, including railway rolling stock and commercial motor vehicles.

Steel and Metallurgical Industries Equipment: Equipment for steel plant and other heavy equipment for metallurgical industries.

Mining and Drilling Equipment: Mining, drilling and other equipment for coal, mineral ore and oil industries, including beneficiation of ores, and coal preparation and washing.

Fertiliser and Chemical Equipment: Equipment for fertilizer, petroleum refining, petro-chemical and other heavy chemical industries.

Machine Tools: Machine tools, including hand tools, small tools and heavy machine tools; welding equipment; pressing equipment; and furnaces.

Industrial Machinery: Equipment for cement, paper, sugar and other industries.

Textile Machinery: Equipment for cotton, jute, woollen, silk and artificial fibre industries.

With Apologies to God

From Our Correspondent

BOMBAY:

THE CHIEF Minister, Mr. Kannamwar, made a statement on the last day of the Monsoon session of the Maharashtra Assembly on the Naik Commission Report (on the Panshet Dam disaster). He admitted in the Assembly that the Commission had not stated in the Report that the disaster was due to an 'act of God.' It has been pointed out to the Government that the word 'no' occurring at a significant portion of the Report was an error. An official corrigendum was to be issued incorporating the correction. According to the Chief Minister, 'it is correct to say that the Commission has not said so in so many words in the Report.' What the Government intended to convey was that it had concluded that 'such was the purport of the report.' To remove the misimpression, the Government proposes to issue another corrigendum deleting the words 'and agrees with the Commission.' Replying to a supplementary question, the Chief Minister said that the report was printed actually five or six months ago. A copy was immediately passed on to Mr. Naik. He informed the Chief Secretary on the evening of September 23 about the mistake, that is, after it was presented to the Assembly. Whatever might be the explanation, it is obvious that the Maharashtra Government bungled the issue in presenting the case to the Assembly. It deserves congratulations for admitting and rectifying the errors.

According to Mr. Shriman Narayan, Member of the Planning Commission, the emphasis in the fourth five-year

Structurals: Structural, cranes, sluice gates and related items.

Engineering Industries: Items common to various industries such as castings and forgings, pipes and tubes, gears, ball and roller bearings etc.

The Study Groups have been asked, in their respective spheres to make (a) an estimate of the requirements of equipment having regard to the production programmes and investment in the sectors requiring such equipment envisaged during the fourth and fifth Plans, in so far as they are relevant to the establishment of capacity for the manufacture of such equipment during the fourth Plan, and (b) recommend the capacity and production targets for 1970-71, for each category of equipment, by type and by range, to the extent indigenous manufacture is considered feasible and desirable.

A Trade Delegation from Czechoslovakia has arrived here for preliminary negotiations on a new long-term trade agreement with India.

Mr. F. Hamouz, Minister of Foreign Trade of Czechoslovakia, who will be arriving in India in the latter half of October, will hold talks with Mr. Manubhai Shah, Minister of International Trade, for concluding the terms of the five-year trade agreement which is likely to be signed by them.

The trade between India and Czechoslovakia is expected to be of the order of Rs. 12 crores each way in 1963. As a result of the negotiations, it is likely to be doubled by the end of 1966.

Henley Cables India, Limited, which will shortly be producing in India quality AEI cables, has received an industrial expansion licence for the manufacture of winding wires and copper strips, at its factory at Poona. This plant is already producing rubber and thermoplastic cables for domestic and industrial use, multicore telecommunication cables and flexible cables and cords.

vided Rs. 85 crores of additional funds for State agricultural plans. The States had also been told that 'money need not be the limit for agricultural development.' It has been decided to import the necessary fertilisers to meet agricultural needs because of the production shortfall in indigenous production. Mr. Narayan furnished these details while he was addressing the Planning Forum of the Poddar College of Commerce & Economics, Matunga.

The new import policy had a mixed reception in Bombay. The established importers have been disappointed by the maintenance of the status quo because they had expected increased import quotas in view of an improvement in the foreign exchange position. The actual users had however welcomed the new policy since the benefits would be passed on to them. Some industrialists expressed the feeling that the Government should have considered at least the suggestions put forth by them for restricting or prohibiting the import of a number of items, the indigenous production of which is sufficient to meet the demand. The industrialists, in general, welcomed the decision not to liberalise imports by established importers. By pegging the imports of the actual users to meet their requirements of imported raw materials. Since the actual users are granted licences for the import of industrial raw materials only, the prices of consumer goods imported by the established trade would harden. The exporters are confused about the position of the export promotion schemes in the absence of any specific reference in the policy. Established importers are critical of the Government's failure to take note of a number of suggestions for liberalisation of imports submitted by them. Government, according to them, could have atleast allowed a token quota for the items which are essential but not manufactured in India. It should be noted here that the established traders had been subjected to a pruning of their quotas during the successive periods.

There is a likelihood of 'Bengal Deshi' being included in the barter agreement against import of stockpile of American long staple cotton. Trade and industrial circles consider this an unwise step. It has been pointed out to the Ministry of International Trade that any attempt to barter away Bengal Deshi in exchange for extra long staple cotton lying with the US Commodity Credit Corporation would be injurious to India's interests. While the stockpile cotton has been in American warehouses for more than ten years, the fancy premia fetched by the higher counts of yarns, particularly in

South, it was stated, were mainly responsible for the keen mill demand for extra long staple cotton, however old the stock might be. Barter deals are not normally struck for traditional items of export. It is relevant to note that the Government had actually rejected a trade proposal some years ago to export jute against the import of Syrian cotton on the ground that a readily salable commodity should not be shipped for anything other than foreign exchange. Bengal Deshi brings in foreign exchange to the tune of about Rs. 10 crores per annum. The export performance in the 1962-63 season was particularly encouraging. India was able to ship 330,000 bales valued around Rs. 12 crores. In spite of the fact that Japan continues to be the major buyer of Bengal Deshi, latterly America has been showing keen interest in this type of cotton. Under the latest quota, about 3,500 bales of Bengal Deshi have been sold to the USA. The total imports of Bengal Deshi into America during 1962-63 season were placed around 14,176 bales. The conclusion of a barter deal besides disrupting the present trade channels would ultimately reduce the foreign exchange earnings on India's export of Deshi cotton by weaning away some of the traditional buyers. So far there has not been a single instance of the Bengal Deshi figuring in a barter deal and it is to be hoped that wiser counsels will prevail with the Government.

The Gujarat Chamber of Commerce held its annual meeting on October 4. The President, Mr. Chandrakant Jagbhaiwala, welcomed the pragmatic approach adopted by the Union Finance Minister in fiscal matters and hoped that the Government would take steps to re-activate the capital market from the state of paralysis. The country had remained behind the targets of food production in respect of steel, fertilisers, sugar, cement etc. There had been a substantial shortfall in the utilisation of foreign aid particularly when the country was in the grip of foreign exchange shortage. The stagnation in capital market, rising price level, increasing cost structure, unutilised industrial capacity, slackening in the face of agricultural and industrial production, deteriorating employment situation and stringency in money market called for immediate attention.

Mr. Chandrakant Jagbhaiwala emphasized the urgency of ensuring better working of the public sector and said that the present performance had been very much behind schedule. He also expressed concern at the idle capacity in industries such as automobiles, bicycles, aluminium foil, steel ingots casting, soap etc. and believed that this anomaly needed correction.

Scraping the Barrel

From Our Correspondent

CALCUTTA:

WHILE IT has been accepted on all hands that the supply position of rice in West Bengal will continue to be rather tight till the new crop (aman paddy estimated at four million tons) becomes available from December, the Chief Minister's blunt statement that the Government was not in a position to supply rice to more than 85 lakhs people through fair price shops did come as a shock. From the figures given by him, it would appear that half of the population of the State will have no alternative but to depend on the free market for its rice requirements unless of course, as the Chief Minister has advised, they take to wheat and potatoes, both of which are in abundant supply. The present excessive pressure on fair price shops has developed from the fact that the free market price of rice has been rapidly going up in the course of the past few weeks. In the meantime the number of cardholders

has enormously increased consequent on the Government's decision to make available sugar only to cardholders. Since cardholders can also take rice along with their sugar quota, with the sharp rise in the open market price of rice, almost all of them have started drawing their rice quota as well from the fair price shops. According to the Chief Minister nearly 90 per cent of the State's population of 370 lakhs have taken out ration cards and it is not surprising that the scheme of regulated rice supply has reached near-breaking point. The difficult situation in West Bengal has prompted the Centre to announce a fresh allotment of 10,000 tons to the State. This will afford some relief but the position will not markedly improve because the minimum requirements during the next two months are put at 40,000 tons. The hope that some supplies from Orissa will be available on trade account has receded because of the damage caused to parts of that State

(ESTD. 1919)

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Calcutta

The moving finger writes

IT IS ALL rather confusing. Mr. S. K. Patil wants Mr. Atulya Ghosh to be the next Congress President; Mr. Ghosh reportedly would cast his vote in favour of Mr. Lal Bahadur Shastri, and in case Mr. Shastri is unwilling to embrace the honour, Atulya Babu's vote, presumably, will go to Mr. Kamaraj. Mr. Kamaraj, it appears, would rather that Shastriji consents. In this game of musical chairs in reverse, the two odd men out seem to be Mr. S. K. Patil himself and Mr. Morarji Desai. If anything at all is clear it is that no Congress leader has so far indicated, either overtly or covertly, his choice for the one or the other as President.

But, of course, it is all too early yet and much water is bound to flow down the Jamuna before the image of Mr. Sanjivayya's successor takes shape. There is, of course, in every potential Congress President's breast an earnest desire to avoid an unseemly contest or even controversy — the snag is that the other fellow, unfortunately, may not agree to stand down. For the people the prospects are irritating rather than exciting. Considering that Congress politics and Congress administration are so thoroughly mixed up, the ordinary man — either as taxpayer or as citizen — is unlikely to enthuse over possibilities of prolonged confusion, if not chaos, in the affairs of the ruling party.

From a common sense point of view, the next Congress Presidentship ought to be confined to one of the "Kamaraj dozen" sent out of Government for undertaking high organisational responsibilities. Among the dozen, preference should naturally be shown to the top men in the Congress hierarchy. This should leave the stage to Mr. Morarji Desai and Mr. Lal Bahadur Shastri, with Mr. Kamaraj and Mr. Patil possibly in the wings. Since Mr. Shastri himself is generally assumed to be not only not keen on the Presidentship but is actually showing considerable reluctance towards being drafted, I just do not see why there should be any objection anywhere in the Congress Party to Mr. Desai being unanimously invited to become the next Congress President — provided, of course, Mr. Desai himself is not unwilling to function in that capacity. It is greatly to his credit that in the difficulties following the implementation of the Kamaraj plan, Mr. Desai has not only behaved with great personal dignity but has also shown himself to be in every way not only a wise leader but also a true soldier of the Congress.

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I must say that I have no sympathy for Mrs. Sucheta Kripalani. She became Chief Minister of U.P. through what are clearly false pretences and it is surely a reflection on her intelligence that it has taken her so long to realise that she has not become the leader of the Congress Party in the U.P. legislature in her own right. For her to complain at this stage of being dictated to in the selection of her colleagues is not merely naive but foolish. Surely she ought to have found out earlier that she had been made a cat's-paw and if she does not want to get too badly burnt, she had better take the only sensible as well as decent course open to her, which is to resign her Chief Ministership. Poor, unfortunate, U.P. has been mis-governed far too long by weak and divided administrations and its people have been made to pay grievously for this through lost opportunities of economic and social progress. It would be a continuing betrayal of the

interests of the people of that State if, in the name of the Kamaraj plan, ministry-makers and ministry-breakers were to be permitted perpetually to try to run and thereby ruin the administration from behind the scenes.

★★

The leader of the Dravida Kazhagam, Mr. E. V. Ramaswami, or EVR as he is widely known, was recently weighed by his followers against the required kilogrammes of onions. That this humble vegetable was chosen for the ceremonial, instead of gold or silver, might only have been partly due to the state of the DK coffers. Onion is stated to be EVR's favourite vegetable. One reason may be that onion is taboo to an orthodox Brahmin and since EVR is the fiercest and most durable of professional Brahmin-baiters, it is possible that he might have concluded that it was his moral duty to exalt the onion which Brahminism has condemned as lowly.

In the South there are two varieties of onions. In addition to the milder, big-sized kind, which is the sort commonly found in the North, but which is described as "videshi" onion in the South, there is also in those parts a local variety which is smaller, harder and much more pungent. EVR's favourite onion, no doubt, is this "swadeshi" stuff. If and when EVR's dream of a separate Dravidian State comes true, it will no doubt be the first act of high policy of the new State to ban the production, import, traffic in, or use in any form of "videshi" onion, while making the daily eating of the local variety compulsory for all citizens, Brahmins being required to eat double the ration.

★★

Miss Christine Keeler, as "The Economist" suggests, may have gone from British politics, but she has not yet departed definitely from the front pages of some of our national dailies. The blow-by-blow account of the Ward trial was splashed on the front pages of our papers with the tongue-in-the-cheek justification that the case had important political and social overtones and was, therefore, a matter of legitimate public interest. No such explanation can be pleaded in support of the exuberant reporting of the sordid story of Miss Keeler's (far from) private life with the black or white trash of suburban London which is being unfolded in her present trial for perjury. And yet, day after day, we find the press here unwilling to let go even the seamiest shred of pornographic piffle that could be scavenged from the proceedings of the court.

★★

Talking of "The Economist", there is a paragraph in its issue of September 28 on 'Indian Exchange Control' in which it is rightly suggested that investigation of suspected cases of under-invoicing should not be conducted in such a manner as to make foreign enterprise lose confidence in the fairness of this country's administration. This note quotes from an article written on similar lines in this journal ("Ordeal by Slander", 'Eastern Economist', August 9, 1963). My purpose in mentioning this is that, while quoting, "The Economist" does not refer to this journal by name but describes it as "one Indian newspaper". Apart from the fact that this is rather slovenly writing, I should have thought that, if a source is worth quoting, especially with approbation, as was the case on this occasion, it is worth being properly acknowledged as well.

V.B.

Trade Winds

RUSSIAN GOLD SALES

IN THE LAST week of September, the price of gold declined sharply in the London bullion market because of sales by the Soviet Union on the Continent. The lowest rate recorded was \$35.06 per ounce as against the Central Banks' gold pool price of \$35.07 to \$35.08 per ounce. For four months, the London Market had ruled between \$35.10—\$35.12 per ounce primarily because of the measures taken by the U.S. to stem the tide of deteriorating balance of payments and also attempts at increasing international liquidity.

It was in 1953 that the U.S.S.R. started sales of gold which during the last five years have ranged in value above or around \$200 million per annum. The table below shows that in 1961 Soviet sales were estimated around \$275 million which dropped to \$200 million in 1962:

SOVIET SALES OF GOLD (In millions of U.S. dollars)				
1958	...	...	...	210
1959	...	...	...	255
1960	...	...	...	200
1961	...	...	...	275
1962	...	...	...	200

No precise estimates are available as to how much gold has been unloaded by the Russians on the Continent (which will ultimately find its way to London — the most organised bullion market in the world) but it is believed that the volume is likely to be larger than in 1962 in view of the failure of Soviet agriculture in the current year and its anxiety to buy wheat from the U.S.A., Canada and Australia. There are reports that the U.S.S.R. has already bought wheat from Canada and Australia valued at \$600 million. The Russians have also asked for wheat from the U.S.A. to the value of around \$250 million.

It may be recalled that in October, 1960, there was a great upheaval in the gold markets of the world when the price of the yellow metal in the London market had reached \$40 per ounce. An agreement was then reached among the Federal Reserve Bank of New York and the Central Banks of Belgium, France, Federal Republic of Germany, Italy, the Netherlands, Switzerland and the U.K. to set up what is now popularly known as "the gold pool", which considered methods by which effective monetary control, with particular reference to the price of gold, may be maintained. The Russian unloading of gold on the Continent at four times the normal annual sales is likely to lower the price appreciably. In the absence of Russian sales, the tendency of the gold price has been to firm up on demand from industry, art and private hoarders; the pool has endeavoured so far to restrain an undue rise in gold prices.

The latest Annual Report of the International Monetary Fund has estimated that the total increase in the amount of gold available to the world (outside the Communist bloc) in 1962 was of the order of \$1,500 million, out of which production accounted for \$1,300 million and Russian sales for \$200 million. A large share of this supply made its way into private hoardings in certain countries where political and economic uncertainties existed and it was this continuous demand which had kept up the price of gold.

The Gold Control Rules promulgated in this country early this year had brought down the price of gold from Rs. 130 to Rs. 100 per 10 grams but the changes in the rules announced by the Finance Minister in the Lok Sabha on September 21 (and reported in "Eastern Economist" on September 27, 1963, on page 608) revived the demand for gold, leading to an immediate rise in price to Rs. 105 per 10 grams. According to the new rules, re-making of existing jewellery

of more than 14-carat purity is allowed but no sanction has been given for the making of new ornaments of more than 14-carat purity from primary gold. Currently, the price of gold ranges between Rs. 103 to Rs. 104 per 10 grams and the rise of Rs. 3 to 4 carries the uneasy implication that some goldsmiths might have created demand for primary gold by indulging in transactions in violation of the new Rules.

US LOANS FOR POWER PROJECTS

The Governments of India and the United States have concluded agreements providing for American loans totalling Rs. 24 crores to the Bandel, Cambay and Birsinghpur power projects. The three thermal power stations will add 665,000 kilowatts to India's installed power generating capacity.

These rupee loans have been made from the sale proceeds of U.S. agricultural commodities supplied to India under Public Law 480. The United States is financing the entire cost of the three projects. Earlier agreements have provided for loans totalling \$80 million (Rs. 38.1 crores) to meet the foreign exchange costs.

The Bandel power station is being constructed a short distance from Calcutta. Its four turbine generators will produce a total of 355,000 kW. The expansion and establishment of chemical, heavy and light manufacturing industries and rail-at Bandel. Power will also be supplied to a large number of irrigation pump sets. The 250,000 kW Cambay thermal power station will play an important role in stimulating the industrialization of Gujarat. In the initial stage the boilers will use pulverized coal, but provision is being made for future conversion to oil firing. The Birsinghpur project provides for the construction of a 60,000 kW power station at Madhya Pradesh, a region of abundant natural resources.

TRADE WITH EUROPE

The Indian Council of World Affairs recently sponsored a study of the latest economic and political institutional developments in the European Economic Community. The team, which was headed by Mr. G. L. Mehta and included Mr. H. M. Patel and Mrs. Dharma Kumar, was also asked to recommend the lines on which the further study of the impact of the Common Market on India should be conducted.

The team met a wide range of individuals and organisations connected with the EEC, the European Coal and Steel Community and the Commission of Euratom, in addition to meeting officials in London and Washington. According to its study, the problem of India's trade with the Community has two aspects; in the short run the possibilities of reducing tariff quotas, internal taxes, etc., must be studied. In the long run, and of India itself, may be more important in bringing about changes in the quantum and pattern of trade. The team discussed both these aspects with the Commission and with other interested parties; several useful points were made on individual commodities, though, of course, a systematic study of demand and supply conditions is necessary.

On textiles the team found that in many countries, and particularly in Italy and Germany the necessity for specialising in the higher types and leaving the cheaper varieties to the underdeveloped countries, was being widely recognized. "In Germany, the Government is clearly prepared for a fall in the production of textile industries, though this will naturally have to be handled with care in order to avoid sudden unemployment, or losses to the investors. While the supply of at least certain types of textiles in some countries of the Six may fall, the consumption will rise, particularly in the poorer countries of the Community where the demand for textiles still has not reached saturation point. For instance,

the team was told that in Italy the consumption of textiles is likely to rise at the rate of 5 per cent per annum. While these are hopeful factors, the continuation of restrictions on textiles and of competition from other areas, particularly Japan, must also be borne in mind. Also, the pattern of consumption may alter in favour of the finer varieties. As the GATT officials stressed, it is very important for India to work out exactly what types of textiles can be sold and what is the tolerable level of duty on each type. If the problem is broken up in this way, it would sound much more manageable than if the underdeveloped countries appear to menace the whole of the textile industry in Europe or to demand nil tariffs on all textiles.

Cup That Cheers

The demand for tea and coffee is also likely to rise as income increases. The German agricultural Ministry felt that the demand for both these commodities is likely to rise in Germany. But the very high internal duties on tea and coffee may keep the demand down. It is argued that tea in Germany is used mainly by the well-to-do, and even if the duty is taken off, the consumption would not increase very much. On the other hand, the revenue on tea is small, since the total consumption is still small, and could therefore be easily removed. But the Finance Ministry assert that they cannot remove the duty on tea without also removing the duty on coffee, and the latter step is impossible for revenue reasons. The abolition of duties on tea is also opposed by French coffee interests and German beer interests.

Also, the distribution system involving importers, packers, wholesalers and retailers raises the prices unduly and prevents the quantum of tea exports from rising. To some extent rationalisation of the system has been impeded by the differential duty on packaged tea; packaged tea pays a duty of 23 per cent as against 18 per cent on unpackaged tea. (And even when the duty on unpackaged tea is suspended, a 5 per cent duty will be levied on packaged tea).

The big question for Indian tea exports now is how they will be affected if import duties are suspended both in the Community and in the United Kingdom, as is now proposed. The Indian Tea Association representatives fear that the mutual lowering of barriers will, on balance, be dangerous to India. Consumption in the UK cannot increase much more, and the removal of the Commonwealth preference may divert some trade to other suppliers, such as Argentina, or even China; last year non-Commonwealth tea accounted for 8 per cent of total intake, but this share will increase. And in the Community, consumption of tea may not rise unless the internal duties are reduced. On principle, however, the team cannot object to any measure which removes discrimination between underdeveloped countries.

Outlook for Oilseeds

The growth of production of oilseeds in the Associated Overseas States is not likely to be very large. In fact a Commission official felt that some of these countries might even be persuaded to move from oilseeds to other crops, since the Commission was anxious that they should diversify their pattern of production. But the common agricultural policy on oils, which still has to be worked out, will undoubtedly discriminate in favour of producers in the Community and the AOS. The Six have agreed in GATT to make allowances for the interests of developing States, but they want special studies to be made, so that tropical fats can be encouraged, rather than temperate fats. Another problem is the discrimination against processed oils in favour of oilseeds. A member of the Commission himself pointed out that since the duty on processed oils was 15 per cent on the entire commodity, this amounted to a protection of 84 per cent for the oil crush-

ing industry. This is clearly excessive and India should press for the removal of this difference.

Jute textiles appear to be one of the very few commodities where India is very highly competitive; representatives of the Indian Jute Mills' Association in London felt that Indian jute could compete successfully with Common Market output even if the common external tariff of 18½ were applied. Here it is the import quotas in the various countries that are important. At present the Community imports around 16,000 to 17,000 tons of jute textiles per annum. The French have proposed to the Commission that quotas for jute imports should be 8,000 tons per annum for the Community as a whole. The team were informed that this proposal is unpopular with the other countries, but that nevertheless they are unlikely to dispute this point with the French.

The Germans have reinstated their industries after the War but with old machinery, while the Belgians developed their industry because they have some raw jute in the Congo. Even so, India's exports could increase. Not only the representatives of the Indian Jute Mills' Association but the GATT official too asserted that sales of jute goods, both in the UK and on the Continent, need not fall for the next ten years. In fact sales could be raised somewhat, if prices could be kept at a reasonable level. The monopolistic practices of jute associations, both in the UK and on the Continent, not merely keep Indian goods out but reduce the total demand for jute in the long run, since the high prices encourage consumers to use substitutes. Incidentally, officials in the Commission pointed out that it was difficult to get Pakistan and India to agree on a common jute policy.

Prospects for Ores

Mineral ores form one of India's main exports to the Community; unfortunately, in the long term the demand for some of these ores may not increase. The ECSC has invested 5 million dollars in prospecting for ore in Africa, and the Associated Overseas States are likely to grow in importance as suppliers of ores to the Community since there are good deposits in Guinea and other countries which have not been opened up as yet. The High Authority also felt that the demand for manganese ore as a whole would go down for technical reasons.

GATT representatives felt that there might be some possibilities for exports of crude steel by India. India should explore the possibilities of exporting crude steel to be finished in Europe.

India should also study the possibility of increasing exports of goods required in development projects in the Associated Overseas Territories, since the rate of investment in these areas is to be stepped up significantly.

During the British negotiations the Community had agreed to suspend or reduce, temporarily at least, duties on some of India's main exports, such as heavy jute goods, coir mats, and East India kips; on tropical goods such as cashew nuts, spices, sandalwood and lemon grass oil; and on handloom products and certain sports goods. The Indian Government has recently sent an aide memoire to the Commission asking that these concessions should be reconsidered as soon as possible in order to revive India's flagging export to the Community. The Commission is examining the memorandum and is expected to subject a detailed study to the Council. The Permanent Representatives will also examine the memorandum in general terms and then send it to a sub-committee. If the Permanent Representatives agree to the memorandum, it will automatically be passed when it is put to the Council. From the talks the team had with the Permanent Representatives of the Six in Brussels, it appeared that most of the Governments were favourable to the Indian memorandum in general.

There may however be some difficulties in obtaining a

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comprehensive trade agreement soon, since the Commission is otherwise preoccupied. And even if a satisfactory comprehensive trade agreement is secured, this is only a preliminary step in the struggle to increase export earnings. It is essential to improve the supply of most of India's export commodities and to improve India's sales efforts in the Community. The weakness of India's export promotion measures was pointed out time after time in the Community. The team was frequently asked if the lowering of trade barriers would really make a significant difference, since even in those countries of the Six where tariffs are low, India's exports are not high; this is obviously a point worth examining in detail. The team was told that Germany gives aid in improving sales techniques; it was suggested that India should avail herself of such assistance. And apart from selling harder, India must produce more, including such agricultural commodities as oilseeds, since duties on tropical primary products will be small.

PATENTS AND PRICES

High prices of drugs and medicines, according to reports, is the primary reason for the amendment of the Patents Act, a Bill for which purpose is being drafted at present. The Development Council on Drugs and Pharmaceuticals had had this matter examined by two special committees, including one technical committee. Their report says:

"Though no detailed survey of actual prices of drugs in this country as compared to the relative prices in international market is made, it is a fact that indigenous prices of drugs are very high as compared to international prices. There are a number of factors contributing to this difference in prices but since these factors do not affect the cost of all the drugs to the same extent, it is difficult or rather impossible to arrive at a reasonably accurate figure of percentage difference that could be taken as applicable to all drugs. The price and cost structure of each drug will need to be separately examined and compared with respective figures in international market for arriving at a reliable conclusion whether the prices in India are justified on the basis of prevailing circumstances. Such data would also enable consideration of possible measures that can be recommended for bringing about a reduction in prices of indigenous drugs.

The factors which make up the cost of a drug can be grouped as under:

- (a) Cost of raw materials.
- (b) Manufacturing expenses including direct overheads.
- (c) Cost of plant as reflected in interest in block capital and depreciation.
- (d) General overheads and marketing expenses.
- (e) Interest on working capital.

One revealing fact that emerges from the examination of the raw materials usage is that the so-called indigenously manufactured drugs are in reality substantially dependent on imported intermediates and raw materials, and to the extent of this dependence, the cost of the finished drug includes the incidence of duty on the imported materials. The proportion and cost of imported materials that go into the cost of different indigenously manufactured drugs vary considerably but an attempt is made here to assess on a rough basis the extent to which the incidence of duty on raw materials could be expected to effect the price of the finished drug.

Cost of Materials

Depending on the scale of production, it is estimated that cost of raw materials would contribute between 60 per cent and 90 per cent of the total cost of a drug. For the present purpose, a figure of 70 per cent is taken. Also it has been observed from the raw materials figures that, on an average, the imported raw materials cost constitutes about 75 per cent of the total raw materials cost. On this basis, the incidence of duty on imported materials would contribute to the final cost of the drug to the extent of 15 per cent. If the imported components were to be only to the extent of 50 per

cent instead of 75 per cent, the relative figure would be 10 per cent. In other words, in a drug costing, say, Rs. 100 per unit, the contribution due to duty on raw materials would be Rs. 10 if the cost of imported raw materials were 50 per cent of the total raw materials cost, and Rs. 15 if it were 75 per cent.

Indigenous raw materials also being more expensive than in international market, account has to be taken of the reflection of additional cost in the final cost of the drug.

It can therefore be concluded that, if the prices of Indian raw materials were in level with international prices, and provided there was no duty on the imported raw materials, and assuming that all other costs were comparable, the cost of the drug would come down from Rs. 100 to Rs. 72.5. In other words, in the given circumstances, the cost of the indigenous drug would be higher by about 37 per cent. This figure would be proportionately lower where the cost of imported raw materials is more than 50 per cent of the total cost of raw materials.

High Overheads

It has been stated that cost of plant and equipment is about 35 per cent higher in India than in Europe and also that the overheads are high because the sale of production paratively poor productivity often offsets this advantage. In the above calculations, the committee have allowed 30 per cent of the total cost to cover all the remaining factors, and if it is assumed that the effect of these factors is to make drugs about 35 per cent more expensive in India as compared to Europe, than the contribution in the total cost of the drug would amount to 35 per cent of Rs. 30 namely, about 10.5 per cent. Taking this into account, it can be calculated that the cost of drug manufactured in India would be about 61 per cent more than the cost of drug in the European market. This figure is only approximately indicative of how much more expensive the indigenous drugs should be compared to the cost of drugs in Europe, in the stated circumstances. The actual figure in respect of each drug will, of course, be different to the extent that the influence of the factors mentioned above varies from the assumptions made.

It will therefore be safe to assume that in the case of drugs which are not exported to India at subsidized prices and where the efficiency of the process adopted in India is reasonably comparable to that abroad, a 60 per cent margin over the c.i.f. price should cover all the legitimate factors that increase the cost of production of a drug in this country. If the increase in selling price of a drug manufactured in India is substantially more than 60 per cent of its c.i.f. value it will need to be investigated whether the higher price is due to:

- (i) the drug being exported to India at subsidized prices;
- (ii) the efficiency of the process adopted abroad being much better than that adopted in India;
- (iii) the profits made by the local firms being substantially higher.

An examination by a cost accountant would reveal in such cases the exact state of affairs. The sub-committee would therefore recommend such an examination being undertaken when the local selling prices of drugs are 60 per cent higher than their c.i.f. prices. The Government should appoint a cost accountant to work with the Chairman and the Secretary of the Council.

MAN-MADE FIBRES

At the 24th Annual General Meeting of the Art and Art Silk Mills' Association, Ltd., held recently in Bombay, Mr. D. N. Shroff reviewed the trends obtaining in man-made fibre industry as well as in the world during the year ended September, 1963.

Referring to world production, Mr. Shroff observed that

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in 1962 man-made fibre production has established an all-time record on world scale; the total production of man-made fibre was about 4 million metric tonnes, an increase of more than 10 per cent, higher than for the two previous years when the rate of increase amounted to 6 per cent. and 5 per cent. respectively. The output of man-made fibre has thus formed a quarter of the world supply in textile fibres in the year under review. Mr. Shroff said this increase in fabrics production was made possible, mainly, by a commensurate rise in man-made fibre production.

Conditions in the man-made fibre industry in India, too, confirmed to world trends. The production of viscose and acetate filament yarn recorded a further rise in the year 1962, thus bettering the entire record output of 1961. The rise in the output was of the order of 4.157 million kgs. from 23.408 million kgs. in 1961 to 27.625 million in 1962, i.e., an increase of 17.71 per cent. over the previous year's production. As regards the output of rayon fabrics there was a decline. In 1961, the production was 422.256 million metres whereas in 1962 it was 387.307 million metres—a decline of 8.99 per cent. over the 1961 production level. The fall in production of fabrics after a period of steady increase in the last four years, according to Mr. Shroff, was because of disruption in the working conditions occasioned by strikes in the weaving sector, the Chinese aggression, high prices and even shortage of yarn during the early part of the year.

Later, addressing the Ninth Annual General Meeting of the Silk and Rayon Textile Export Promotion Council, Mr. Shroff stated that the exports of rayon and synthetic fabrics during 1962-63 amounted to 77.8 million metres valued at Rs. 8.46 crores which showed an improvement of 10.7 per cent over the previous year and also surpassed the target of Rs. 6 crores set by the Council. Mr. Shroff observed that considering the various handicaps, such as non-issue of import licences in Morocco, ban on textile imports in Iran, trade restrictions in Ceylon, etc.—all of which are important markets for Indian fabrics—the export performance was no less gratifying.

INDO-SOVIET TRADE

The arrival recently of the 5,000th Soviet tractor to be delivered to this country highlights the fact that the Soviet tractors, models DT-14B, DT-28 and Belarus, have gained great popularity on our farms. Soviet tractors constitute about 20% of the total number of agricultural tractors working in this country.

Tractors are one of the items of the new five-year Trade Agreement covering the period of 1964 to 1968, signed in Moscow last June. After the conclusion of the first trade agreement in 1953 during the period of 1955-1962 the goods agreement between the USSR and India has increased more turnover between the USSR and India has increased more than ten-fold. As a result of the successful fulfilment of the three-year Trade Agreement in regard to the contingents of goods for mutual deliveries for the period of 1961-1963, the goods for mutual deliveries for the period of 1961-1963, the goods turnover between the USSR and India in 1963 will constitute approximately Rs. 100 crores (without deliveries of complete plants under credits). Under the new (third in succession) five-year Soviet-Indian Trade Agreement the goods turnover between the two countries will reach Rs. 200 crores (400 million roubles) by 1966. In other words, it will exceed the present level by more than two times.

The bulk of imports of Soviet goods under the Trade Agreement is machinery and equipment (55 per cent) including power equipment for the thermal power station in Patratu (Bihar) with the capacity of 400,000 kwts., for the hydro-electric power stations in city of 400,000 kwts. and in Balimela (Orissa) with the capacity of 360,000 kwts., building machinery including cranes, excavators, bulldozers, scrapers and also geological exploring and

drilling equipment, metal cutting machine-tools and other machinery. The remaining 45% of the value of the Soviet merchandise include pig iron, ferrous metal rolled stock, non-ferrous metals, oil products, chemical goods, paper and other goods.

The share of Indian industrial goods in the total Indian export to the USSR will constitute 50% (jute, cotton and woollen fabrics, leather footwear, handicrafts, coir goods etc.) The new items of Indian export to the USSR are bananas, oil cake, ground nuts, insecticides, razor blades, goods of engineering industry, etc. India exports to the USSR about 22% of its export of coffee, 20% of black pepper, 19% of castor oil, 12% of cashew nuts, 10% of shellac and 7% of tea.

The purchases of Indian goods are being increased by the USSR from year to year according to the steady increase in imports from the Soviet Union by India.

At the Indian exhibition held in Moscow this summer, the Soviet Foreign Trade Organization bought the samples of the new export goods of India worth Rs. 1.5 crores. About two million Soviet people visited this exhibition.

SUCCESS WITH SUGARBEET

Experiments conducted at the Indian Institute of Sugarcane Research at Lucknow have shown that Sugarbeet, which is a crop of the temperate areas, can be successfully cultivated in North India. Yields obtained at the Institute were of the order of from 15 to 20 tonnes per acre, and sugar content ranged from 14 to 17 per cent. There were indications that by employing improved techniques, the yield of roots can be increased to 25 tonnes per acre.

BRNO FAIR

More than 600 exhibitors from 44 countries from all parts of the world participated in the International Trade Fair, Brno (Sept. 8-22, 1963), which was visited by 30,000 persons from abroad. This year for the first time Burma, Ghana, Iran, Greece and Venezuela had official expositions at the Pavilion of Nations. India did not participate due to emergency conditions and necessity of saving foreign exchange, but a number of Indian delegations visited the Fair to participate in symposia and enter into business deals.

Trade negotiations took place particularly in the course of the second week of the Fair. A number of important contracts had been concluded between the foreign exhibitors themselves, about which it was difficult to collect data. The results achieved by the participating Czechoslovak Foreign Trade Corporations (14 of them exhibited 7,000 items) are claimed to have surpassed their own expectations.

ANUGA 1963

Anuga, the International Exhibition of Fine Foods and Provisions in Cologne from 21st to 29th September 1963 was marked by heavy international competition resulting from the participation of nearly all the food exporting countries. The further increase in the number of trade visitors out of the total number of visitors entailed successful to very successful business results of the German and foreign exhibitors. In all 244,300 trade visitors and other interested persons from 66 countries visited the exhibition at which 2,476 firms and organisations from 45 countries were represented in 14 halls covering an area of more than 140,000 sq. yds. At 11,820 the number of foreign visitors was 28% greater than at the last Anuga in 1961. Most of the visitors came from the EEC countries of Holland, Belgium and France; next in line were the EFTA countries Switzerland, Austria, Denmark, Sweden and Great Britain followed on the visitors' list by Finland, Italy, Norway and the USA.

Company Affairs

ELECTRIC CONSTRUCTION

ELECTRIC CONSTRUCTION and Equipment Company Limited entered the capital market with an offer of Rs. 12.50 lakhs comprising 12,497 (9.3 per cent taxable) redeemable cumulative preference shares of Rs. 100 each. The subscription list opened on October 7 to close on October 12. The company has an authorised capital of Rs. 3 crores consisting of 50,000 preference shares of Rs. 100 each and 25,00,000 equity shares of Rs. 10 each. The issued capital is Rs. 76.43 lakhs and the subscribed and paid-up capital is Rs. 64.11 lakhs. The company is engaged in the production of power and distribution transformers, electrical motors, starters and iron clad switches. The annual turn-over is around Rs. 2 crores. A new unit commenced production in November 1962 and it has another unit at Visakhapatnam which produces transformers, switchgears and lamps worth Rs. 66 lakhs. It intends to expand its transformer manufacturing capacity. The company has also set up a plant in Andhra Pradesh in technical collaboration with Veb Zahler-Und Apparatewerke, Berlin. The licensed capacity of this unit is 60,000 single phase meiers and 18,000 poly phase meters per annum. The production is expected to commence in the next few months. The proceeds of the issue will be utilized for financing the development of the above-mentioned transformer and switch-gear factory at Visakhapatnam.

ATUL PRODUCTS

The Board of Directors of Atul Products has decided to extend the period for receiving applications in respect of new right shares issued by the company up to October 31, subject to a condition that in addition to the application money of Rs. 50 per share an interest at the rate of 9 per cent per annum on Rs. 25 (payable on capital account) should be payable by the applicants for the period from October 1, 1963, to the date of actual payment.

BOMBAY DYEING

The request of the shareholders of the Bombay Dyeing and Manufacturing Co. Ltd. for participation in the capital structure of the chemical companies promoted by Nowrosjee Wadia and Sons (Private) Ltd., the managing agents of the company, has been conceded by the latter. It is now proposed to offer the shares of Herdillia Chemicals Ltd. on a firm allotment basis to shareholders of Bombay Dyeing. Herdillia Chemicals Ltd. was formed recently in collaboration with the Distillers Company Ltd., London, and Hercules Power Company, Wilmington, U.S.A., for the manufacture of petrochemicals. The company's authorised capital is Rs. 10 crores in shares of Rs. 10 each of which Rs. 4.40 crores will be issued. The foreign collaborator will subscribe for shares of the value of Rs. 1.80 crores. Out of the balance, shares of the value of Rs. 1.32 crores will be allotted to the promoters, their friends and associates and the balance will be offered to the public. It is proposed to issue, out of equity shares reserved for promoters, directors and their friends, one share of Herdillia Chemicals for every two shares held by the shareholders of Bombay Dyeing as on August 22, 1963. The allotment is subject to the condition that shares will not be transferable for a period of one year from the date of allotment.

MAFATLAL'S ISSUE

The directors of the Mafatlal Fine Spinning and Manufacturing Company Ltd. propose to increase the capital of the company by issue of 29,000 equity shares of Rs. 100 each, at a premium of Rs. 235 per share, so that each share will be priced at Rs. 375. This will fetch a sum of Rs. 108.75 lakhs which together with the company's existing resources will

meet the rupee finance required for a new project for the manufacture of fluorine chemicals. Navin Fluorine Chemicals Ltd., one of the companies of Mafatlal Group, has obtained a licence for the manufacture of synthetic cryolite, aluminium fluoride and sodium fluoride. Out of the 29,000 shares, 14,500 equity share for every four existing equity shares held and the balance of 14,500 shares will be made available for public subscription through a prospectus. The company is applying for Government sanction and will soon seek the shareholders' approval too.

NATIONAL AND GRINDLAYS

National and Grindlays Bank Ltd. celebrated its centenary on September 30, when the main component of this banking group completed its 100 years. The bank was registered on September 29, 1863, in Calcutta by a small group of British and Indian merchants under the name of the Calcutta City Banking Corporation which was changed to the National Bank of India early in 1864. It was this bank around which the latter alliances have grown. Starting from that year the titution was able to provide banking services for larger numbers. On December 31, 1864, the bank's total assets amounted to £328,736; today, they are more than £277 millions. In the first year of operation there were slightly more than 300 shareholders; at the end of 1962 the number was approximately 6,500. In contrast to the dozen or so members of the staff with which the Calcutta City Banking Corporation opened its doors in 1863, National and Grindlays today gives employment to nearly 10 thousand employees of all grades in 165 branches operating in a dozen countries and is official banker to four Governments. This is one measure of the progress which National and Grindlays is able to record on the historic occasion of its centenary.

BAJAJ AUTO

The directors of Bajaj Auto Ltd. stated in their annual report for the year ended March 31, 1963, that the company has been granted a licence to expand its manufacturing capacity from 6,000 scooters to 12,000 scooters per shift and to 18,000 scooters on double shift basis. The Government has sanctioned in principle import licence for capital goods of the value of nearly Rs. 49.65 lakhs and has directed the company to apply for the foreign exchange loan to the IFC or to the ICICI to cover the imports. The company has made an application to the ICICI for a loan of Rs. 70 lakhs of which the foreign exchange components will be about Rs. 50 lakhs. It is stated that every effort is being made to maintain the turnover and profit margin while the indigenous component is raised from the present level of 63 per cent to 85 per cent in the next eighteen months. Gross profit for the year under review amounted to Rs. 26.87 lakhs out of which a sum of Rs. 8.56 lakhs was provided for depreciation, Rs. 7.40 lakhs for development rebate reserve and Rs. 3.86 lakhs for taxes. The directors have recommended a dividend of Rs. 10 per every fully paid ordinary share of Rs. 100 and a dividend of Rs. 7 per every partly paid-up ordinary share of Rs. 100, which will absorb a sum of Rs. 5.20 lakhs.

STANDARD MOTORS

Mr. K. Gopalakrishna, chairman of Standard Motor Products of India Ltd. expressed considerable optimism with regard to the future of the company while addressing the annual general meeting held recently. The company has a plan to manufacture car bodies and will gradually achieve self-sufficiency to the extent of 85 to 90 per cent as far as foreign exchange is concerned. In a way, within the limits of the available foreign exchange, it will be able to increase its

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production capacity. This development programme is likely to be completed by the end of 1964. To finance this expansion, the company proposes to issue fresh capital of Rs. 25 lakhs and the balance will be raised by way of loans. The chairman indicated that the manufacture of the four-door version of the Herald has been postponed due to extra cost involved and will be taken up when the press plant is installed and the prices are revised. The company has applied to the Government to revise the price of its car and allow a reasonable margin on the capital employed.

SOUTHERN STRUCTURALS

During the half year to June 1963, the Southern Structurals Ltd. earned profit of Rs. 9.48 lakhs, subject to taxation, after providing Rs. 2.32 lakhs for depreciation and Rs. 79,000 for development rebate reserve. The profit has been earned on turn-over of Rs. 98.19 lakhs, of which, the proceeds of the railways wagons account for Rs. 42.66 lakhs and those of structural contracts for Rs. 55.53 lakhs. The company expects a much larger turn-over in the coming months. In addition to the recent diversification in the company's activity covering railway wagons, steel structures, welded works etc., it is lately undertaking the building of cranes. It is at present engaged in building 15 units for the Madras Port Trust on behalf of Krupp-Ardelt of West Germany. The company has decided that the manufacture of wagon component should be advanced to the extent possible immediately. The wagon building programme has been kept fairly close to the estimates end on the structural side the company's capacity can reach a target of 9,000 tons per annum. The construction of the Avadi Heavy Vehicles factory has been making good progress, and this Rs. 108-lakh contract is likely to be completed before the end of the year.

TRAVANCORE TITANIUM

Travancore Titanium Products Ltd. proposes to increase its daily production of titanium dioxide from 10 to 18 tonnes. Titanium dioxide is mainly used as a colouring agent in the production of paints, textiles, soaps and rubber. Inaugurating the expansion programme recently, Mr. V. V. Giri, Governor of Kerala, stated that the State had the richest reserves of ilmenite, base material for production of titanium dioxide. The Governor stated that even under the expansion programme the production will be only 7,000 tons of titanium dioxide per annum which is far short of the country's requirements. The Kerala Government holds 73 per cent of the shares of the Travancore Titanium Products Ltd.

SHIPPING CORPORATION

The State-owned Shipping Corporation of India has made a net profit of Rs. 1.32 crores during the financial year 1962-63, as against Rs. 1.07 crores made in the previous year. According to the annual report of the Corporation released last week, cargo carried during the year under review improved further from 8.69 lakh tons in 1961-62 to 11.89 lakh tons. Over the same period gross earnings rose from Rs. 7.88 crores to Rs. 10.43 crores. In addition to the existing fleet of 29 vessels of 2.20 lakh grt, the Corporation expects to more than double its gross tonnage during the next four years. Already, orders for six cargo vessels have been placed with Hindustan Shipyard and orders for six more cargo vessels will be finalised soon. The Corporation has also placed orders for four cargo vessels of 11,600 dwt each for overseas trade to be built in Poland and one motor tanker of 33,600 dwt is already under construction in Japan which will be delivered in April next year. It is chartered for Caltex (India) for a period of ten years.

The Corporation has also plans to acquire two more super-tankers of 45,000 dwt and 53,000 dwt. The first one, which

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is expected to be delivered in October 1965 will be chartered for British Petroleum for Bombay-Persian Gulf route. According to Mr. C. P. Srivastava, the Managing Director of the Corporation, all the proposed expansion programmes which are subject to the Government approval would involve investment of about Rs. 30 crores to be spent over the next 8 to 9 years. The Corporation, he said, is confident of raising its own resources of about Rs. 20 crores and the balance would have to be met from a loan from Shipping Development Fund. Mr. Srivastava said that there were also plans to acquire some special carriers of 13,000 tons each from Yugoslavia.

HINDUSTAN ANTIBIOTICS

Hindustan Antibiotics Ltd., engaged in the manufacture of some vital drugs, has presented a rather encouraging record for the year 1962-63. There was a gross surplus before taxation of Rs. 139.6 lakhs which was nearly the same as during the previous year and consequently, it has declared a dividend of 6.25 per cent. The directors indicate that it has ploughed back during the last two years a sum of Rs. 1.7 crores from its own earnings for expansion and development. The company has exceeded its previous year's production by over 10 per cent and its output of vialled products was 40 per cent higher. The sales reached a new peak of Rs. 430 lakhs, which was the result of improved processing techniques and additions to the plant. The research laboratories of the company have continued their work on newer antibiotics and the year under review saw Streptomycin and Dihydrostreptomycin for the first time and recently it has set up a plant for the production of Hamycin, a new antifungal antibiotic at a cost of Rs. 30 lakhs. It has also set aside a sum of Rs. 8.5 lakhs to promote exports of these items.

BHARAT ELECTRONICS

Bharat Electronics Limited during its working for the year ended March, 1963 has shown better results in respect of production, sales and profits. The production target of Rs. 275 lakhs planned for the year was surpassed and production of the value of Rs. 302.74 lakhs was achieved as against Rs. 243.12 lakhs of the previous year. The sales realisation has increased by over 112 lakhs from Rs. 248.50 lakhs in the previous year to Rs. 360.65 lakhs during the year under review. It has shown a net profit of Rs. 46.86 lakhs after making a provision of Rs. 27.51 lakhs towards depreciation of assets and Rs. 5.44 lakhs for the gratuity scheme. During the year over 40 different types of electronic equipment were in production. The production of semi-conductors namely transistors and diodes also commenced. The production of radio receiving valves, ceramic and mica capacitors and piezo electric crystals were stepped up.

ALUMINIUM CORPORATION

While addressing the 25th annual general meeting of the Aluminium Corporation of India Ltd., Mr. Lakshmi Pat Singhania, its chairman, announced a Silver Jubilee gift in the form of bonus shares to be issued shortly to the existing holders of ordinary shares in the ratio of one bonus share for every four ordinary shares held. The consent of the Controller of Capital Issues has been obtained. The Silver Jubilee year has also seen the near-completion of the expansion programme. The new smelter started functioning from June, 1962, and has reached its full production capacity. The extension of the alumina plant is likely to be in full operation by the end of the year. Trials have already started on the extrusion plant which is expected to be in full operation within a month or two. The full benefit of these extensions and new products will, however, be available to the company only during the next financial year. The year 1962 has been of considerable importance to the industry as a whole. The chairman informed the shareholders that the production of

metals has jumped from 16,382 metric tonnes in 1961 to 35,313 metric tonnes in 1962 because of new plants and extensions of the existing plants coming into operation. He believed that consumption of the metal at the end of the third five-year Plan would be about 120,000 tons or even higher in view of the non-availability of other non-ferrous metals in the country. To meet this increasing demand, he exhorted that power, which is an important element in the production of aluminium, should be made available from bulk generating stations at suitable rates.

ARUNA SUGARS ISSUE

Aruna Sugars Ltd., Madras, propose to enter the capital market shortly with a public issue of Rs. 40 lakhs. The authorised capital is Rs. 2 crores and the issued capital is Rs. 85 lakhs. The present issue is for Rs. 55.63 lakhs. Of this promoters and their friends will take up Rs. 15.63 lakhs and the balance of Rs. 40 lakhs is being offered for public subscription in the form of 300,000 equity shares of Rs. 10 each and 10 000 cumulative preference shares (9.5 per cent) of Rs. 100 each. The entire issue has been underwritten. The company is setting up a sugar factory at Pennadam in the South Arcot district with a crushing capacity of 1,250 tons a day to be raised later to 1500 tons a day. The capital outlay on this project is expected to be at Rs. 168 lakhs. The factory is to go into production early in 1965.

INDIAN RAYON'S EXPANSION

Mr. Morarji J. Vaidya, chairman of the Indian Rayon Corporation Ltd., indicated in his statement accompanying the annual report that the company has completed the first phase of its programme with the recent commencement of production of rayon yarn at the rate of five tons per day. The company has been taking steps to attain its full licensed capacity of 10 tons of rayon filament yarn and 15 tons of sodium sulphate in addition to the present installed capacity of 25 tons of sulphuric acid and five tons of carbon disulphide. Orders have been placed in the USA for a plant capable of manufacturing 15 tons of rayon grade pulp from cotton linters. The US Export-Import Bank has sanctioned a loan of \$4.7 million for this purpose. The company has secured almost all licences necessary for its plans to manufacture helical spiral mould pipes. The idea of entrusting this project to a subsidiary company has now been given up and the company is considering alternative schemes. The Government has not yet taken any decision on the company's proposal to set up a staple fibre unit with the production capacity of 25 tons per day but the issue may be decided in the near future.

CAPITAL ISSUES

A Central Government undertaking, which is being set up, is among the five companies which have been authorized to raise capital aggregating Rs. 4.02 crores, says a Press Note.

Of the others, two are issuing part of their capital to their foreign collaborators, one of which will offer a further part to an Indian company. Two companies are offering a share of their capital for subscription by the public and two are partly issuing preference shares.

The consent of the Controller of Capital Issues is valid for 12 months in all cases.

The Minerals and Metals Trading Corporation of India Ltd., New Delhi (Proposed), a Central Government undertaking, has been given consent to issue capital of Rs. 2 crores divided into 200,000 equity shares of Rs. 100 each for cash at par to be issued privately. With this capital, a corporation will be established to organize and undertake the exports and

imports of minerals, ores and concentrates, metals, etc.

Shakti Insulated Wires Private Ltd., Bombay, has been granted consent to issue capital of Rs. 17 lakhs. Of this, Rs. 12 lakhs will be in equity shares of Rs. 100 each, Rs. 5,000 in 9.3 per cent cumulative redeemable preference shares of Rs. 100 each for cash at par. The new capital will be used for manufacturing cotton and paper covered, superenamelled and bare and bright annealed copper wires and strips.

B. R. Loiya Textiles Ltd., Nagpur, is raising fresh capital of Rs. 40 lakhs divided into 35,000 equity shares of Rs. 100 each and 5,000, 9.5 per cent cumulative redeemable preference shares of Rs. 100 each. All the shares will be issued for cash at par. Out of these shares the entire preference shares and equity shares of the value of Rs. 17.5 lakhs will be issued to the public by prospectus. The money is needed for manufacturing cotton yarn.

Frick India Ltd., Delhi, is to issue Rs. 25 lakhs in equity shares of Rs. 10 each at par. Of this capital, Rs. 12.75 lakhs will be subscribed by Frick Company, USA, and used for the purchase of plant and machinery. Shares of the value of Rs. 6,24,930 will be offered to the public for subscription and the balance to be subscribed privately for cash at par. The money will be used for the manufacture of industrial refrigeration machinery.

Mahindra Owen Ltd., Bombay, is to issue capital of Rs. 20,95,000 in equity shares of Rs. 100 each at par. Of this amount, shares of the value of Rs. 10,68,400 will be issued for cash to Mahindra and Mahindra Ltd., and Rs. 10,26,000 to Rubery Owen and Company Ltd., U.K. for consideration other than cash against the supply of plant and machinery. The money will be utilized to manufacture trailers of various types, axles and automotive parts.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951 — during the week ending 28th September, 1963. The list contains the names and the addresses of the licensees, articles of manufacture and annual installed capacity.

IRON & STEEL CASTINGS

The Indian Smelting and Refining Co. Ltd., Industry House, 159, Churchgate Reclamation, Bombay-1 (Thana, Maharashtra) — Malleable iron castings (same capacity as, licensed earlier), change of location from Bhandup to Thana. National Rubber Manufacturers Ltd., Leslie House, 19, Chowringhee, Calcutta-13 (West Bengal) — Railway draft gears 3,300 Nos.

NON - FERROUS METALS

Kamani Engineering Corporation Ltd., Agra Road, Kurli
(North) Bombay-70 (Maharashtra) — "Zinc Ingots" (Sec-
dary Metals) 600 metric tons.

ELECTRICAL EQUIPMENT

Gandhi Electric Industries Private Ltd., 94, Meadows Street, Fort, Bombay (Maharashtra) — High voltage transformers up to 100 K.V. 50 Nos., Ignition transformers 120 Nos., Technical cottage transformers 60 Nos., Neon trans-

MEDICAL AND SURGICAL APPLIANCES

National Instruments Ltd., Jadavpur, Calcutta-32 (West Bengal) — Dial gauges 700 Nos., Sphygmomanometers 100 Nos.

INORGANIC HEAVY CHEMICALS

Premier Fertilisers Ltd., 150A, Mount Road, Madras-2 (Cuddalore, Madras) — Synthetic cryolite 540 tonnes. The Durga-

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pur Projects Ltd., 10, Middleton Row, Calcutta-16 (Durgapur, Distt. Burdwan, West Bengal) — Alum 4,125 tonnes.

ORGANIC HEAVY CHEMICALS

Excel Industries Private Ltd., 184-87, Ghodbunder Rd.,
Jogeshwari, Bombay-60 (Maharashtra) — Oxalic acid 500
tonnes.

COTTON TEXTILES

COTTON TEXTILES

Kohinoor Mills Co. Ltd., Killick House, Home Street, Fort Bombay-1 (Dadar, Bombay, Maharashtra)—500 automatic looms for manufacture of cotton textiles. Davangere Cotton Mills Ltd., Davangere (Mysore) — 500 automatic looms for the manufacture of cotton textiles. Lakshmi Mills Co. Ltd., Avanashi Road, Pappanaickenpalayam, Coimbatore - 1 (Madras) — 500 automatic looms for the manufacture of cotton textiles. Birla Cotton Spinning and Weaving Mills Ltd., P.O. Birla Lines, Delhi-6 (Khurja, Uttar Pradesh) — 500 automatic looms for manufacture of cotton textiles. Madura Mills Co. Ltd., Madurai (Aladiyoor Village, Ambasamundram, Madras) — 500 automatic looms for manufacture of cotton textiles. Standard Mills Co. Ltd., Mafatal House, Backbay Reclamation, Bombay-1 (Dewas, Madhya Pradesh) — 500 automatic looms for manufacture of cotton textiles. Premier Mills (CBE) Ltd., Pulankinar P.O. Udumalpet, Coimbatore Distt. (Madras) — 500 automatic looms for manufacture of cotton textiles. Palani Andavar Mills Ltd., Udumalpet, Coimbatore District, (Madras) — 500 automatic looms for manufacture of cotton textiles. Kothari Textiles Ltd., Oriental Buildings, Armenian Street, Madras-1 (Singanallur, Madras) — 500 automatic looms for manufacture of cotton textiles. Shree Ram Mills Ltd., Ferguson Road, Parel, Bombay-18 (Maharashtra) — 100 automatic looms for the manufacture of cotton cloth. Kishin Chand and Co. (India) 55/57, Empire Building, Fort, Bombay-1, Proposed name: Kisco Mills (Maharashtra) — 48 automatic looms for the manufacture of cotton corduroy and velveteen. M.G. Corporation, 31, Forbes Street, Fort, Bombay (Khandwa, Madhya Pradesh) — 500 automatic looms for manufacture of cotton textiles. Shree Katteri Textiles Private Ltd., 422, Mettupalayam Road, R.S. Puram P.O., Coimbatore-2 (Veerapandy Village Tehsil Coimbatore District, Madras) — 12,000 spindles for the manufacture of cotton yarn. Jaya Shree Textiles and Industries Ltd., P.O. Rishra Distt. Hooghly, (West Bengal) — 16 Tape looms for the manufacture of cotton webbing. Premasukhdass Trilokibhushan, P.O. Sirsa, District Hissar, (Punjab) — 12,000 spindles for the manufacture of cotton yarn.

PORTLAND CEMENT

PORTLAND CEMENT
Kalyanpur Lime and Cement Works Ltd., 2 and 3, Clive
Row, Calcutta-1 (Banjari, Bihar) — Portland Cement 200,000
tonnes.

CHANGE IN NAMES (Owners or Undertakings)

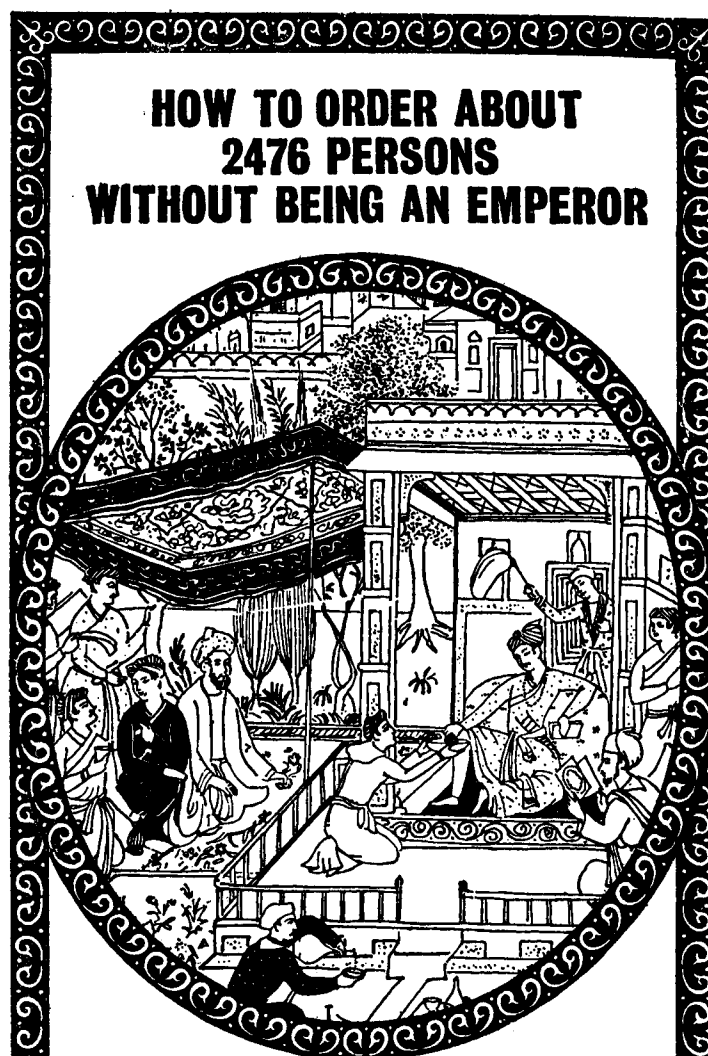
(During the Week Ending 28th September, 1963).

From Shri M. R. Maniar. Bombay to M/s. Laminated Plastic Private Ltd., Bombay. From M/s. Electrolux India (P) Ltd., Bombay to M/s. Kalinga Svenska Ltd. Calcutta. From M/s. Jay Shree Textiles Ltd., Calcutta to M/s. Jaya Shree Textiles and Industries Ltd., Calcutta. From Shri T. V. Angappan, Coimbatore to M/s. Visram Mills and Industries Ltd., Coimbatore.

LICENCES REVOKED OR SURRENDERED

(During the Week Ending 28th September, 1963)

M/s. Chanrai Uttam Chand, Madras — Tyre tube valves.
M/s. Shri Girija Prasanna Cotton Mills Ltd., Calcutta — Cotton yarn. M/s. Balakrishna Mills (Private) Ltd., Madurai — Cotton textiles. M/s. Aysha Hosiery Factory (P) Ltd., P.O. Palaparamba, Malabar — Cotton textiles. M/s. Hindusthan Gas Co. Ltd., Calcutta — Cotton yarn. M/s. Shree Durga Glass Works. P.O. Barang, Dist. Cuttack — Glass bottles.



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BOOKS BRIEFLY

Where Planning Pauses

The Bengal Peasant From Time To Time: By Tara Krishna Basu; Asia Publishing House; Rs. 14.

Democracy, Decentralisation And Development: By Henry Maddick; Asia Publishing House; Rs. 20.

The Strategy For Agricultural Development And Other Essays On Planning: By S. R. Sen; Asia Publishing House; Rs. 16.

Reviewed by **JOSSLEYN HENNESSY**

AN ECONOMIST concerned with agricultural or other planning in a developing country, or an administrator anxious to implement plans, will find sound sense in the excellent books of Dr. S. R. Sen, of the Indian Planning Commission, and of Mr. Maddick, who visited many developing countries to study field agencies at work. But to read Mr. Basu is to see Dr. Sen and Mr. Maddick in startling new perspective.

Mr. Basu, a delightful writer as well as an experienced sociologist, spent a year in Kanchanpur, a village which, although only 66 miles from Calcutta, is sociologically and economically in what would correspond to the Anglo-Saxon period in England. Development in England began in the Middle Ages because the town depended on the agricultural surpluses of the countryside; there was commerce and exchange of ideas and inhabitants between the pioneering enterprise of middle class traders and small manufacturers, and the rural dwellers, who provided slowly growing complementary markets for city products. Out of this cross-fertilisation there emerged, in the course of the centuries, the industrial revolution. By contrast, in Anglo-Saxon times, there were no towns and no entrepreneurs; there were only self-sufficient, subsistence level villages—like those of India today. Of India's population of 440 millions, 83 per cent (375 millions) live in 558,000 villages. Periodical drought apart, they grow enough food for themselves. India only needs food imports because the bulk of the peasants see no reason why they should grow a surplus to feed the cities.

Dr. Sen and Mr. Maddick seek ways whereby India's 558,000 villages can be dragged, in a decade or two, across a thousand years into India's planned, socialist, embryonic industrial economy. But to Mr. Basu's villagers, the emissaries of the world of Dr. Sen and Mr. Maddick—administrators, community developers, educationists—are as incomprehensible, and as to be feared, as Martians. Unfortunate that the villagers are, West and East are united against them. The casual Western observer is horrified by caste, which he rejects as inegalitarian, and by untouchability, which he condemns as serfdom. Sensitive after a century of Western criticism of their social structure, India's westernised political leaders make no effort to understand it, and they deceive themselves, and re-assure the purveyors of Western aid, by asserting that caste is crumbling under the impact of democracy. Mr. Basu shows that

the impact is superficial, and that, contrary to Western belief, the villagers do not see caste as a menace, but as giving them status—exactly what the British worker is seeking when he insists in "differentials". Caste and the institution of the joint family together constitutes an all-embracing system of social security adapted to the needs of a poor country. Nobody suggests that the system is perfect, but Dr. Sen and Mr. Maddick agree that evolution can come only by decentralisation of authority, and by enlisting the villager's active participation through Adam Smith's principle of self-interest.

Under the Plan, the whole trend is towards centralisation. The delays, corruptions, and large-scale waste of money at the Hirakud dam, for example, arose from the attempt to build it from Delhi. Dr. Sen insists that the provision of "wide-spread economic opportunities" and "ladders for advancement" are "essential" for progress. In India's traditional civilisation, with its communal resistance to any individual who, by adopting modern methods, threatens to become richer than his neighbours, the pioneer needs special encouragement. Instead, private enterprise is controlled more closely than in any country outside the Iron Curtain. The government controls capital issues (although this is not important now because the last budget's super taxes have, to the government's naive surprise and dismay, killed the capital market), exports, and foreign exchange transactions. The government licenses the setting up, extension, or change of location, of an enterprise, or even its mere production of a new article. It can prescribe prices, methods, volumes of production, channels of distribution, can prohibit an enterprise from reducing its output or capacity, can remove executives and put in its own appointees, without compensation. These controls are hard on medium and small enterprises, many of which are efficient low-cost producers, but their managers do not understand the law's intricacies and are easily over-awed by authority. On the other hand, the controls shield existing enterprises against competition from new entrants and have created controlled sellers' markets.

India suffers from her planners' obsession with physical investment. If the millions hitherto lavished on spectacular prestige projects had been spent on measures designed to protect the enterprising individual, to encourage the further spread of an exchange in place of a barter and subsistence economy, and to spread education, primary and technical, they could have helped to create the conditions pre-requisite for a speedier crumbling of caste and other barriers to the multiplication of wealth. As it is, direction from the top keeps alive the villagers' traditional ambivalent attitude towards government: helplessly, they fear and distrust Authority, and Mr. Basu lists examples of how all castes unite to gress, remain on paper.

Readers' Roundtable

STC AT LARGE

Sir, — It is reported that the State Trading Corporation will enter into the manufacturing field shortly. This calls for a review of the activities of this organisation which has come in for much criticism not only at the hands of the trade but also Parliament.

STC was originally established in 1956 even without obtaining Parliamentary sanction. Its monopoly dealings are a matter of concern. For instance, it is the sole distributor of cement in India and earns a commission of 60 nP. per tonne although it is described as a fifth wheel, the actual distributing work being done by established distribution agencies of cement manufacturers.

Several instances of profiteering by STC have also come

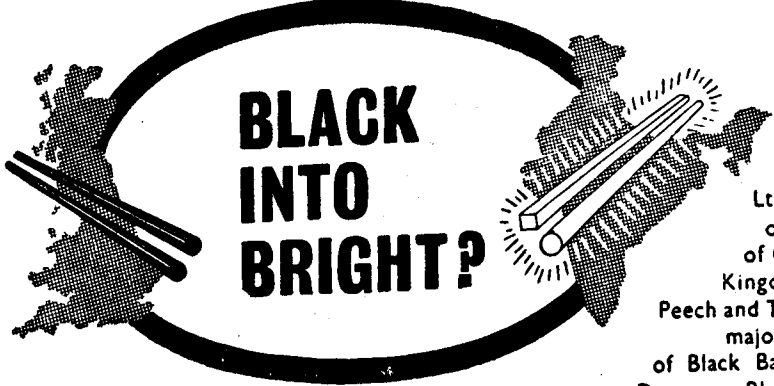
to light. The Estimates Committee of Parliament has adversely commented on STC's profiteering in cement. A recent memorandum of the Bengal National Chamber of Commerce and Industry has pointed out that STC's margin of profits on betelnuts is 187.5 per cent and in coconut oil 340 per cent.

The Government does not allow diversification to private companies although such diversification is in the interest of the nation in that production of wealth would go up and employment would increase. It is, therefore, surprising that a trading corporation of the State is allowed to enter into the manufacturing field.

The time has come for a thorough policy review of the State Trading Corporation's activities.

Bombay.

"ARISTOTLE"

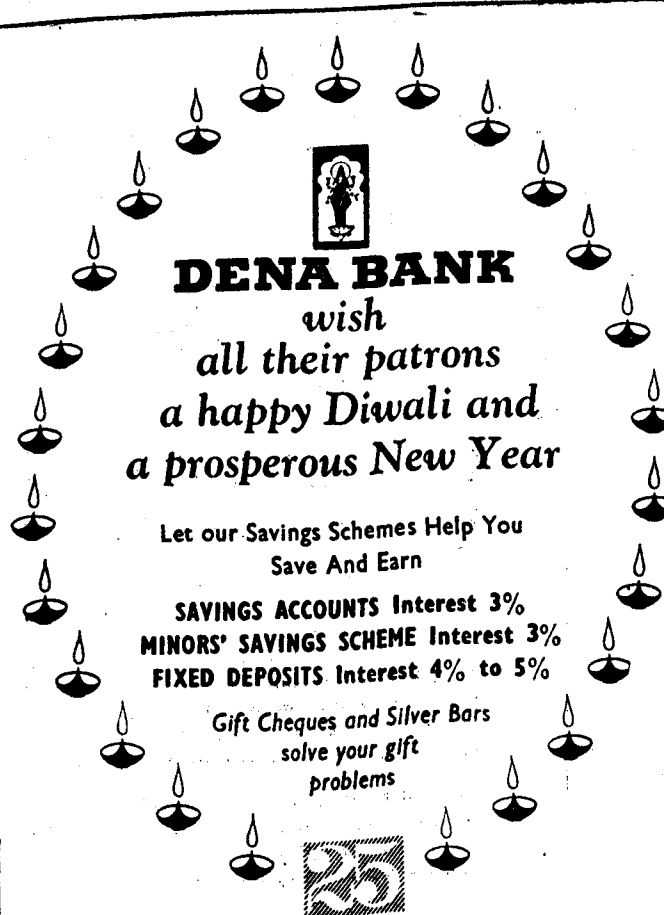


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all their patrons
a happy Diwali and
a prosperous New Year

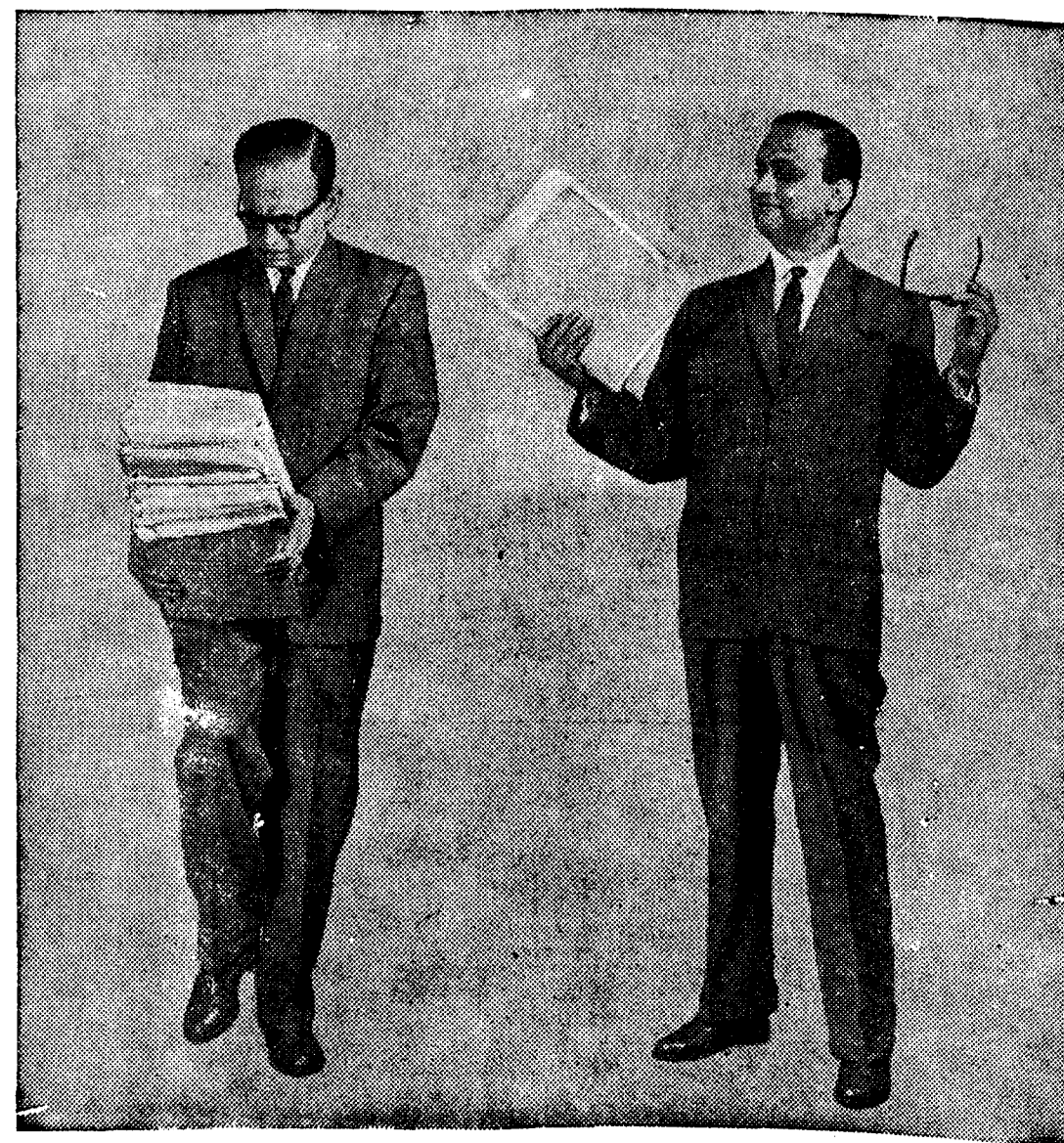
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SAVINGS ACCOUNTS Interest 3%
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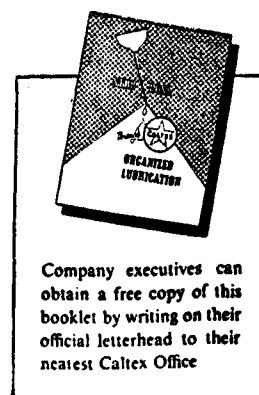
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25
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General Banking and Foreign Exchange Business Transacted.
PRAVINCHANDRA V. GANDHI Managing Director



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The Caltex "Stop-Loss" plan was the headache antidote... When each department in a plant specifies a lubricant it wants without reference to the purchases of other departments, there is bound to be a lot of waste and costly over-lapping. The Caltex "Stop-Loss" programme helps to eliminate this waste of lubrication by effectively reducing the total plant lubricant inventory. Caltex "Stop-Loss" is a complete plan for organising lubrication on an efficient basis. There is no other programme like it.

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SAVE FOR SECURITY

ANNOUNCEMENT REGARDING THE PROPOSED ISSUE OF R.C. PREFERENCE SHARES

"THIS IS AN ANNOUNCEMENT AND NOT A PROSPECTUS"

ELECTRIC CONSTRUCTION & EQUIPMENT COMPANY LIMITED

REGD. OFFICE: 9, KALIPRASANNA SINGHEE ROAD, CALCUTTA-2.

SHARE CAPITAL

AUTHORISED

	Rs.
50,000 Pref Shares of Rs. 100 each	50,00,000
25,00,000 Equity Shares of Rs. 10 each	2,50,00,000
	3,00,00,000

ISSUED

15,500 9.3 per cent (free of Company tax but subject to deduction of tax at source at prescribed rates) R.C. Pref. Shares of Rs. 100 each	15,50,000
6,09,340 Equity Shares of Rs. 10 each	60,93,400
	76,43,400

SUBSCRIBED AND PAID UP

3,003 9.3 per cent (free of Company's tax but subject to deduction of tax at source at prescribed rates) R.C. Pref. Shares of Rs. 100 each	3,00,300
6,09,340 Equity Shares of Rs. 10 each	60,93,400
Add Forfeited Shares (Amount Paid-up)	
On Cumulative Redeemable Pref. Shares	Rs. 2,525
On Equity Shares	" 14,375
	16,900
	64,10,600

PRESENT ISSUE

12,497 9.3 per cent (free of Company's tax but subject to deduction of tax at source at prescribed rates) Redeemable Cumulative Preference Shares of Rs. 100 each	12,49,700
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The amount payable shall be:—	Rs. per share
On Application	50.00
On Allotment	50.00

The application for shares must be made for a minimum of five shares or multiples thereof.

The whole issue is fully underwritten by five underwriters as mentioned below and in the opinion of the Directors the resources of the said underwriters are sufficient to discharge their obligations.

Application will be made to Calcutta Stock Exchange for permission to deal in and for official quotation of 9.3 per cent R.C. Preference Shares of the Company.

PRESENT ACTIVITIES AND OBJECTS OF THE ISSUE

The Company was incorporated on 13th June, 1945, in the State of West Bengal with the objects of carrying on business as electrical, mechanical, general engineers, contractors, manufacturers of electrical equipments and other objects as stated in its Memorandum of Association.

At present the Company is engaged in the manufacture of Power and Distribution Transformers, Switchgears, Electric Motors, Starters in its various factories situated at Cossipore and Budge Budge in West Bengal and at Visakhapatnam in Andhra Pradesh and also manufacturers of Schindler Lifts in

India in Technical Collaboration with Messrs. Schindler and Co. Ltd. of Switzerland.

The Company is in need of funds to finance its existing unit at Visakhapatnam for manufacture of transformers and switchgears.

PROSPECTUS AND APPLICATION FORMS

Copies of the Prospectus and Application Forms will be available from the Registered Office of the Company, from the Bank of Baroda Limited, 4, Brabourne Road, Calcutta-1, from the United Commercial Bank Limited, Calcutta, and their Branches at Ahmedabad, Bombay, Delhi, Hyderabad, Indore, Madras, Amritsar, Bangalore, Baroda, Patna, Varanasi and Poona and also from any of the Brokers whose names and addresses are given below:

BOARD OF DIRECTORS

Name	Director of
1. Sri A. V. Birla	Hindustan Investment Corpn. Ltd. Bharat Commerce and Industries Ltd., Asian Cables Corpn. Ltd., and others.
2. Sri B. P. Khaitan	Upper Ganges Sugar Mills Ltd. National Insulated Cable Co. (I) Ltd.,

Contd. on p. 764



An ideal drink for stomach disorders. This delicious and sparkling ginger beverage gives you the appetite to eat heartily and aids digestion. It helps you feel fine and fit.

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Ginger Tonic

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BOTTLE
HANDY

DYER MEAKIN BREWERIES LTD.

3. **Sri L.P. Shah** Hindustan Motors Ltd., and others.
Eastern Silk Mfg. Co. P. Ltd.,
New General Agents P. Ltd.,
Lakshmi Textile Mills P. Ltd.,
and others.
4. **Sri P.D. Pasari** Aditya Investments P. Ltd.,
Ashoke Investment Corp. Ltd.
India Automobiles (1960) Ltd.,
and others.
5. **Sri G. D. Jhawar** Jubilee Investment Co. P. Ltd.
Kamal Trading Co. P. Ltd.,
Hindustan Aluminium Corp. Ltd.
6. **Sri M. L. Nopany** Shree Hanuman Sugar Mills Ltd.,
North Birar Sugar Mills Ltd.,
Magnets and Appliances Manufactures
Ltd.,
and others.
7. **Sri S. C. Dalal** Dalal & Jhaveri P. Ltd.
8. **Sri H. P. Barat** Usha Martin Black (Wire Ropes) Ltd.,
Universal Cables Limited.
Star Paper Mills Ltd.,
and others.
9. **Sri G. S. Poddar** Rashtriya Metal Industries Ltd.,
Shree Hanuman Mining Corp. Ltd.,
Pulgaon Cotton Mills Ltd.,
and others.

SECRETARIES AND TREASURERS
BIRLA BROTHERS PRIVATE LIMITED
15, India Exchange Place, Calcutta-1.

UNDERWRITERS

1. The Life Insurance Corporation of India, "Jeevan Kendra",
Jamshedji Tata Road, Bombay-1.
2. The Oriental Fire and General Insurance Co. Ltd., 'Oriental
Building' Mahatma Gandhi Road, Bombay-1.

DATE OF OPENING OF SUBSCRIPTION LIST : 7TH OCTOBER, 1963.

DATE OF CLOSING OF THE SUBSCRIPTION LIST : 12TH OCTOBER, 1963 AT THE CLOSE OF BANKING HOURS.

TENDER NOTICE

SEALED tenders on the prescribed form obtainable free from the office of the Divisional Forest Officer, Jail Road, Ambala City are invited for right to collect Bajri Stone, sand and boulders etc. from Birpir Machhella (Gaib Ghahhar) area 500 bighas for the period ending 30-6-1964.

2. The tenders should be accompanied by a Treasury Revenue deposit receipt or Bank Draft or Deposit-at-Call on any scheduled bank equal to 10 per cent of the amount of tender and pledged to the Divisional Forest Officer, Ambala Forest Division, Ambala. They should be sent in a sealed cover superscribed "TENDER FOR BAJRI" by Registered A.D. post so as to reach the undersigned by name upto 21-10-1963 by the 4 P.M. These will be opened on the same date at 4.30 P.M. in the presence of the tenderers who may like to be present in time. Tenders not submitted in the aforesaid manner shall not be entertained.

3. For further particulars please contact the office of the undersigned or Forest Range Officer, Ambala.

Divisional Forest Officer, Ambala.

3. The Indian Guarantee and General Insurance Co. Ltd.,
Gresham Insurance House, P. M. Road, P.O. Box 165,
Bombay-1.
4. M/s. G. M. Pyne, 14, India Exchange Place, Calcutta-1.
5. M/s. A. B. Pandit & Co., 32, Apollo Street, Fort, Bombay-1.

BROKERS

CALCUTTA

1. G. M. Pyne,
14, India Exchange Place,
Calcutta-1.
2. Place, Siddons & Gough
(P) Ltd.,
6, Lyons Range, Calcutta-1.
3. Jhawar & Co.,
7, Lyons Range, Calcutta-1.
4. Bansidhar Sitaram & Co.,
16, India Exchange Place,
Calcutta-1.

BOMBAY

1. Navalchand T. Shah & Co.,
15, Union Bank Buildings
Dalal Street, Bombay-1.
2. A. B. Pandit & Co.,
32, Apollo Street,
Bombay-1.
3. Batlivala & Karani,
Union Bank Building,
Dalal Street, Bombay-1.
4. Rasiklal Maneklal & Co.
Stock Exchange Old Bldg,
Dalal Street, Bombay-1.
5. Chimanlal J. Dalal & Co.,

BANKERS TO THE ISSUE

- The United Commercial Bank Ltd., The Bank of Baroda Ltd.,
2, India Exchange Place, 4, Brabourne Road;
Calcutta-1. Calcutta-1.

- Stock Exchange New Bldg.,
Dalal Street, Bombay-1.
3. Sri Shantilal Liladhar Thar,
9, Dalal Street, Bombay-1.
7. Bhaidas Manganlal & Co.,
Share Bazar, P.O. Box 533,
Bombay-1.

MADRAS

1. Maconochie & Company,
Mercantile Bank, Building,
Post Box No. 291, Madras.
2. Kothari & Sons,
108, Armenian Street
Madras.

NEW DELHI

1. Harbans Singh Mehta
& Co.,
33, Regal Building,
Parliament Street,
New Delhi-1.
2. Raj Paul Chadha & Co.,
Delite Cinema Building,
Asaf Ali Road, New Delhi.
3. P. Roy Company,
3/8, M. M. Road,
Junction Panchkuin Road,
New Delhi.

RECORDS AND STATISTICS

Banking in 1962: A Statistical Profile

AMONG THE several publications brought by the Reserve Bank each year, the Statistical Tables Relating to Banks in India contains information essential for policy making in commercial banks. The publication released this year on September 28 has several useful tables. It gives particulars of centres with deposits where more than two banks are operating. It is possible to find out from these statistics the deposit potential of each important town where more than two banks are operating. Similarly, the details on Indian banks' offices abroad and the correspondents would be found useful by the public especially those with overseas connections. A co-ordinated and full picture of the banking system can be formulated from the statistics made available in the Statistical Tables.

A regrettable feature of the publication is the enormous delay in its release. The balance sheets of banks for the year 1962 were released as early as March/April, 1963 and within another three months the position relating to 1963 will be out. Any publication which appears with considerable delay loses its utility and becomes a document of historical interest. It is essential for the Reserve Bank to realise that it should cut short the delay to the absolute minimum in such important publications.

Perhaps the most striking finding from an analysis of the balance sheets is the significant increase in the owned funds (capital plus reserves) of the Indian scheduled banks. In 1962, the owned funds increased by Rs. 8.6 crores in contrast to an increase of Rs. 2.7 crores in 1961. Even banks with reserves equivalent to deposits strengthened the capital structure in 1962 and 1961 to attain the 6 per cent ratio between owned funds and deposits prescribed by the Reserve Bank. In spite of such an endeavour, the capital base of all scheduled banks remained without any change (at 4 per cent). In the case of banks with total deposits above Rs. 5 crores but below Rs. 25 crores the ratio came down from 6 to 5 per cent. This occurred mainly because of the substantial increase in deposits during the year 1962. In 1963, there was a further substantial increase in deposits and it is possible that the equity/deposit ratio would show a fall instead of a rise.

Doubled Growth

The rise in deposits of scheduled bank deposits in 1962 amounted to Rs. 213.3 crores or more than double the increase (Rs. 95.5 crores) in 1961. The rise in bank credit was also higher at Rs. 162.5 crores than the increase of Rs. 103.4 crores in 1961. The credit/deposit ratio for all scheduled banks remained however unchanged at the close of 1962 at 70 per cent. In the case of non-scheduled banks it went down from 64 per cent in 1961 to 57 per cent in 1962. Investments in Government securities of scheduled banks, other than the State Bank of India, recorded an increase of Rs. 43 crores in 1962 as compared to a smaller increase of Rs. 17 crores in 1961; the investments on State Bank recorded an increase of Rs. 26.8 crores in 1962 as compared to a fall of Rs. 69.8 crores in 1961. It is necessary to note in this connection that the fall in 1961 was more apparent than real because it was due to the phased transfer of the PL480 and 665 deposits to the Reserve Bank of India.

The non-scheduled banks registered a further decline in deposits and loans mainly due to liquidation of some banks

and amalgamation of weaker units with bigger banks.

Among the foreign banks, the National and Grindlays Bank showed the maximum increase (Rs. 6.8 crores) in deposits and in number of offices (11) in 1962. The deposits of Chartered Bank went down (Rs. 2.4 crores) while the number of its offices remained the same at 10. The foreign banks, with few exceptions, reveal a static picture.

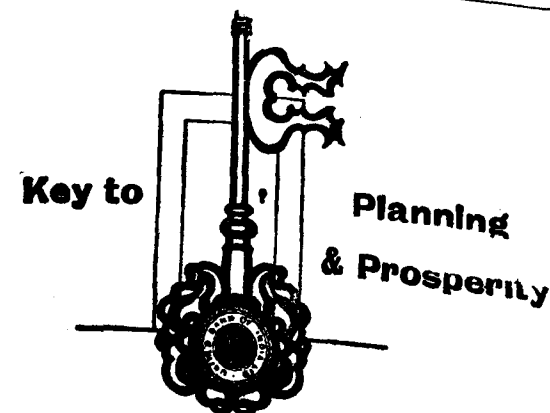
The co-operative banks showed sizable progress.

The Postal Savings Banks disclosed that the average outstanding balances at the end of 1962 amounted to Rs. 466.5 crores as compared to Rs. 431.4 crores at the end of 1961. The number of deposit accounts went up during 1962 by 2.7 lakhs to 94.8 lakhs. The average balance held by the depositor went up from Rs. 468 to Rs. 492 between end-1961 and end-1962. This shows that the savings bank accounts are gaining in popularity. This growth is attributable not only to the increase in number of post offices during the year but also to the stepping up of the rate of interest from 2½ per cent to 3 per cent.

Earnings Rise

According to the Statistical Tables, the earnings of scheduled banks recorded a further rise in 1962. This reflected an increase in the level of advances and investments. In respect of Indian scheduled banks, earnings from loans and advances went up by Rs. 10.8 crores (to Rs. 67.4 crores) in 1962 on the top of an identical increase in 1961. Total current operating earnings increased by Rs. 16.9 crores (to Rs. 120.2 crores) in 1962 in contrast to a rise of Rs. 10.9 crores in 1961. The current operating expenses recorded an equivalent rise (Rs. 16.7 crores) in 1962 as against Rs. 4.6 crores in 1961. It is interesting to note that the increase in expenditure exactly matched the rise in income and is indicative of the clever window dressing carried out by the bank managements during the year 1962. The interest paid on deposits went up by Rs. 8.2 crores due to the higher level of interest payments. This did not reflect any rise in interest rates as such because they were pegged by bank managements at the 1958 level through the Inter Bank Agreement but a higher level of deposits. The establishment expenses appreciated by Rs. 6 crores to Rs. 37 crores in 1962 and represented the implementation of higher emoluments recommended by the Desai Award. The profits of scheduled banks showed a nominal decline (Rs. 11 lakhs) in 1962 to Rs. 23.4 crores as compared to an increase of Rs. 6.1 crores in 1961. In 1961 also, the profits amounted to Rs. 23.5 crores — almost the same level as in 1962. This is again due to adjustment of profits by various banks. As a ratio of current operating earnings, the balance of profit showed a decline from 22.7 per cent to 19.5 per cent as compared to a rise from 18.9 per cent to 22.7 per cent in 1961.

The operating earnings of foreign banks showed an increase of Rs. 1.5 crores in 1962 in contrast to a rise of Rs. 2.3 crores in 1961. Such earnings in 1962 amounted to Rs. 21.8 crores. Thus they accounted for a sixth of the operating earnings of the Indian scheduled banks. The rise in current operating expenses in 1962 absorbed the rise in earnings in case of foreign banks also with the result that they showed the same level of profits (Rs. 4.7 crores) in 1962 as in 1961. The establishment expenses in the foreign banks went up by the negligible amount of Rs. 37 lakhs in spite of the opening of 11 new offices by the National and Grindlays Bank. This is



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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with branches all over India and East Pakistan,
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offers complete banking service

not surprising in view of the fact that the salaries in foreign banks are much better than those paid in Indian scheduled banks and the impact of the Desai Award must have been in consequence less severe.

Branch Banking

The number of offices of scheduled banks in the Indian Union increased in 1962 by 216 (to 4604) as compared to a rise of 246 in 1961 and 220 in 1960. In the first half of 1963, they increased by 160 offices. The number of offices of non-scheduled banks, as in the preceding year, continued to show a decline. The increase in the number of State Bank offices

in 1962 was only 56—in the preceding year the rise was 46—due to the 'slow down' policy adopted by the State Bank of India to digest the earlier progress. The major contribution to the expansion in branch network, therefore, came from banks operating in the private sector in 1962. According to the population Census in 1961, a third (1500) offices of scheduled banks were located in places with population less than 25,000. That means, the rest of two thirds were concentrated in places with population above 25,000. Non-scheduled and co-operative banks had 304 offices and 1383 offices in places with population less than 25,000 thus constituting 54 per cent and 64 per cent of the total number of offices operating in these areas.

EARNINGS AND EXPENSES OF INDIAN SCHEDULED BANKS: 1958-62

	1958	1959	1960	1961	1962
Number of Banks	76	76	75	62*	65
EARNINGS					
1. Interest, dividend, commission and exchange earned on:					
(a) Bills purchased and discounted	6,49.8	7,37.9	8,28.5	9,43.2	10,43.3
(b) Loans and advances	36,96.0	39,93.7	45,89.8	56,57.3	67,40.5
(c) Investments: Government securities	13,79.1	20,03.3**	19,91.1**	16,10.3**	18,73.1**
Others	1,60.4	2,06.4**	2,41.4**	2,61.5**	2,72.8**
(d) Deposits with banks	1,23.2	79.9	80.7	1,22.4	1,58.4
(e) Other sources:					
Commission on letters of Credit	1,47.9	1,72.4	2,49.8	3,07.8	3,16.4
Bills for collection	3,32.7	3,68.2	3,96.2	4,34.9	4,85.9
T.T.'s and D.D.'s sold	1,48.9	1,64.8	1,73.3	2,02.8	2,31.0
Other service charges	5,41.8	5,90.6	6,89.9	7,90.3	9,03.0
2. Total current operating earnings (Total of 1)	71,79.8	83,17.2	92,40.7	103,30.5	120,24.4
3. Recoveries	55.4	65.0	32.1	28.1	8.1
4. Total earnings	72,35.2	83,82.2	92,72.8	103,58.6	120,32.5
EXPENSES					
5. Interest, commission and brokerage paid on:					
(a) Deposits	30,47.6	34,11.7	34,78.6	36,22.8	44,45.0
(b) Borrowings	44.1	1,03.7	2,00.3	1,91.9	1,22.7
(c) Other accounts	42.1	60.4	40.5	44.7	50.5
6. (a) Establishment expenses	22,84.6	25,73.5	28,13.7	30,60.2	37,04.0
(b) Other working expenses	6,37.7	7,13.0	8,17.8	8,91.2	11,33.1
7. Other operating expenses	57.2	61.0	67.3	71.0	93.0
8. Total current operating expenses (Total of 5 to 7)	61,13.3	69,23.3	74,18.2	78,81.8	95,48.3
9. Depreciation written off and loss incurred on sale of assets	71.6	91.6	1,10.1	1,27.2	1,45.3
10. Total expenses (8+9)	61,84.9	70,14.9	75,28.3	80,09.0	96,93.6
11. Balance of profit or loss before taxes (4-10)	10,50.3	13,67.3	17,44.5	23,49.6	23,38.9
DISPOSAL OF PROFIT AND ACCUMULATED SURPLUS					
12. Sources of sums made available:					
Balance of profit or loss before taxes	10,50.3	13,67.3**	17,44.5**	23,49.6**	23,38.9**
Surplus or deficit brought forward from preceding year	98.5	1,03.3	94.0	1,25.7	1,52.1
Taken from reserves	1.6	2.7	1.3	0.1	1.8
TOTAL	11,50.4	14,73.3	18,39.8	24,75.4	24,92.8
13. Allocations					
Provision for taxes on profits	2,35.6	3,96.5**	7,31.2**	11,29.5**	11,82.2**
Carried to reserves	1,56.8	1,47.8	2,66.6	3,54.3	3,13.8
Dividend, bonuses etc. to shareholders	3,28.6	3,89.8	4,37.6	4,56.4	4,88.7
Employees' share (bonus) in the profit	1,80.5	1,97.8	2,40.1	2,86.9	3,30.6
Allocated to other special purposes	1,37.6	2,23.9	32.7†	57.3†	34.7†
For payment of gratuity in future years	24.5	37.0	33.1	37.4	42.5
Balance carried forward to next year's account	86.8	80.5	98.5	1,53.6	1,00.3
TOTAL	11,50.4	14,73.3	18,39.8	24,75.4	24,92.8

* The reduction in the number of banks is mainly due to amalgamations.

** Figures are inclusive of taxes paid at source.

† Not comparable with the figures for 1958 and 1959.

EARNINGS AND EXPENSES OF FOREIGN SCHEDULED BANKS: 1958-62

(Rs. lakhs)

	1958	1959	1960	1961	1962
Number of Banks	16	16	16	15	14
EARNINGS					
1. Interest, dividend, commission and exchange earned on:					
(a) Bills purchased and discounted	3,14.3	2,86.7	3,11.5	3,47.9	3,25.8
(b) Loans and advances	9,00.0	8,46.5	9,85.6	11,91.9	13,26.0
(c) Investments: Government securities	1,05.0	1,31.7*	1,55.8*	1,45.2*	1,51.3*
Others	3.3	3.7*	3.8*	2.7*	16.1*
(d) Deposits with banks	27.6	37.4	48.7	23.6	7.4
(e) Other sources:					
Commission on letters of credit	36.0	35.3	53.7	53.1	56.1
Bills for collection	40.9	37.5	48.9	57.0	44.6
T.T.'s and D.D.'s sold	85.2	64.5	60.1	63.7	1,12.3
Other service charges	1,06.2	1,08.7	1,32.0	1,41.7	1,36.5
2. Total current operating earnings (Total of 1)	16,18.5	15,52.0	18,00.1	20,26.8	21,76.1
3. Recoveries	24.0	13.0	6.0	14.7	12.3
4. Total earnings	16,42.5	15,65.0	18,06.1	20,41.5	21,88.4
EXPENSES:					
5. Interest, commission and brokerage paid on:					
(a) Deposits	4,04.4	3,85.0	4,19.3	5,17.3	5,70.5
(b) Borrowings	2,42.0	1,48.8	1,81.5	1,51.5	1,63.3
(c) Other accounts	45.2	47.6	81.9	99.4	94.9
6. (a) Establishment expenses	4,92.7	4,82.6	4,99.9	5,22.6	5,59.7
(b) Other working expenses	2,16.3	2,15.0	2,17.4	2,51.0	3,04.1
7. Other operating expenses	7.6	7.6	7.2	7.4	5.9
8. Total current operating expenses (Total of 5 to 7)	14,08.2	12,86.6	14,07.2	15,49.2	16,98.4
9. Depreciation written off and loss incurred on sale of assets	14.8	14.0	20.0	14.5	15.2
10. Total expenses (8+9)	14,23.0	13,00.6	14,27.2	15,63.7	17,13.6
11. Balance of profit or loss before taxes (4-10)	2,19.5	2,64.4	3,78.9	4,77.8	4,74.8
DISPOSAL OF PROFIT AND ACCUMULATED SURPLUS					
12. Sources of sums made available:					
Balance of profit or loss before taxes	2,19.5	2,64.4*	3,78.9*	4,77.8*	4,74.8*
Surplus or deficit brought forward from preceding year	8.2	-10.9	-5.1	-2.4	5.2
Taken from reserves	2.3	2.8	14.3	31.7	10.7
TOTAL	2,30.0	2,56.3	3,88.1	5,07.1	4,90.7
13. Allocations					
Provision for taxes on profits	1,02.3	1,62.3*	2,30.0*	2,73.8*	2,80.3*
Carried to reserves	..	..	..	..	..
Dividend, bonuses etc. to shareholders	..	..	..	..	..
Employees' share (bonus) in the profit	31.2	27.3	31.9	38.2	43.2
Allocated to other special purposes	15.3	4.0	..	2.8	2.1
For payment of gratuity in future years	0.5	0.4	0.3	0.5	0.2
Balance carried forward and/or transferred to Head Office Account	80.7	62.3	1,25.9	1,91.8	1,64.9
TOTAL	2,30.0	2,56.3	3,88.1	5,07.1	4,90.7

* Figures are inclusive of taxes paid at source.

EARNINGS AND EXPENSES OF INDIAN NON-SCHEDULED BANKS: 1958-62

(Rs. Lakhs)

	1958	1959	1960	1961	1962
Numbers of Banks	42	38	34	24*	25
EARNINGS					
Interest, dividend, commission and exchange earned on:					
(a) Bills purchased and discounted	9.2	7.4	7.2	5.3	6.4
(b) Loans and advances	91.8	1,04.6	1,02.8	84.1	90.5
(c) Investments: Government securities	21.5	22.7**	21.0**	17.8**	19.0**
Others	6.6	13.0**	9.9**	9.9**	9.5**
(d) Deposits with banks	7.8	6.3	9.0	6.6	8.3
(e) Other sources					
Commission on letters of credit	0.1	0.3	0.2		
Bills for collection	3.1	5.3	4.0	3.4	3.7
T.T's and D.D's sold	1.2	1.7	2.3	1.0	1.1
Other service charges	9.9	13.8	12.4	11.0	12.7
2. Total current operating earnings (Total of 1)	1,51.2	1,75.1	1,68.8	1,39.1	1,51.2
3. Recoveries	0.3	0.8	2.2	0.8	0.5
4. Total earnings	1,51.5	1,75.9	1,71.0	1,39.9	1,51.7
EXPENSES					
5. Interest, commission and brokerage paid on:					
(a) Deposits	68.5	82.4	81.6	64.0	74.3
(b) Borrowings	4.2	1.9	2.1	2.1	1.9
(c) Other accounts	5.3	5.7	6.2	6.3	0.3
6. (a) Establishment expenses	37.8	43.2	39.6	31.4	35.5
(b) Other working expenses	17.7	21.2	17.3	15.3	15.4
7. Other operating expenses	0.8	1.6	1.1	0.5	0.9
8. Total current operating expenses (Total of 5 to 7)	1,34.3	1,56.0	1,47.9	1,19.6	1,28.3
9. Depreciation written off and loss incurred on sale of assets	1.8	2.6	3.1	1.6	2.0
10. Total expenses (8+9)	1,36.1	1,58.6	1,51.0	1,21.2	1,30.3
11. Balance of profit or loss before taxes (4-10)	15.4	17.3	20.0	18.7	21.4
DISPOSAL OF PROFIT AND ACCUMULATED SURPLUS					
12. Sources of sums made available:					
Balance of profit or loss before taxes	15.4	17.3**	20.0**	18.7**	21.4**
Surplus or deficit brought forward from preceding year	-4.1	-5.7	-11.7	-0.4	1.1
Taken from reserves			0.2	0.4	
TOTAL	11.3	11.6	8.5	18.7	22.5
13. ALLOCATIONS					
Provision for taxes on profits	8.5	10.9**	8.3**	8.1**	9.9**
Carried to reserves	5.0	4.5	5.5	4.3	4.5
Dividend, bonuses etc. to shareholders	3.9	4.7	5.2	4.3	4.2
Employees' share (bonus) in the profit	1.0	1.1	1.2	1.0	1.6
Allocated to other special purposes	0.5	1.8	2.5	2.3	1.7
For payment of gratuity in future years			0.3	0.1	
Balance carried forward to next year's account	-7.6	-11.4	-14.5	-1.4	0.6
TOTAL	11.3	11.6	8.5	18.7	22.5

* The reduction in the number of banks is mainly due to amalgamation.

** Figures are inclusive of taxes paid at source.

STATE-WISE DISTRIBUTION OF OFFICES, DEPOSITS AND BANK CREDIT OF SCHEDULED BANKS IN 1962

State/Union territory	Popula- tion (in million)	No. of working banks	Offices		Popula- tion per office (in thou- sands)	Deposits			Bank Credit		
			Num- ber	% of (3) to total offices		Amount (Rs. crores)	% of (6) to total deposits	Per capita (Rs.)	Amount (Rs. crores)	% of (9) to total bank credit	Per capita bank credit (Rs.)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
STATE											
Andhra Pradesh	36.0	20	348	8	103.4	64.4	3.0	17.9	50.1	3.5	13.9
Assam	11.9	9	49	1	242.9	19.4	0.9	16.3	5.4	0.4	4.5
Bihar	46.5	13	182	4	255.5	64.8	3.0	13.9	27.4	2.0	5.9
Gujarat	20.6	18	351	8	58.7	153.7	7.1	74.6	95.2	6.7	46.2
Jammu & Kashmir	3.6	7	14		257.1	12.5	0.6	34.8	1.3		3.6
Kerala	16.9	23	258	6	65.5	55.3	2.6	32.7	32.5	2.3	19.2
Madhya Pradesh	32.4	15	191	4	169.6	54.4	2.5	16.8	28.0	2.0	8.6
Madras	33.7	38	639	14	52.7	138.1	6.4	41.0	135.9	9.5	40.3
Maharashtra	39.6	47	626	14	63.3	514.8	23.9	130.0	438.7	30.7	110.8
Mysore	23.6	29	438	9	53.9	91.0	4.2	38.6	55.8	3.9	23.6
Nagaland	0.4	1	1		369.0	0.08		2.2			
Orissa	17.5	7	56	1	312.5	11.1	0.5	6.3	5.5	0.4	3.1
Punjab	20.3	19	339	7	59.9	112.3	5.2	55.3	40.8	2.9	20.1
Rajasthan	20.2	9	196	4	103.1	36.5	1.7	18.1	13.3	1.0	6.6
Uttar Pradesh	73.7	24	462	10	159.5	153.2	7.1	20.8	79.7	5.6	10.8
West Bengal	34.9	34	268	6	130.2	335.9	15.7	96.3	361.0	25.2	103.4
UNION TERRITORIES											
Delhi	2.7	30	179	4	15.1	314.4*	14.6*	1164.3*	55.6	3.9	206.0
Goa, Daman & Diu	0.6	3	8		78.4	12.8	0.6	204.8	1.0		
Himachal Pradesh	1.4	4	10		140.0	1.3	0.1	9.1	0.8		5.7
Manipur	0.8	2	2		390.0	0.6		7.8	0.06		0.8
Tripura	1.1	3	4		275.0	1.2	0.1	10.8	0.05		0.5
Pondicherry	0.4	4	7		52.7	2.6	0.1	70.5	2.1	0.1	56.1
Andaman & Nicobar Islands	0.06	1	1		64.0	0.1		17.2			
TOTAL	439.2		4,629	100.0	94.9	2150.5	100.0	49.0	1430.1	100.0	32.6

Note: (i) Figures are as on the last Friday of the year and relate to 80 banks in 1962.
(ii) Population figures are based on 1961 census. * Inclusive of P.L. 480 and P.L. 665 funds.

DISTRIBUTION OF OFFICES OF BANKS BY POPULATION IN 1962

Places with population of	No. of Places†	State Bank of India	Other Indian Scheduled Banks	Foreign Schedul- ed Banks	Total Schedule- d Banks	Non- Schedul- ed Banks	Co-opera- tive Banks	Total	Average population per office‡
10,00,000 and over	5	53	612	64	729	14	104	847	14,550
5,00,000 to 10,00,000	8	16	200	5	221	7	47	275	20,691
2,00,000 to 5,00,000	27	44	339	4	387	67	62	516	15,861
1,00,000 to 2,00,000	64	65	395	5	465	51	122	638	13,322
75,000 to 1,00,000	42	46	193		239	12	69	320	11,149
50,000 to 75,000	83	70	267		337	48	95	480	10,141
25,000 to 50,000	294	219	508	3	730	62	283	1,075	10,381
10,000 to 25,000	723	307	603	1	911	135	506	1,552	7,388
5,000 to 10,000	575	115	214		329	29	402	760	5,433
Below 5,000	307	37	78		115	11	226	352	2,641
Unclassified	439	30	115		145	129	249	523	
Total	2,549	1,002	3,524	82	4,608	565	2,165	7,338	59,858*

† Relates only to places served by banking offices.
* Arrived at by dividing the All-India population by total number of offices.

October 11, 1963

PRINCIPAL RATIOS OF BANKING COMPANIES

(As on the last Friday of the year)

Ratio of	Scheduled Banks										(Percentages)	
	Banks each with total deposits of Rs. 100 crores and above		Banks each with total deposits of Rs. 25 crores and above but less than Rs. 100 crores		Banks each with total deposits of Rs. 5 crores and above but less than Rs. 25 crores		Banks each with total deposits of less than Rs. 5 crores		All Scheduled Banks		Non-Scheduled Banks	
	1961	1962	1961	1962	1961	1962	1961	1962	1961	1962	1961	1962
1. Reserves to paid-up capital*	132	123	94	87	87	50	89	89	106	92	61	65
2. Demand deposits to aggregate deposits	43	44	37	36	34	37	32	31	40	40	26	26
3. Time deposits to aggregate deposits	57	56	63	64	66	63	68	69	60	60	74	74
4. Total paid-up capital and reserves to aggregate deposits*	3	3	4	4	6	5	79	10	4	4	17	16
5. Borrowings from banks to aggregate deposits	2	3	4	5	6	6	15	13	4	4	3	2
6. Cash in hand and balances with Reserve Bank to aggregate deposits	8	6	8	7	9	8	12	11	8	7	9	8
7. Investments in Government securities to aggregate deposits	33	34	28	26	33	33	29	29	31	32	26	27
8. Total investments to aggregate deposits	36	38	34	31	39	39	34	36	36	36	34	39
9. Total bank credit to aggregate deposits	68	68	71	73	69	65	89	85	70	70	64	57

*In calculating the ratios, paid-up capital of banks incorporated outside India has been excluded but their reserves have been included.

NOTE: Figures in brackets relate to Indian Scheduled Banks.

OFFICES OF SCHEDULED AND NON-SCHEDULED BANKS: 1951-62

End of	Scheduled Banks			Non-Scheduled Banks	All Banks
	State Bank of India	Foreign Banks	Indian Scheduled Banks		
1951	391	64	2,191	1,473	4,119
1952	408	64	2,199	1,369	4,040
1953	422	67	2,181	1,351	4,021
1954	453	65	2,228	1,286	4,032
1955	480	60	2,292	1,247	4,085
1956	536	67	2,350	1,240	4,193
1957	620	67	2,576	1,112	4,375
1958	711	66	2,846	982	4,605
1959	823	66	3,033	925	4,847
1960	900	69	3,173	885	5,027
1961	946	71	3,371	725	5,113
1962	1,002	81	3,521	657	5,261

TRANSACTIONS OF POST OFFICE SAVINGS BANKS: 1951-62

End of March	Number of depositors at the end of the year (in thousands)	Deposits including interest (Rs. crores)	Balance at the end of the year (Rs. crores)	Average balance per depositor (Rs.)
1951	40,90	110.19	185.06	452.5
1952	44,46	121.33	199.81	449.4
1953	48,30	124.49	217.68	450.7
1954	50,70	141.18	231.95	457.5
1955	53,84	147.17	256.49	478.4
1956	59,88	171.64	293.50	490.1
1957	63,85	193.98	322.08	504.4
1958	69,20	192.17	339.63	490.6
1959	77,24	204.93	360.77	467.1
1960	84,46	224.70	386.75	457.9
1961	92,13	260.52	431.42	468.2
1962	94,79	256.51	466.54	492.2

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TTK Thinks Aloud

THE A.I.R. announcer who at 8-30 p.m. on Friday last week asked listeners to stand by for an "important" broadcast by the Union Minister of Finance was not misleading them, although Mr. T. T. Krishnamachari, as it transpired, did not have any dramatic decisions to announce. His broadcast, however, was nonetheless significant. In fact, its importance was all the greater because it marked what was probably the first occasion when a Minister holding one of the most important portfolios in the Central Government found it desirable to go to the people and share with them his thoughts on how best he could discharge his vast and difficult responsibilities. From another point of view too the Finance Minister's broadcast was a landmark because it gave welcome evidence that the right to and responsibility of decision-making in the area of economic development will no longer continue to be dissipated among the amorphous mass of the Planning Commission, but is being restored to where it belongs, namely, the Council of Ministers at the Centre.

We have already noted that Mr. T. T. Krishnamachari had no specific decisions to announce, at any rate none which was altogether new. The proposals for the establishment of a unit trust or the enlargement of the functions of the Industrial Finance Corporation had been mentioned by him earlier. He had also given an indication on previous occasions that he was considering with the Reserve Bank the measures that might be taken to enlarge the availability of bank credit for productive purposes and it was only to be expected that this contemplated liberal and positive credit policy would be launched at about this time when the banking system should be getting ready to meet the requirements of the busy season. On the question of prices again, Mr. Krishnamachari had already expressed himself in Parliament during the last session on more or less the same lines as he did last Friday. Then, as subsequently, he had agreed with a section of opinion which is in favour of more intervention by the Government in the working of the normal trade channels. But on both occasions he has said that the regulation of distribution by the State cannot be successful without the active support and co-operation of the people and he had reiterated his belief that the discipline which went with the concept of the policy of the maintenance of stable prices can only be enforced by the Government if it has the strong backing of public opinion. There was, therefore, nothing that was exactly new that he had to say regarding the Government's intentions in terms of definite policies or decisions in the economic field, except that — and this is an important exception —, in the extremely sensitive and significant field of fiscal and related policies, he was able to give on Friday last an assurance that he would review those policies with reference both to the immediate needs of the economy as well as the requirements of growth and social justice in the years to come.

This part of the Finance Minister's broadcast will certainly be examined with great interest and expectation not only in the business world but also in a wider world where informed opinion is rightly conscious that any improvement in the living conditions of the people, any possibility of more employment, or any hope of more production is decisively dependent on more resources being mobilised and directed into industrial investment and industrial expansion. Mr. Krishnamachari, through a rather colourful and controversial political career, has always had his



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critics, but even his worst detractors have never doubted his comprehension of economic forces or his instinctively dynamic outlook. He has always enjoyed a reputation not only for knowing his own mind, but also for knowing what he is talking about. That he is knowledgeable in both those senses is apparent from the following statesmanlike passage in his broadcast:

"There is reason to apprehend that the ability of the private sector to raise internal or market resources for substantial expansion of investment in the basic sectors of industries may not come up to the expectations in the Plan. It is often said that this situation is the result of pricing or fiscal policies. If that were so, it will be necessary to inquire whether these policies need modification, bearing in mind the legitimate requirements of both the public and the private sectors. If the present situation reflects inadequacy of resources in the aggregate for the tasks that we have set out to achieve, this fact too shall have to be taken into account in framing our future policies."

Surely nothing can be fairer than this. The Finance Minister has dared to look economic realities in the face. He has not tried to run away from the fact that the rate of increase in industrial production, notably of consumer goods industries, has been slackening, nor has he shied from the truth that it is the paramount need of the day to revive and stimulate economic growth. More important still, he has had the courage to see and state that the Government's fiscal and other related policies may have had something to do with the slowing down of the economy and that they will, therefore, have to be reconsidered if the economy is to be helped to grow faster.

While it is true that an ounce of performance is worth more than a ton of promise, informed opinion is sensible enough to realise that the Finance Minister

Truth and the Planning Commission

WE HOPE we are not flattering ourselves or the Prime Minister when we claim to have noticed a healthy change of tone in his recent pronouncements on the way this part or that of the Government has been functioning. There was a time when Mr. Nehru seemed disposed to claim that the Government of India, as run by him in the name of the Congress, if not in the name of Avadi, was a case of all being for the best in the best of all possible worlds. It had become a habit with him to rush to the defence of the Government of India and all its works at the slightest criticism or complaint from any quarter of any aspect of its working. But lately we have come to sense a greater receptivity and a larger responsiveness on his part to public feelings about the lapses and failings of the Administration and its agencies.

It is certainly an unusual thing for the Prime Mi-

nister should necessarily be free to choose the time and the manner of carrying out his intentions of reform of Government policies. Especially as Mr. Krishnamachari is not the man to let "I would" wait upon "I could", the intention, in his case, may be taken as nine-tenths of implementation. What remains is how precisely he is going to carry out the process of stimulating investment and industrial expansion, of the paramount need for which he has declared himself to be fully convinced.

Finally, tribute must be paid to the high statesmanlike quality of the grand conception of the Finance Minister's statement. Somewhere in his speech he has asked that there should be less wishful thinking. He himself has wrought manfully to this end by attempting to destroy the superstition that the objective of a socialist pattern of society or a programme of planned economic development is in some mysterious sense inconsistent with seeking to stimulate and reward individual initiative and enterprise or provide a proper economic climate for the growth of industry and the revival of investment activity in the private sector. Mr. Krishnamachari has pointed out that the concept of positive socialism essentially means that, while there should be an enlargement of opportunities for all, the weaker and vulnerable sections of the community have a special entitlement to some measures of social security as well as special facilities for individual betterment. He has also explained that, while the needs and aspirations of every section of the community will have to be met, this could be done only if it is accepted that, in the field of financial and economic policy, the Government's clear purpose must be, first and foremost, the realisation of rapid economic growth. This is a daring test for the Finance Minister to formulate for himself but we are confident that he has sufficient daring too to go through with it. We wish him success and pledge him support by results.

nister to have said, for instance, that our national science laboratories are not paragons of their kind. In the worst days of the solar cooker he would not only refuse to admit that anything could be wrong with the manner in which scientific research was attempted to be run in this country, but he made no serious attempt even to find out whether there was any justification for the doubts and fears that were being expressed. But a few days ago, while inaugurating the 50th session of the Indian Science Congress, he spoke against the national waste involved in the mismanagement of scientific research by the Government in a way more vehement than the fiercest critics of our national scientific laboratories had ever adopted. Although he spoke with a formal politeness of the "creditable work" the laboratories are supposed to have done, "especially during the emergency", he left his hearers in no doubt that he was profoundly dissatisfied with what he called

"the governmental way of working" of scientific institutions. He said that, although the national laboratories had done some useful work, all was not well with their working; they had been functioning for ten or 15 years but still important posts had remained vacant for years. All this made good listening, but the unfortunate part of it all is that, having thus unburdened himself, the Prime Minister is likely to forget all about it with the result that the same old state of affairs will go on and on.

It is to be hoped that, at least in the case of the Planning Commission, of the functioning of which too he has been speaking critically on recent occasions, the Prime Minister's public agreement with the wide dissatisfaction felt about the constitution and working of that body would have set in motion influences and trends which would result in the necessary reform. On the same occasion when he delivered himself of the strictures against the science laboratories, Mr. Nehru also referred to the Planning Commission as another agency of the Government where the departmental pattern of working had led to the enthronement of obstruction and stagnation as the twin principles of all governmental activity. On an earlier occasion, while introducing to the Planning Commission its Deputy Chairman-designate, Mr. Asoka Mehta, the Prime Minister reportedly deplored the fact that the Planning Commission had come to lose its dynamism and expressed the hope that Mr. Asoka Mehta would be able to mend matters in this respect. Quite understandably, this observation seems to have created some heart-burning.

It would be natural, for instance, for Mr. Gulzarilal Nanda, who certainly has been a dedicated Deputy Chairman of the Planning Commission all these years, to be told now that he has had to be succeeded by somebody else in order that the Planning Commission might become once again dynamic. It is obvious, however, that the Prime Minister himself would not agree to or like such an interpretation being given to his remarks. That is perhaps the reason why at his press conference last week he was anxious to counter the impression that he had been criticizing the value of the work done by the Planning Commission. Mr. Nehru was at pains to make it clear that he was not critical of the work of the Planning Commission but rather the procedures it employed. More and more things were being referred to it by the ministries. Planning itself was a difficult job in all circumstances and it became peculiarly difficult in a federal state such as ours since it involved discussions at various levels. He thus tried to make it out that what he had in mind was to point out the weaknesses in procedures and functioning. The Planning Commission, he said, tended to follow the bureaucratic routine which necessarily delayed work.

The Prime Minister undoubtedly was right in em-

phasizing the procedural aspect. It is conceivable that, with better organisation, considerable administrative simplification, higher standards of competence in individual officials and the right kind of leadership which imparts a sense of urgency to its working, the Planning Commission may evolve into a more satisfactory agency. But it would be an over-simplification of the problem to say that what has gone wrong with the Planning Commission is only its procedure. On the contrary, it is possible to argue that mainly at the technical level the Planning Commission has been doing an exceedingly fine job. It has been claimed with some justification that it has succeeded in setting up from scratch a national apparatus of economic and social planning which could be a useful model to other developing countries. What is really important, however, is not how well or how badly the Planning Commission has done its work in a narrowly technical or organisational sense. Undoubtedly it has created an institution where none existed before for the framing of Planning concepts and policies. And, on the whole, it has done this job in a responsible and informed manner, sedulously collecting data and analysing and making meaning out of them.

What would be more to the point, therefore, is to quit quarrelling with its procedures merely but ask some basic questions about the place it has been permitted to assume in the actual working of the Government in

Eastern Economist 20 Years Ago

OCTOBER 15, 1943

I understand that an Ordinance is shortly to be issued—probably the last of Lord Linlithgow's Ordinances—which provides for the prevention of hoarding and profiteering. It is intended to set up machinery throughout the country for regulation of prices and sales. Under the Ordinance the Central Government will have the power to fix the maximum quantity which any dealer or producer can keep or sell to any one person and also fix the maximum price or rate which may be charged. There are also restrictions on the quantity which any particular person can keep in his possession. The Ordinance is intended to cover all articles other than foodgrains, but provision is made in the Ordinance for notifying the article or class of article which will be controlled in this manner. As this is the first all-India attempt to prevent hoarding and profiteering and regulate civil supplies, its working will be watched with interest. A separate Controller-General in the Civil Supplies Department will be in charge of this measure.

the economic sphere. To the extent Mr. Nehru's dissatisfaction was confined to procedures, he was finding fault only with the symptoms, or at the worst, the secondary complications. The primary malaise is something different. It is the concentration of political and economic power without responsibility in an authority which in its basic structure and personnel has been singularly unfitted to exercise it properly. Through a process of default the Planning Commission has been allowed to convert itself from an advisory body expected to operate at a broad or even remote policy-making level into a semi-political, semi-governmental busy-body, interfering with the Central Ministries and State Governments in the making and administration of detailed policies.

The Prime Minister blamed the federal character of our Constitution for some of the burdens and obligations with which the Planning Commission finds itself encumbered, but it is the very process which the Planning Commission has deliberately adopted for its own evolution which has amplified and, in some cases, even created these burdens. Thanks to the role which the Planning Commission has assumed as an arbiter in all development matters, the sense of responsibility which State Governments must feel in such areas as Agriculture, Education and Health has been steadily whittled down to the point of virtual disappearance. The Planning Commission in one sense is the victim of centralisation of functions and concentration of authority; but it has also been the conscious architect of that concentration and centralisation alike. Today there is general recognition that development expenditure in agriculture has been largely unproductive. There is also national concern about the deterioration in educational standards. While education has spectacularly progressed in quantity, it seems to have deteriorated sharply in quality. It cannot, of course, be claimed that the failure either in education or in agriculture can be attributed to any one factor, but an important part of that responsibility must certainly belong in a state of affairs in which the sense of accountability of State Governments has been eroded through the steady aggrandisement of initiative and decision-making by the Planning Commission acting as the sole custodian of the nation's interests in development.

The answer to the Prime Minister's complaint that the federal character of the Constitution has slowed down the working of the Planning Commission simply is that it is not the federal character itself, but the lack of respect for the federal character and the process of constant violation of that character which is the root cause of the trouble. We do not know how much dynamism Mr. Asoka Mehta will be able to bring with him, but it is clear that unless an attempt is made by Mr. Mehta or somebody else to face honestly the need for a tremendous decentralization and delegation of responsibility,

which would make State Governments directly and largely responsible for development in considerable areas of economic and social planning, the plea of the federal character of the Constitution is bound to recur like King Charles' head whenever the inadequacies of the Planning Commission come to be discussed. It has been suggested that the Planning Commission should quit occupying the entire Yojana Bhavan on Parliament Street, New Delhi, and that it should move high-powered high-level advisory groups to State capitals where a flexible liaison could be maintained between the State administrations and the Central agencies without the former becoming irresponsibly dependent and the latter becoming obstructively overbearing. Whether this particular treatment is the answer to the problem or not is a matter to be examined, but what is not in doubt at all is that a point has been reached where the main reason why so little is being done at the State level in many parts of the country in vital areas of development is because the Planning Commission seems to have not only discouraged State responsibility but seems to have fostered the idea that even if State Governments might be blamed occasionally when things did go wrong, it would normally be not expected of them that they should do things right.

With the Central Ministries too the Planning Commission seems to have evolved a pattern of relationship which is the enemy of positive and constructive activity. The Prime Minister's Chairmanship of the Planning Commission has not infrequently been criticized as an undesirable arrangement. There is certainly one important argument against it. The Prime Minister's Chairmanship has given the Planning Commission a prestige and an appearance of over-riding authority and omnipotence which have been exploited in a way which has been more improper than proper. As a result, over the years, the Central Ministries have been gradually losing their legitimate rights to discretion and judgment in matters which are within their clear jurisdiction. This trend has been encouraged by the unfortunate tendency among Ministers and Ministries to resolve their disagreements by an appeal to the Planning Commission as mediator. The Planning Commission, like the monkey in the story of the quarrelling cats, has undoubtedly benefited in the process, especially because, apart from ideological clashes, there has been so much personal rivalry and personal antagonism among Ministers that the encouragement to the Planning Commission to concern itself with the everyday conduct of the Government has been enormous.

In fact, the Planning Commission should, in the circumstances, be justified in claiming to be surprised at its own moderation. Again and again, in instances without number where decisions on details of administrative action could and should have been taken through discussions among the Ministries concerned, it has been

a constant practice to invite the Planning Commission to resolve disputes or pronounce verdicts. In fairness to the Planning Commission it must, therefore, be said that if the Central Ministries or some Central Ministers now feel that the Planning Commission has tended to be ubiquitous in the interest it has been showing in detailed decisions, they have largely themselves to blame. One result is that today the Central Ministries are so bemused that in many cases they seem to have got into the habit of referring to the Planning Commission for orders matters with which that body could have no conceivable concern at all.

It is possible that this unfortunate state of affairs can be effectively remedied only if the advisory status of the Planning Commission is emphasized through some such spectacular step as the formal relinquishment by the Prime Minister of its Chairmanship. It may also be necessary that other Ministers too should cease to be regular members of the Planning Commission, while retaining the opportunity to attend meetings of the Commission as invitees. It is, of course, true that the position of the Finance Minister is a peculiar one in that co-ordination of economic policies is as much a function of his portfolio as it may be an obligation falling within the advisory jurisdiction of the Planning Commission. Some formula should certainly be found to accommodate this situation. But it may be pointed out, for the time being, that the Finance Minister could cease to be concerned with most of the work of the Planning Commission if that work itself is so defined and delimited that it is purely advisory and is strictly limited to the broad formulation of the general concepts of Planning and the Plans.

We have said that the association of the Prime Minister with the Planning Commission as its Chairman has given that body an excessive authority which is not for it to use and which it has used improperly rather than properly. But, while it has been over-weighted at the top, it has also been distressingly anaemic in the limbs. The presence of too many weak and unqualified people has always been a serious defect in the membership of the Planning Commission. This is one of the reasons why despite the excellent technical work done at certain levels in its secretariat, the Planning Commission has not been able to command in the country esteem for its competence and trust for its leadership to an extent which might otherwise have belonged to it. It is a clear mistake to treat a body of this kind as a convenient dumping ground for retired civil servants or rejected politicians. Youth may not always be pleaded as a virtue but age after a point must certainly be demonstrably meritorious. The title of a vague political background is even less sound as a claim for positions which must necessarily go to those who have the special aptitudes and training for the jobs they will have to do. It has been an unhappy experience

in this country that in the selection of the members of the Planning Commission from time to time sound principles of recruitment have been more often disregarded than respected. This is because, from the very beginning, the Prime Minister particularly seems to have had no clear conception of the kind of Planning Commission the country must have.

It is to be hoped that, at this critical stage in the progress of the third Plan and in the economic affairs of the nation, a bold approach will be made to reconstitute the Planning Commission into an effective working group of fresh and active minds, positive in their practical attitude to economic development and with a sense of urgency about industrializing the country and improving the living conditions of its people. Although the Prime Minister himself may like to have it that his criticism of the Planning Commission relates only to its procedures, the public is bound to draw its own conclusions from the fact that the timing of his critical observations has coincided with the recognition, both within the Government and outside, of the truth that the implementation of the third Plan has been unsatisfactory in many important areas of development and that as a result, the national economy is tending to stagnate just at a time when it has become more important than ever that there should be more agricultural production and more industrial activity, not merely for the prosperity of the people but for their very security.



"It will receive the attention of the authorities as soon as Lucknow Power Crisis ends."

Highlights of the Week

TTK ON HIS TASK

THE FINANCE Minister, in a broadcast to the nation on October 11, pledged himself to an economic and financial policy which would "serve first and foremost the requirements of rapid growth."

The following is the text of Mr. T. T. Krishnamachari's talk:

"It is now nearly six weeks that I assumed my present responsibility in the Union Cabinet. Financial and economic policy directly affects every citizen of the country. To discharge my responsibility adequately, I must enter into the needs and aspirations of every section of the community. Equally, I must tell you what I think of the economic realities that confront us as a nation and as individuals. Only so can we create an environment of mutual responsiveness between the people and the Government. It is in that spirit that I propose to share with you a few of my ideas on the current state of the economy.

"Most of us in this country are now agreed on the basic objectives of social and economic policy. They can best be summed up shortly 'Socialism,' and 'Planned development' towards that end. Planning for growth, for more food and fertilisers, for more schools and hospitals, for more steel and other materials of essential production—this is the only way in which we can lift the burden of poverty and want. Financial and economic policy has to serve first and foremost the requirements of rapid growth. At the same time, the way in which we seek to achieve this growth must not be inconsistent with the equally vital objective of achieving a socialist pattern of society.

Socialism and Enterprise

"The word 'Socialism' has come to mean 'all things to all men.' In fact, it is rapidly on the way to being debased. To me, however, socialism is real and positive. Its main accent is on performance as distinguished from privilege, on the enlargement of opportunities to all, irrespective of class, caste, inheritance, social status and the like. To some socialism appears to be synonymous with restraining the individual from exercising his initiative. To me, however, socialism, far from curbing the individual, seeks to stimulate and reward individual initiative and enterprise. But this enterprise has to be in the social interest rather than in the direction of promoting dynastic and monopolistic tendencies. Positive socialism of this kind cannot be achieved by mediaeval thinking. There must be a readiness to accept desirable social and institutional changes and to subject all our value judgments to the test of reason, science and social purpose. All these different ingredients that I have mentioned, namely, reward for work and merit, acceptance of change dictated by rational and scientific considerations as well as care and concern for the weak and the needy are essential in a positive and dynamic concept of socialism which seeks to create a society with hope for all and want and fear for none.

"We have a long way to go even to approach this idea. More than sixteen years ago, on the eve of our Independence, our Prime Minister recalled that the ambition of the greatest man of our generation was to wipe every tear from every eye in India. But even Jawaharlal Nehru, with all the support he can command from the people, cannot banish poverty and want in a decade or two. But however difficult the task, it must be pursued steadily with determination and mutual goodwill.

"Right now, the picture that our economy presents is

hardly one of adequate growth. Over the first two Plan periods we achieved a compound rate of growth of about 3.5 per cent per year. This was at least more than the rate of growth of the population. But during the last two years, the rate of growth has been even lower than before and we are hardly keeping pace with the growth of population. To some extent, this might have been due to bad weather conditions which have affected agricultural production. But there has also been a slackening of the rate of increase in industrial production—notably of consumer goods industries. These point to what is the paramount need of the day, namely, to stimulate economic growth all round.

Optimistic Assumptions

"To a certain extent, we would be justified in expecting that the economy will turn the corner on its own momentum since the setback in the past has not been of a basic nature. The crop prospects this year, for example, are good and the capital market is showing glimmerings of a revival. In the industrial field, new capacity will come into being as a result of past investments and there has lately been or is likely soon to be a significant improvement in regard to supplies of basic materials or facilities such as power, transport, raw cotton and raw jute as well as steel and fertilisers. Some of the measures we have recently taken, such as the grant of additional assistance to the States for accelerating programmes of agricultural and power development, larger foreign exchange allotment for import of fertilisers and the like should produce results in time.

"While we may expect some improvement in regard to production in the coming months, it is, I think, clearly necessary to take further measures to quicken the process of expansion. The demand for credit, for example, in the coming busy season must be adequately met. While fortunately, the banking system is in a better position to do so now than last year, they might still need support and assistance from the Reserve Bank. I have been in touch with the Reserve Bank and I am happy to say that the Reserve Bank proposes to pursue a liberal and positive policy designed to meet credit demands for all productive purposes though the Reserve Bank cannot be expected to relinquish its vigilance over speculative and other unhealthy tendencies. We should remember, however, that in our monetary structure, unhealthy tendencies are encouraged not merely or even primarily by bank credit. There is, in our system, a considerable amount of unaccounted money which is used essentially for speculative transactions and more especially in commodities. In devising suitable instruments of monetary control we cannot lose sight of this major factor.

"Apart from credit requirements, the problem of industrial growth in the short run is one of availability of materials and components. As I have already said, internal availabilities in this regard should show an improvement in the coming months. As regards imported components and materials, we have been able to bring about some improvement as a result of greater availability of non-project assistance from friendly foreign countries and the upward trend in our exports. Nevertheless I am not in a position to hold out any promise of significant liberalisation of imports in the near future, since our underlying reserves and payments position continues to remain difficult. What is more, the requirements of defence would also continue to impinge on our balance of payments till such time as defence production gathers substantial momentum. Altogether, therefore, it is only by vigorous import substitution and promotion of exports that we could

hope to increase substantially the availability of materials and components required for our industries.

"Looking a little beyond the immediate requirement of credit or materials, the rate of growth of industrial production could not be raised on a sustained basis without a significant revival of investment activity. It is my hope that some of the measures we are proposing to take such as the establishment of a unit trust and the enlargement of the functions of the Industrial Finance Corporation would help in this direction. There is reason to apprehend that the ability of the private sector to raise internal or market resources for substantial expansion of investment in the basic sectors of industries may not come up to the expectations in the Plan. It is often said that this situation is the result of pricing or fiscal policies. If that were so, it will be necessary to inquire whether these policies need modification bearing in mind the legitimate requirements of both the public and the private sectors. If the present situation reflects inadequacy of resources in the aggregate for the tasks that we have set out to achieve, this fact too shall have to be taken into account in framing our future policies. It is my intention to review the present fiscal and related policies with reference both to the immediate needs of the economy as well as the requirements of growth and social justice in the years to come.

Prices Problem

"Perhaps the problem that concerns you all most at the moment is the problem of rising prices. There is no doubt about the fact that a steadily rising price level which deprives thousands of families of a part of their livelihood is not in conformity with the concept of socialism that I outlined a few moments back. It is not unlikely that, with the prospect of a better crop, the price situation in the coming months may not continue to cause much concern. But I think I am right in saying that by and large, this question of a need for a stable price policy will remain with us for years to come as it has indeed been with us with minor interruptions for at least the past two decades. If this were so, we should, I think, consider a number of consequential questions seriously. Most of us would agree that price policy for essential consumer goods must reconcile the opposing interests of producers and consumers. The producers must get a fair price, both as a reward for their labour and as an incentive for increasing production. At the same time, consumers must not be required to pay excessive prices out of line with their incomes. But how can we reconcile these two interests without reducing, in some way, the role and the profits of the middlemen? There is a widespread feeling that with decline in competition, the margin of profit in distribution has increased in recent years. But if this margin is to be reduced, it cannot be done without a measure of regulation or intervention by the State in the machinery of distribution. And such regulation can be successful only with the active support and co-operation of the people. I think all of us should also ask ourselves whether reasonable stability of prices should be assured to all sections of the people irrespective of their incomes or whether it should be assured only to the more vulnerable sections of the community. I do not propose to answer these questions or to lay down tonight the policy of the Government in this regard. I hope that you, as citizens, would give thought to these questions so that the element of wishful thinking that has dogged us for long in this area of price policy is progressively reduced by an enlightened public opinion as, after all, the discipline that goes with the concept of the policy of maintenance of stable prices can only be enforced by a strong backing of public opinion.

"I have spoken to you about the need for stimulating growth and about price policy. But I am not, repeat not, one of those who believe that we should put on the shelf our as-

pirations for social justice till such time as we achieve a satisfactory rate of growth on a continuing basis. It shall be our endeavour in the months ahead to explore some practical avenues for expanding the scope of social security for at least some sections of our people as also for enlarging opportunities for the talented who lack the means to develop their talents to the fullest. As we open up new horizons of hope by a positive policy of growth, we must also narrow the confines of fear for increasing numbers of our people. And let us hope that, with determination and mutual goodwill, we shall succeed in enhancing social justice without sacrificing economic progress."

STATE CABINETS

SEVEN STATE Cabinets have been re-constituted during the past one month; six as a sequel to the Chief Ministers relinquishing office under the Kamaraj Plan and the seventh one, on account of the leader losing the support of his party legislators. The expectation that the re-organisation of the State Cabinets under the Kamaraj Plan would be a painless process, befitting the spirit of the Plan, however, has been belied. Keen contests and a good amount of behind-the-scene manoeuvres have marred the outward unanimity on new leaders' election in practically all the States. Even in Madras where no contest for leadership was anticipated, the election of the new Chief Minister could not be a unanimous one.

Three other points need to be noted in regard to the reconstitution of these State Cabinets. In four cases, the new leaders have been the nominees of the outgoing Chief Ministers—Mr. Shamsuddin in Jammu and Kashmir, Mrs. Sucheta Kripalani in Uttar Pradesh, Mr. Biren Mitra in Orissa and Mr. Bhaktavatsalam in Madras. In Gujarat, Dr. Jivraj Mehta, who lost the confidence of his party legislators, yielded place to Mr. Bhalwantrao Mehta. In Bihar and Madhya Pradesh, the leadership has been wrested by dissidents—Mr. K. B. Sahay and Mr. D. P. Mishra, respectively.

Contrary to the Congress High Command's decision to have homogeneous Cabinets, the new set-ups in all the cases can hardly be said to be so. The case of Uttar Pradesh is a unique one in this respect. The comparatively free-hand allowed to the other new Chief Ministers in the formation of their Cabinets has been denied to Mrs. Kripalani. It will not be an exaggeration to say that in Uttar Pradesh today there are two Chief Ministers instead of one; if Mr. Kamalapati Tripathi adopts an adamant attitude, a new ministerial crisis in the State should not be ruled out.

The Congress High Command appears to have also followed a weak-kneed policy in regard to the strength of the State Cabinets. As a rule, the new State Cabinets were to be of smaller sizes than the previous ones and were to consist of not more than 20 members. In pursuance of this ruling, the strength of the Bihar and Madhya Pradesh Cabinets was reduced from 29 and 23 to 20 members each. The new Cabinets in Madras, Kashmir and Gujarat also are slightly smaller in size, with 8, 11 and 14 members, respectively. But the strength of the Orissa Cabinet has been maintained at fourteen. The case of Uttar Pradesh again has been a singular one; although the strength of the Uttar Pradesh Cabinet has been reduced from 34 to 21, the ceiling of 20 members has not been adhered to. The strength of the State Cabinets where no reorganisation has been done has also not been reduced except in the case of West Bengal. In Maharashtra, the Chief Minister, Mr. Kanamwar, continues to head a Cabinet considerably larger in size. He is also reported to be not amenable to reducing it unless the High Command specially desires so. Taking into consideration the fact that small and compact cabinets do not

suffer from any disadvantage in administration, as has been made abundantly clear in Madras and Punjab, it is wondered if the ceiling of 20 members for a State Cabinet is also not on the high side. More so during the current emergency.

WHITLEY COUNCILS FOR INDIA

THE UNION Government has decided to set up for its employees a machinery for joint consultation and compulsory arbitration. The adoption of such a course had been suggested by the Second Pay Commission over four years ago. The scheme envisages establishment, on a non-statutory basis, of three Councils at the national, departmental and regional office levels. These Councils are to be modelled on the pattern of Whitley Councils in Britain. Although the right to go on strike is not being taken away from the Government employees in principle, as was contemplated by late Pandit Pant after their strike in 1960, they are required to abjure strikes if they want to have any benefit under the new arrangement.

The scheme covers all the regular civil employees of the Central Government, industrial and non-industrial, except Class I, Class II services other than the Central Secretariat Service and other comparable services whose duties are mainly ministerial, and the managerial, administrative and supervisory staff in industrial establishments. The Police and Railway Protection Force are also being excluded from its purview.

The National Council will consist of upto 25 official members nominated by the Government and upto 60 members nominated by recognised associations of employees according to the rules framed for the purpose. The Cabinet Secretary will be the Chairman of this Council. The staff side will elect its own leader. Both the sides will have their own secretaries. The Departmental and the Regional Office Councils will also be similarly constituted. A Departmental Council will have 5 to 10 members on the official side and 20 to 30 members on the staff side. The strength of Regional Office Councils will depend on the size of the staff concerned. In view of the special nature of the staff problems on the railways, subject to the observation of the provisions of the scheme, detailed arrangements will be worked out for the setting up of regional/zonal and office councils which will take into account the arrangements already in existence. No person who is not an employee or an honourably retired employee of the Central Government can be a member of a joint council. The representatives of the staff associations will serve the three Councils for a term of three years. But there will be no bar on their renomination.

The National Council will deal with matters of general application, such as minimum remuneration, dearness allowance and pay of certain common categories of employees—office clerks, peons and lower grade workshop staff. Matters relating to categories of staff common to two or more departments and not grouped together under one Departmental Council will also be looked into by it. The National Council will have two Standing Committees—one for the non-industrial staff and the other for industrial staff. The Departmental Councils will deal with matters concerning the staff employed in a particular department, unless these are matters which by virtue of their common concern to the staff of other departments fall within purview of the National Council.

The Councils may concern themselves with all matters relating to conditions of service and work, welfare of employees and improvement of efficiency and standards of work. In regard to recruitment, promotion and discipline, consultation will be limited to matters of general principles. Individual cases will not be considered. The joint councils are not intended to supplant the facilities provided to employees to make individual representations or to associations of employees to make representations concerning their constituent

services and the like. They will only supplement these facilities.

In the interest of expediting work, the official representatives will be required to settle matters in the meetings of the Councils themselves; they will not reserve them for decision by the Government. Agreements thus reached will become operative, subject, of course, to the final authority of the Cabinet. It is, however, not intended that such agreements would require Cabinet approval as a normal practice. Matters once disposed of by a Council shall not come before it again at least for the next twelve months, unless for any special reason the Chairman decides otherwise.

Compulsory Arbitration

Only the most important and the most intractable of the disagreements between the official and employees' representatives on questions of pay and allowances, weekly working hours and leave for particular classes or grades of employees can be referred to compulsory arbitration. Full consideration of each issue will, however, first take place in the Council concerned. The Government reserves the right to refuse to refer any dispute to arbitration if it is of the opinion that such a reference will not be in public interest. But as a safeguard against misuse of this power, provision has been made that in all such cases, reasons will have to be recorded by the Government in writing and placed before both the Houses of Parliament.

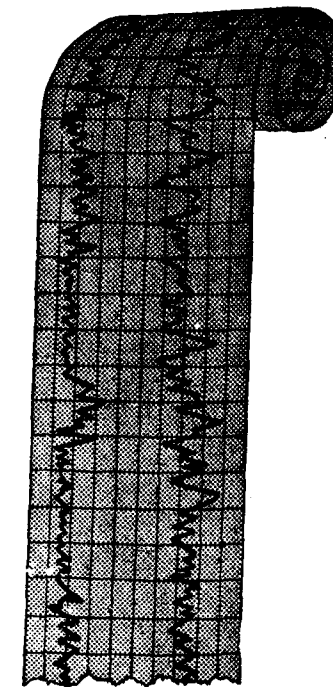
The disputes referred to arbitration will be heard by a Board of Arbitration to be set up each time contingency arises. It will have three members—an independent Chairman to be nominated by the Union Labour Minister and one member each to be selected from two panels of five names to be submitted by the official and the staff sides. The recommendations of the Board will be binding both on the Government and the employees, subject to the overriding authority of Parliament. The Government, however, may recommend to Parliament modifications of an award of the Board of Arbitration if it is of the opinion that the award needs modifications on grounds affecting national economy or social justice. Specific reasons will have to be assigned for this and placed before Parliament in writing. Orders made by Government on the recommendations of the Board of Arbitration and after approval by the Parliament shall remain in force for a period of five years, unless modified by mutual agreement between the staff and the Government.

In determining a dispute, the Board of Arbitration shall generally be guided by such general principles contained in any report of a commission appointed by the Government as are relevant to the dispute and have been accepted by the Government. Matters determined by the Government in accordance with the recommendations of a commission will not be subject to arbitration for a period of five years.

RAJ COMMITTEE'S REPORT

THE Raj Committee on Steel Control, in its final report submitted to the Government last week, confirms, in the main, the suggestions it had made in the interim report early this year, but goes a step further at least in one respect. The mechanism it has recommended for the fixation of producers' prices for various categories of steel takes away this matter from the purview of the Tariff Commission which could bring to bear upon its deliberations a good measure of objectivity. Whether this will be a step in the right direction, only time can show. If adopted, this course can surely be expected to raise similar claims from a number of other important industries. Otherwise, the recommendations of the Committee make a good deal of sense.

The Committee suggests that the producers' prices for steel should be fixed by the Government on the recommendations of a Joint Steel Plant Committee to be set up with the Iron

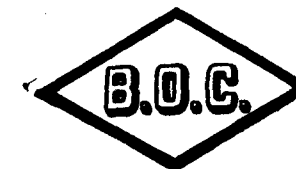


ONE LOG, TWO MILES LONG

It is not possible to see more than a few feet down a well, but there are scientific devices which can produce for the oil explorer a complete photographic chart of the inside of a well, all the way from surface to bottom. When interpreted, such charts, or logs as they are called, indicate the variation in the physical properties of underground rock formations penetrated by the drill, thus helping the scientist to locate levels where maximum

production may be expected and giving him other information about the nature of the various strata. Other logging instruments make use of electrodes, gamma rays and radioactivity measuring devices to record the characteristics of the earth's crust.

Looking into the earth in this way calls for highly specialised equipment and skilled men to operate it.



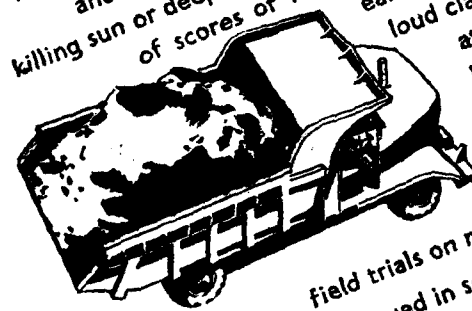
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DTC-17A

and Steel Controller as the Chairman and the General Managers of the various steelworks, or their nominees, as members. This it considers necessary for imparting some measure of flexibility in the retention prices so that the production capacity could be geared to turning out an optimum product-mix. The Committee feels that a fuller provision needs to be made for plant replacement at current or prospective costs and this should be done without a uniform upgrading of the prices of all categories of steel. Increases should be granted only in the prices of the scarcer categories and the more-difficult-to-roll sections. A shift of this kind in the relative price structure, the Committee opines, is imperatively required in the prevailing circumstances. A reduction in the number of sections which the steel plants are called upon to roll, has been favoured by the Committee.

Free Market

The Committee recommends a free market in steel after the control on first-sale prices which it desires should be subject to periodical adjustments in the light of demand conditions. When market prices are such as to justify an increase in the first-sale controlled prices but the latter are already high enough to more than cover producers' costs and requirements of replacement and expansion, action is suggested to be taken by the Government to adjust the sale prices realized by producers through imposition of excise duties or other fiscal devices.

The joint plant body has also been assigned a crucial role in the planning of steel production. For this purpose, all the indents for steel supplies are to be routed through it—a function at present performed by the Iron and Steel Controller. On the basis of the indents received by it, the joint plant body will be required to establish principles and general conventions in allocation of indents between plants, taking into account the need for specialization among the plants, the importance of ensuring economic rolling tonnage, the need to reduce the time-lag between the receipt of indents and the despatch of supplies and the necessity of avoiding long leads in transport.

For simplification of distribution controls, the Committee suggests that all steel demands should be divided into three categories: (A) overriding priority demands; (B) priority demands and (C) non-priority demands. 'A' class demands, it suggests, should consist of only defence needs. 'B' class demands should cover the requirements of basic industries, namely, coal, steel, oil, heavy machinery, heavy electrical equipment, fertilizer, agricultural equipment and machinery, shipbuilding, transport and communications and irrigation and power. All other demands should be treated as 'C' class demands. The general criterion for fixing priorities should be the end-use of the supplies demanded. Once the demand for steel of a project or production unit is accorded priority, all categories and sections required by that project or unit should get the same priority grading. To make this system of priorities effective, it has been recommended that the task of following each priority indent upto the point of final delivery should be one of the main functions of the Iron and Steel Controller. In matters of price, however, no concession is to be given to the priority demands. The price charged in each case is to be governed by the same considerations as for others. If some price advantage is called for, it should be provided in the form of "drawbacks." Anyone requiring steel, the Committee suggests, should be free to place indents directly on the producers and receive supplies at producers' price. Sale and resale transactions after first deliveries should not be sought to be controlled except in the case of priority deliveries for which the condition of allotment should be that there will be no resale. In this system, no rationale is left for maintaining the distinction between the

"controlled" and "registered" stockists or between the "recognized" and "unrecognized" traders.

For meeting the special needs of re-rollers and small-scale industry, the Committee, besides suggesting special arrangements, recommends that the Government should hold a small proportion of the non-priority supplies as stocks of its own. Building up of stockyards in various parts of the country has been advocated also for ironing out of excessive fluctuations in prices, especially in areas where transport difficulties or inadequacy of resources by the steel users tend to vitiate regularity in demand. Supplies to the stockyards are recommended to be given the same priority as for the 'B' category demands. The sale prices at the stockyards would be the producers' prices plus a small margin to cover operating expenses. Fixation of a limit on the maximum amount that can be purchased by any customer from a stockyard at any one time is favoured for avoiding cornering of stocks by a few. Some of these stockyards may be built up by the main plants; others by Government or Government agencies and still others by private parties requisitioned or commissioned by the Government.

In the new scheme of things suggested by the Raj Committee, the Steel Equalisation Fund goes as its primary function was to adjust the loss on imports by the accruals to it of the difference between the controlled sale prices of steel and the retention prices. The Raj Committee has made some forthright recommendations in regard to steel imports. It has suggested that steel imports, when found absolutely unavoidable, should be effected through official agencies; the practice of allowing imports by established importers should be discontinued. The system of barter imports of steel by private parties has also been recommended to be stopped forthwith. Raising of import duties to levels high enough has been suggested for wiping out the differences between the landed costs of steel and the prevailing internal market prices.

Freight Equalisation

The Committee has expressed misgivings about the usefulness of the present policy of freight equalisation. It feels that this policy encourages unnecessary cross-movements of steel without necessarily promoting socio-political equity. But no change has been suggested in the current practice, pending a more thorough examination of the whole question of regional development in the light of transport and other costs. It has been recommended that the Joint Plant Committee might include in the first-sale price a freight element to be realized on all despatches of steel and operate a clearing arrangements whereby every plant receives the excess of freight paid over freight realized and pays out the excess of freight realized over freight paid.

The net result of its recommendations, the Committee opines, should be an optimum production of various categories of steel and mopping up of the unduly large profits of the middlemen for the benefit of the steel plants and the State Exchequer. Free market in steel after the first sale at producers' prices, according to the Committee, should not lead to increase in the prices of steel products as at present there is only negligible (if at all) difference in the prices of such products whether made out of the steel supplies secured at controlled rates or at a high premium in the open market.

The Government decisions on the Raj Committee's report will be taken after another Committee, that of producers, set up in July last, reports on this matter. This report is expected any day. The assessment of demands for various categories of steel from a long-term point of view will have to be made by the Union Ministry of Steel through other means. Market studies may be undertaken for this purpose. The Raj Committee, however, is silent on this issue.

The Mischief of SPT

By SAGATTARIUS

EVER SINCE Mr. T. T. Krishnamachari assumed charge of the Union Finance Ministry, there has been speculation whether there would be any radical change in the Super Profits Tax especially as he was known to have expressed the view that measures should be adopted to stimulate the economy and end the stagnant phase that has been in evidence for some time past. The announcement of changes in the Gold Control Rules and the virtual scrapping of the Compulsory Deposit Scheme, except that portion relating to incometax payers, also encouraged the feeling that corporate taxation might be lightened and there might even be streamlining of indirect taxes. Surprisingly, however, beyond the emphasis on the need to rationalize interest rates and liberalize credit facilities, with an enlargement of the activities of the Industrial Finance Corporation, Industrial Credit and Investment Corporation and the Refinance Corporation for Industry, there has so far been no serious discussion in Parliament or outside by legislators about the urgency of modifying the Super Profits Tax and affording such other incentives as would encourage the inflow of foreign capital and enliven the capital market.

The proposals to liberalise lending restrictions by the Reserve Bank during the forthcoming busy season and the conversion of the Industrial Finance Corporation into a full-fledged development bank, along with additional rediscounting facilities provided by the Refinance Corporation, will no doubt take care of a slack in the capital market for a short period. But even with liberal assistance from the statutory finance corporations there will be need for large support from the investing public and enthusiastic collaboration from foreign interests if the tempo of industrial development, noticeable until recently, is to be sustained.

Risk Needs Reward

The importance of a lively capital market and reasonable profitability of investment will be recognised if it is remembered that in the last boom in new company floatations there was an aggregate investment in different industries of a volume which has not been likened in earlier booms. Also, the character of floatations was entirely different and there was no hollowness about the new ventures. Indeed, the benefits of many new schemes are now being derived and the industrial economy is getting more integrated in nature. Unfortunately, this process has not been allowed to continue with the levy of heavy indirect and direct taxes early this year. There was no doubt some uncertainty about the future outlook following the declaration of Emergency. The fears of a disruption of the Indian economy on account of the Chinese threat have, however, considerably receded and it is now felt that industrialists, both foreign and Indian, would be prepared to embark on new ventures if only there was a measure of reassurance that fresh investment would be profitable and the small investors who have been growing in large numbers would be rewarded more adequately for the risks taken by them in placing their hard earned savings in industrial securities.

It has not been adequately realised that the indirect taxes themselves have resulted in a reduced margin of profit and that on the balance of earnings, after providing for depreciation and development rebate, the provision towards direct taxes, including SPT, has had a regressive effect. Even with the concessions granted by Mr. Morarji Desai before the new levy took its final shape the net incidence has worked out to anything between 60 to 80 per cent of disposable profits in

many cases and the introduction of the principle of progression in corporate taxation has penalised unduly the small investors. It has been asserted in the vigorous representations from the committees of the principal stock exchanges, shareholders' associations and industrial organisations that the incidence of SPT would prove to be severe and the yield would be very much more than the estimate of Rs. 20 crores. This tax has, therefore, to be modified radically.

There is unmistakable evidence to indicate that a continuance of this tax in its present form will be highly inequitable in its incidence and as a result it would be difficult to maintain the tempo of industrial development in the private sector at the rate of 1960-62. Many companies have been obliged to cut drastically dividend payments and even postpone the implementation of expansion schemes on account of the fear that the required additional capital could not be raised on the basis outlined by the Government. Even though the additional profits earned by the various industries were due to a larger turnover following a larger outlay the benefit of the increased earning capacity has been derived solely by the Exchequer. In some cases, even the additional depreciation charges and development rebate could not be fully provided without reducing the usual allocations to other reserves because of the large appropriations towards taxation. This is hardly a state of affairs which can ensure sustained industrial growth.

Unscientific Levy

The analogy of World War II, when the Excess Profits Tax completely immobilised excess profits, is not in any sense correct as larger profits were made on the same volume of production in many cases. Besides, the deposits were refundable apart from some portion of the tax being returned to the assessee. The most severe incidence worked out to 50 per cent of "excess" profits which were computed on what should be called, in the light of recent developments, on a rational basis. The Excess Profits Tax was more scientific as for purposes of determining excess profits and there were also adjustments in the standard profits in respect of changes in any sense. It has uneven incidence even in respect of earnings of companies which have similar capital-absence of facility for rebate in respect of Super Profits Tax paid by companies has caused considerable hardship to the small shareholders. The force of the above arguments will be clearly brought out by an analysis of the working results of 101 companies belonging to different industries and which have published their accounts after the last Finance Act was passed.

It is clearly borne out by the experience of these companies that even to pay the same dividends, distributed prior to the imposition of SPT, there will have to be an increase in earning capacity by at least 30 per cent. This would be possible only if there were large additions to fixed assets which would obviously be impossible in the prevailing circumstances. Also, it is needless to say that there would be no desire to invest large sums additionally only to prevent a reduction in disposable profits.

These 101 companies have a fairly creditable record for efficient conduct of their business. There was an increase in sales in 1962-63 to Rs. 682.13 crores from Rs. 616.39 crores in 1961-62. There was also a slightly more than proportionate in-

crease in earnings, before depreciation and taxation, to Rs. 95.26 crores from Rs. 81.70 crores previously. The increase in earnings by Rs. 13.56 crores, however, did not in any way benefit these companies as what all could be retained in business related only to the additional provisions towards development rebate and depreciation. It should be said that even these appropriations could not be fully found without disturbing allocations to other reserves. The actual provision towards depreciation and development rebate was higher at Rs. 26.10 crores against Rs. 23.74 crores. The net profit, before taxation, was, therefore, higher by only Rs. 11.20 crores at Rs. 67.16 crores. The charge on account of taxation, however, increased by Rs. 11.50 crores to Rs. 32.10 crores leaving disposable profits of Rs. 13.06 crores against Rs. 13.36 crores. There was actually an increase in the proportion of taxation to net earnings to 56.5 per cent from 47.6 per cent. That is, additionally 18.5 per cent had to be set aside towards taxation which gives a measure of the increase in the average burden of taxation on account of SPT. (If this is any guide, the yield from SPT in a full year could be easily Rs. 40 crores).

Notwithstanding the heavy incidence of taxation a sincere effort was made by many companies to transfer to reserves amounts at least on the previous scale. But this was found difficult of achievement by some groups and there has been actually a decline in the sums transferred to reserves to Rs. 9.98 crores from Rs. 10.39 crores. If the transfers from reserves were adjusted, the net addition to reserves were further lower at Rs. 8.18 crores against Rs. 8.97 crores. If it had been decided by the Directors of the different companies to maintain at least the dividends on equity capital on the previous basis the quantum of profits ploughed back would have to be even more severely affected. Again, the amount of Rs. 20.35 crores distributed by way of equity and preference dividends against Rs. 21.14 crores in 1961-62 does not give exactly an idea of the hardships endured by the shareholders. A larger capital was ranking for dividend purposes in many cases and the shares had been issued at a good

premium in a number of instances. The cut in dividends on equity capital in the case of as many as 50 companies, nearly 50 per cent of the sample under reference demonstrates clearly the fact that, even with an increase in earnings, it has been necessary to reduce dividends severely with the consequent adverse effect on share values and morale. The rate of capital formation in the corporate sector has considerably slowed down. It has also to be pointed out that the dividends could be barely maintained by 27 companies at the cost of transfers to reserves while out of the 24 higher dividend declarations as many as 9 related to the jute group which has no special significance for the reasons already explained. In respect of others dividend increases have been nominal in the majority of cases even with large profits. It would not be possible for the ambitious companies to continue their good work without a good measure of support from the shareholders and without the ability to enter into fresh commitments and to discharge obligations on a basis acceptable to the investors and lenders.

Declining Profit

From a closer analysis it will be found that, even with an increase in sales, the proportion of gross profits to the former has tended to decline and the companies were in the awkward position of having to pay larger amounts by way of taxation, even where earnings were lower. This is borne out by the experience of cotton mills, chemicals and cement units. It would not be incorrect to say that the increase in the proportion of gross profits to sales for the group as a whole to 14.11 per cent from 13.20 per cent has been due to the better experience of only the engineering, jute and miscellaneous groups, the latter particularly. The gross earnings of 27 cotton textile mills for 1962-63, therefore, declined to Rs. 20.73 crores from Rs. 21.75 crores in the previous year. There was no doubt an increase in sales to Rs. 141.02 crores from Rs. 134.65 crores. But even allowing for a slight inflation in the value of sales on account of the levy of heavy excise duties, the costs of production were generally higher and profit

TRENDS OF PROFITS OF 101 COMPANIES AND IMPACT OF TAXATION

(In crores)

Group		Sales	Gross Profit	Depreciation & Development Rebate	Taxation	Transfers to Reserves	Transfers from Reserves	Dividends Ordinary & Preference	Gross Block	Net Block
1962 - 63										
Engineering	(24) ..	237.01	34.30	9.64	15.30	3.65	0.74	6.84	134.87	81.87
Miscellaneous	(26) ..	219.10	26.73	4.33	12.30	3.73	0.12	5.92	75.09	51.82
Cements	(6) ..	23.84	4.78	1.50	1.80	0.48	0.15	1.10	23.55	12.26
Textiles	(27) ..	141.02	20.73	8.18	6.26	0.97	0.65	4.79	108.11	48.80
Jute	(12) ..	49.38	6.72	1.55	2.95	1.01	0.03	1.09	25.61	10.69
Chemicals	(6) ..	11.78	2.00	0.90	0.49	0.14	0.11	0.61	9.52	6.07
TOTAL	(101)	682.13	95.26	26.10	39.10	9.98	1.80	20.35	376.75	211.51
1961 - 62										
Engineering	(24) ..	205.88	29.22	8.41	10.16	3.77	0.32	7.06	116.75	71.84
Miscellaneous	(26) ..	198.35	22.77	4.64	8.50	2.61	0.27	6.54	87.81	49.05
Cements	(6) ..	19.90	4.27	1.41	1.13	0.58	0.11	1.21	22.58	12.54
Textiles	(27) ..	134.65	21.75	7.44	6.74	2.96	0.15	5.20	97.52	44.85
Jute	(12) ..	47.40	1.76	1.23	0.44	0.12	0.39	0.62	23.51	9.50
Chemicals	(6) ..	10.21	1.93	0.61	0.63	0.35	0.18	0.51	6.91	4.07
TOTAL	(101)	616.39	81.70	23.74	27.60	10.39	1.42	21.14	335.08	191.85

margins were reduced. It was necessary, however, to set aside a larger sum of Rs. 8.13 crores against Rs. 7.44 crores towards depreciation and development rebate. On the reduced earnings of Rs. 12.55 crores against Rs. 14.31 crores, after making these provisions, taxation, including Super Profits Tax, claimed nearly 50 per cent against 47.1 per cent previously. The dividend payments had, therefore, to be reduced to Rs. 4.79 crores from Rs. 5.20 crores and the net transfers to reserves amounted to only Rs. 32 lakhs against the fairly large sum of Rs. 2.81 crores. This is indeed an unsatisfactory position.

Likewise, the cement industry, whose selling prices are also controlled and which has not been compensated fully to the extent of the increase in costs under the escalatory clause, has found it virtually impossible to plough back sizable amounts to reserves. There is naturally unwillingness to undertake expansion plans in a big way. Six cement units included in the sample had an increase in sales to Rs. 23.84 crores in 1962-63 from Rs. 19.90 crores in the previous year. But there was only a marginal increase in the gross profits to Rs. 4.78 crores from Rs. 4.27 crores. The charge on account of depreciation and development rebate was higher at Rs. 1.50 crores against Rs. 1.41 crores while taxation claimed as much as Rs. 1.80 crores against Rs. 1.13 crores. The net transfers to reserves amounted to only Rs. 33 lakhs against Rs. 47 lakhs in spite of the fact that the dividend amount was lower at Rs. 1.10 crores against Rs. 1.21 crores. It is noteworthy that the increased profits were earned on a larger capital outlay though it may be admitted that there was also a higher level of production with a better utilisation of capacity.

The engineering group has no doubt done very well there being an increase in sales on account of 24 units to Rs. 237.01 crores from Rs. 205.88 crores during the two years under reference. There was also a significant increase in gross earnings to Rs. 34.30 crores from Rs. 29.22 crores. The provision for taxation in 1962-63 has absorbed more than the increase in earnings with the result that the increased allocation to depreciation and development rebate reserves had to be made at the expense of transfers to other reserves apart from a reduction in dividends paid to shareholders. Thus, the charge on account of depreciation and development rebate was higher

at Rs. 9.64 crores against Rs. 8.41 crores while taxation claimed as much as Rs. 15.30 crores against Rs. 10.16 crores working out to over 62 per cent of profit after depreciation and development rebate against 48.8 per cent in 1961-62. The net transfers to various reserves could be only Rs. 2.91 crores against Rs. 3.45 crores in spite of the fact that the shareholders received the smaller sum of Rs. 6.84 crores against Rs. 7.06 crores. There was a significant increase in the gross block to Rs. 135 crores from Rs. 117 crores which clearly shows that the increase in earnings has come about mainly on account of increased capital expenditure and no benefit has been derived by either the companies or the shareholders out of this additional investment.

Radical Modification

Even in respect of the miscellaneous group which has done excellently with an increase in sales of 26 companies to Rs. 219.10 crores from Rs. 198.35 crores and gross profits to Rs. 26.73 crores from Rs. 22.77 crores, the dividends distribution have had to be reduced to Rs. 5.92 crores from Rs. 6.54 crores with taxation accounting for nearly the whole of the increase in profits to Rs. 12.30 crores from Rs. 8.50 crores. If the net transfers to reserves were higher at Rs. 3.61 crores against Rs. 2.34 crores, it was partly due to a smaller provision of Rs. 4.33 crores against Rs. 4.64 crores on account of depreciation and development rebate. The experience of shareholders in any particular group has not, therefore, been satisfactory. As already explained, there was an increase in the dividends distributed by jute mills generally due to the fact that the earlier payments were mainly nominal. There is, therefore, an unanswerable case for a radical modification or the abolition of the Super Profits Tax. If the Exchequer has to be protected against loss of revenue while removing the inequities of the new levy there can be a straight surcharge on income tax and super tax paid by the companies in order to yield the estimated sum of Rs. 20 crores. By making a reasonable gesture the Finance Minister would even ensure larger revenues over a period with an enlargement of the industrial base following the revival of confidence and a continuous boom in new floatations. As considerable damage has already been done, the decision to lighten the burden of direct taxes on corporate profits cannot be delayed for long.

IMPACT OF TAXATION INCLUDING S.P.T. ON ALLOCATIONS AND ON
PAYMENT OF DIVIDENDS

Group		Gross profit as % of sales		Taxation as % of net profit		Transfers to Re- serves as % of net profit		Dividends as % of net profit		Gross Profit as % of gross block	
		(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Textiles	(27)	14.70	16.1	49.88	47.11	7.72	20.68	38.14	36.35	19.1	22.30
Jute	(12)	13.61	3.71	57.00		19.48		21.11	11.80	25.86	7.48
Chemicals	(6)	17.00	18.92	44.86	47.20	12.97	26.64	55.83	38.07	21.03	27.09
Engineering	(24)	14.47	14.19	62.07	48.83	14.80	18.11	27.75	33.92	25.43	25.03
Miscella- neous	(26)	12.20	11.48	54.90	46.91	16.64	14.39				
Cements	(6)	20.04	21.45	55.00	39.70	14.8	10.38	21.91	36.13	33.64	35.60
TOTAL	(101)	14.11	13.20	56.5	47.6	14.4	17.9	33.7	42.9	20.3	18.9
								29.4	36.4	25.3	24.3

1 denotes 1962-63; 2 denotes 1961-62.

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WINDOW ON THE WORLD

Good Advice from Friends

By R. V. MURTHY

WASHINGTON:

TO AN OBSERVER from India of the proceedings of the joint sessions of the Boards of Governors of the World Bank, the IMF, the IFC and the IDA and the several press conferences and press briefings that followed, the most gratifying impression was neither the large assemblage of the world's bankers and financiers nor the elaborate arrangements made for them at Sheraton Park — impressive though these undoubtedly were — but the almost complete unanimity of approach to the question of international liquidity or rather to both the long-term and the short-term manifestations ("international imbalance", as President Kennedy would have it) thereof. While the opening address of the President of the World Bank, Mr. George D. Woods, and the Managing Director of the IMF, Mr. Pierre-Paul Schweitzer, set the pace, as it were, the statements of one Governor after another of the participating countries served to underline the urgency of the problems that still press in on the world and the readiness to explore new ways by which these Brettonwood institutions and their offshoots can more effectively meet these problems. Although these speeches highlighted "the vital role" of these institutions "in the continuing quest for finance and economic stability among the nations of the world", they represented — and continue to represent — the precise problems of India today and the proper solution to them.

'New Dimensions'

I do not think that anyone, not excluding an Indian, could have presented India's case more graphically and point to the directions in which a solution of these problems might lie — a feeling only further reinforced by the unqualified welcome and support extended by Messrs. L. K. Jha and Bhattacharya to the bold proposals of Mr. Woods in his brilliant address to the Board of Governors. All the developing countries, and India particularly, are bound to benefit by the response to Mr. Woods' call for addition of "new dimensions" both to the World Bank's lending and technical assistance activities and Mr. Schweitzer's plea for further widening the wide spectrum of the existing liquidity arrangements, especially if these were to proceed along the lines urged by India's representatives. Mr. Jha was quite right when he confessed to the difficulty of trying to add to the suggestions of Mr. Woods. Considering all this, as also the certain prospect of the balance of payments problems of the less developed countries continuing to be with us for quite some time, as was stressed by Mr. Bhattacharya, one hopes the authorities in India would take particular note of Mr. Woods' suggestions. In this connection, it is important to bear in mind the reactions of aid-giving countries, whether expressed overtly or covertly. Whereas these countries are prepared to continue to assist India and other developing countries, it would be prudent to anticipate a gradual deduction in the quantum of such assistance as well as to recognise the fact that they are also keen on ensuring that their assistance is utilised effectively and expeditiously (as witness the concern of the World Bank and the IMF chiefs to study the causes for delayed utilisation with a view to eliminating them, wherever practicable) and without being hampered unduly by the profitless pursuit of ideological dogmas.

Mr. Woods regretted the discouragingly slow rate of pro-

gress in many underdeveloped countries and referred to the three problems contributing to this which call for special attention, namely "the policy problem". There will be hardly any opposition to the World Bank Chief's plea either for a far-reaching diversification of the production and exports of the developing countries or for a closer look into the disturbing factor of the unfavourable structure of the debt of many of these countries, so as to reorient the terms upon which development assistance is given. As regards his solution of the policy problem, however, there is likely to be criticism from some expected quarters, but this should not deter a pragmatic approach to the question.

While considering the exhortation of Mr. Woods, developing countries such as ours should take note of the daring shift he has proposed from "proven ground" to "less familiar terrain". As far as India is concerned, every one of the World Bank President's suggestions, such as those for more credit for agricultural projects, for financing of education (for the first time the Bank's resources are proposed to be used in this way), for increasing both the duration and the interest-free guarantee period of loans and for providing facilities for arbitration and conciliation of international investment disputes, seems to have been specifically tailored to her needs and, if she is to avail herself of all these, she cannot afford to ignore the sage counsel of a known friend of India such as Mr Woods. So as to make sure that the effectiveness of this counsel is not affected in the least, I quote below what he had to say on the important place that needs to be assigned to the private sector:

Outdated Facts

"It is not the business of the Bank, nor of its President, to tell the developing nations within the Bank's membership that they must accept private capital from abroad as a partner in their development efforts or what kind of price it is reasonable for them to pay in order to achieve such a partnership. Those are issues which our members, as sovereign nations, must decide for themselves. Whatever decisions they make, the Bank, as a non-political international organisation, must and does accept without reservation. For my part, however, I believe that, to a great extent, the attitudes of many of the less developed countries toward foreign private investment are based on the outdated past rather than on present facts. And I am convinced that those of our members who adopt as their national policy a welcome for international investment — and that means, to mince no words about it, giving foreign investors a fair opportunity to make attractive profits — will achieve their development objectives more rapidly than those who do not. For a country which is known to be hospitable to private investment will have access over the years to a much larger and more stable pool of capital than its neighbour which relies solely on government-to-government aid. It will have access, too, to a much larger pool of industrial personnel — managerial, administrative and technical — and to a much larger mass of scientific and technological information than it could possibly acquire in any other way. Most important of all, its economy will be stimulated and invigorated by the many different contacts, at many different levels, which a hospitable investment climate will make possible between enterprises and individuals within its own borders and those within the borders

of the industrialised countries. None of these advantages is likely to be fully available to any nation whose government, however well-motivated and however well-administered, decides to relegate the private sector to a subordinate role".

Toward Higher ECM Steel Tariffs

From Our Special Correspondent

PARIS:

WHEN GENERALISED price-rises in steel in the USA coincide with plans to increase tariff protection for steel in Continental Europe someone is surely mistaken about the outlook for the Western steel industry. The American and Continental steelmakers cannot both be right. The former, whose prices are already far above those of Europe and Japan, think that in a year when 20 million motor vehicles will be turned out, the demand for steel is strong enough to stand further price-increases. The Continentals, on the contrary, point to continuing deterioration of prices, under the influence of foreign dumping, and consider that West Europe needs more protection. Indeed, European steel tariffs would have been raised by now were it not that several Common Market capitals are reluctant to prejudice the Kennedy Round of tariff negotiations by a demonstration of protectionism. The French Government, at a meeting of the Coal and Steel Community, has just brushed aside these hesitations and presented an ultimatum: if the Six do not do something to protect their market from steel imports by the end of the year, France will take unilateral measures.

This ultimatum is not addressed to the High Authority in Luxembourg, for the Coal and Steel Community, unlike the Common Market, has no joint external trade policy or common external tariff; so the Luxembourg Authority is not responsible for the failure to raise tariffs before this. There is simply an informal agreement among the Six Governments to harmonise their steel import duties, and in practice this has meant aligning them on the lowest in the region, those of Benelux. This has entailed notable tariff disarmament by Italy and France, and since there has been much dumping of steel by Japan, the Communist bloc and (last year) by Britain, those two countries are regretting their liberalism. They are threatening now to take back their freedom of action; unilateral increase of protective tariffs would be consistent with the letter of the treaty. Rome and Paris would prefer to see a Community decision, rather than to be obliged to act separately. They hope that in coming weeks the High Authority in Luxembourg will recommend to all the Six capitals an increase in import duties.

Indisposing Washington

The Continental steelmakers (who do not share their Governments' qualms about indisposing Washington by a display of protectionism at this inauspicious moment) hope so too, because the need to match cut-price offers by importers is weighing heavily on their selling prices. It is not that alarmingly large quantities are being imported, but the mere quotation of a lower price in a buyers' market, such as the highly competitive European steel market is today, depresses all rates. A recommendation in favour of higher duties from Luxembourg, in answer to Paris's ultimatum, would suit the industry in general. The West German Government would probably accept it, risking displeasing Washington provided it could shelter behind the High Authority; only the Dutch Government would strongly oppose the move.

So an increase in Continental steel duties seems fairly

It is for those at the helm of affairs in our country to decide whether or not they care to avail themselves of the advantages eloquently catalogued by Mr. Woods and benefit thereby.

certain before the year is out. It will have to be generalised, because if France alone raised her duties, there would have to be introduced a complicated system of "certificates of origin" to ensure that cheap Japanese steel was not being imported into Belgium, for example, to be forwarded to France at the lower intra-Community tariff. The amount by which European tariffs will be raised will be subject to negotiation, but the French, who have decided after much hesitation to lead the move, have in mind to raise tariffs moderately, leaving them still lower than British import duties. For the average European tariff is today far below that of most other steel-producing countries, and indeed this discrepancy is the reason the Continental steelmen have a good conscience in demanding an increase in protection. The average duty on steel imports into the Common Market is five to six per cent, against 10 per cent in the USA, 15 per cent in Japan and 15-16 per cent in Britain.

Anomalous Difference

This wide difference is anomalous in an increasingly integrated world steel market, and of course it explains why the Common Market has felt the draught first: excesses from many sources have been dumped here, over the low tariff barrier. They could not so easily be dumped in Britain or the USA, and the Common Market was incapable of retaliating even when producers in those countries were the authors of the dumping. Besides, we have referred only to straight-out tariff protection, but there are various other non-tariff obstacles to exporting steel to, for example, the USA. One of them, much used by the American steel industry of late, is simply to allege that foreigners are dumping in the USA, whereupon all imports are suspended while a lengthy official enquiry is held into the allegation. It may well turn out (it has several times) that the charge of dumping is unfounded, but meantime steel importers' business has been totally disrupted for months because supplies from abroad are frozen till the enquiry is completed. Irritated steel consumers take the precaution of ordering American steel next time.

Thus we have a first explanation of the different sentiment about the steel outlook on the two sides of the Atlantic. Solidly protected, by tariffs twice as high as those of the Common Market as well as by non-tariff obstacles, the American producers feel confident they can exploit the upturn in demand by raising their prices. Indeed, in the past year they have raised prices of 55 per cent of steel products by 3.5 per cent and the increase promises to become general. The mills have to resort to this gradual method of raising prices, almost by stealth, to avoid President Kennedy's wrath, for they have not forgotten their clash with him in April 1962 when he forbade them to increase their prices and had three firms prosecuted for violating the anti-trust laws by concerting a price-rise.

So far the US steel industry has got consumers to accept these increases, for its utilisation of installed capacity has risen from 58 to 60 per cent in the same period. One may doubt however if the industry is acting wisely, because a general rise in steel prices now could well jeopardise the hesitant expansion in American business, as well as pricing American



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steel right out of foreign markets. These are points that President Kennedy will no doubt make if he decides to prohibit the stealthy rise in steel prices as he did the avowed rise last year; it is believed that he will intervene if the increases come to affect three-quarters of total steel products.

If the American estimate of the steel outlook, then, is over-confident and largely founded on the assurance of solid tariff protection, the gloomier Continental view is equally questionable. Specifically, one is obliged to ask whether it is Common Market steel that is to be protected or Common Market coal; in other words, the proposed increase in tariffs on steel imports might not be necessary if the mills were not being forced to pay fancy prices for domestic coal. There are two ways in which they are led to do this. In West Germany, because of vertical integration, the steel companies exploit their own coalmines and this unprofitable investment is a burden on their profits (especially now that petro-chemicals are reducing the value of coal by-products). In France, the mills do not own coalmines because they are nationalised, but this has the same effect.

Thus in France and Germany at least, and to a lesser extent in Belgium and Luxemburg, the inability to compete with cheap imports, which has led to the demand for higher tariffs, is the result of the luxury of supporting an inefficient coal mining industry. If asked to choose between higher tariffs on steel imports and lower or nil tariffs on coal imports, one

The UK in 1963 A.D. (After Denning)

By JOSSLEYN HENNESSY

LONDON:

IF LAST SPRING was BC (Before Christine), last month the UK entered a new era AD (After Denning). What this will bring economically is already discernible. The indicators show that both industrial output and exports are flowing at levels never attained before. While prices in Europe surge upwards, UK prices remain stable. Wage increases have been modest. Export prices are extremely competitive—as some recent spectacular foreign orders in shipbuilding and other industries have demonstrated. All is set for the achievement of the National Economic Development Council's targets for the five years ending in 1966.

What is ironical is that if Neddy's targets are attained, Neddy will have had nothing to do with it. For Neddy's plans are still plans. Its prediction that the UK is capable of growing at 4 per cent p.a. is simply an extrapolation of trends that were in motion before Neddy existed. The long investment campaign between 1951 and 1961, in the course of which UK fixed investments rose by 80 per cent (at constant prices), is now bearing fine fruits in faster growth. This is the result of the Conservative government's modernisation policies.

The Conservatives won popularity in the 1950s because they abolished controls, dropped Labour's inflationary cheap money policy, and began to use fiscal and monetary measures vigorously. Many people forget, however, that before Labour left office it had already begun to abandon its restrictive and inflationary policies. Had Labour won in 1951, it would have cashed in on them. As it was, the Conservatives were able to develop them and to exploit them electorally. If Labour wins the next election it will be ironical that it will be cashing in on the results of Conservative policies.

Labour has led the attack on Conservative "Stop and Go" — an electorally catching but economically inaccurate term. But Labour's leaders have been studying post-war economic policies in other European countries and it has been born in on them that those countries with the best growth records have been active in using the whole battery of fiscal

suspects that the French steel-mills would choose the second. Not that Governments can take a lighthearted view of the contraction of the local coal industry: there are a hundred miners sitting at the bottom of a condemned marginal pit in northern France in protest against the perfectly rational decision to shut it down, and one remembers the prolonged stay-down strike in Decazeville when its mines were to be closed last year and the rioting in the Belgian Borinage the year before that. So, at the risk of compounding one error with another, the Common Market Governments will no doubt choose to increase their steel tariffs rather than hasten the closure of uneconomic coalmines.

Some co-ordination of steel investments would be as useful to the Common Market steel industries as increased tariff protection. Behind the anxiety to maintain selling prices lies the fear that profits will not be adequate to finance the vast investment programmes that all the steel companies have under way. The total capacity that will result from these investments is excessive, in the short term at least, in comparison with likely domestic demand and exports. But each company sticks to its plans for fear of being outdistanced by the others. A co-ordination of expansion plans by the High Authority, leading to agreement to space out investments over a longer period, would lessen competitive anxiety and reduce apprehension about foreign dumping as effectively as tariff increases.

and monetary measures. Basically the object of these policies is to create conditions in which enterprising firms can make good profits which enable them to pay high wages, in competitive markets which compel them to seek efficiency and keep costs and prices down. Although Labour economists shrink from saying so in public, they will freely admit off the record that they believe that the lesson of Europe's experience is that you do not end shortages by imposing controls and allocating scarce resources centrally, or stop prices from rising by subsidising those commodities which affect the cost of living index. Experience of price controls has been that if firms cannot make adequate profits on a price controlled item, they switch manufacture to an uncontrolled item, thus often allocating scarce resources to products to which planners would give lower priorities.

Planning is now fashionable in the UK and the French model is held up to us. Personally, after several talks with France's No. 1 planner, M. Masse, I do not doubt the value of planning in France's particular circumstances. The French have a tradition, dating from Napoleon I and earlier, of central control and collaboration between civil servants and business. Also France has until recently been self-sufficient to a far greater extent than the UK, did not have a world banking position to look after, and could afford to watch less closely her balance of payments. Nevertheless as Mr. Enoch Powell, Minister of Health and an outstanding economist, pointed out recently, retail prices in the UK's unplanned economy have fallen again, and prices in the past two years have risen only at the rate of 1 per cent p.a., whereas prices in planned France have already risen 5 per cent this year, and this, following big increases last year, has led the government to strong measures of the Stop and Go variety. "I doubt," said Mr. Powell, "that we shall be told that French inflation is the result of French planning and be asked to imitate that."

It is too early to dogmatise about the political repercussions of the Denning report. Its suggestions of lack of co-ordination in handling security cannot help the Conservatives. Yet I doubt that they will help Labour either. Not security scandals but growth, education, the economy — these are

what win or lose elections. The man in the street is sick of the flurry of character assassinations, which Lord Denning's wide ranging investigation has revealed to be baseless. When taken together with steadily improving economic indicators, it would not be surprising if Labour's fulminations over Vassal and the innocent Mr. Galbraith, and over Keeler and the undignified Mr. Profumo, did not boomerang against them. Officially Labour has taken the line that it was solely concerned with security, but there have been attempts to exploit the scandals indirectly by generalised statements. For example, recently Mr. Harold Wilson accused the Prime Minister of having "debauched Britain's public life" and talked of a "devaluation of public standards". A retort to this by Mr. Anthony Barber MP, Financial Secretary to the Treasury, received widespread approving comment. "Who," asked Mr. Barber, "is Mr. Wilson to talk of public standards? Was it not he who by subtle innuendo, and in the guise of public duty,

caused a mammoth enquiry into an alleged Bank rate leak which proved to be utterly without foundation? Was it not Mr. Wilson who remained a member of Mr. Gaitskell's Shadow Cabinet, although he was in fundamental disagreement with Mr. Gaitskell's policies?"

One of Mr. Wilson's complaints seems to be that the UK has advanced materially during the years of Conservative government. He talks as though moral depravity inevitably accompanies material well-being. Can it really be that he thinks that his hints of the need for a return to austerity will win votes? After all, it was the trade unions' rejection of Sir Stafford Cripps' austerity policies which led to their collapse. The political picture is confused for the moment but, the Denning report out of the way, it should become clearer as hints of scandals in high places yield to the serious facts of life.

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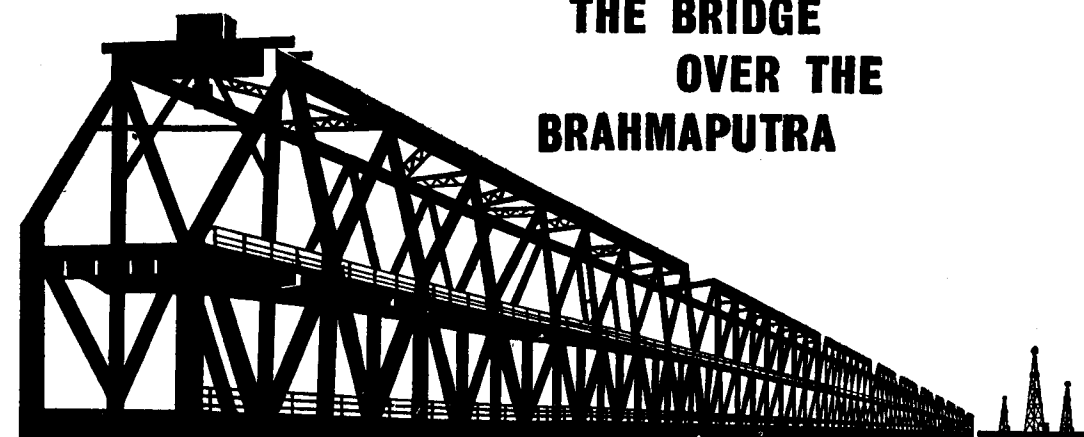


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THE BRIDGE OVER THE BRAHMAPUTRA



By day and by night, with deafening roar and rattle, goods and passenger trains hurtle across the new Brahmaputra Bridge, connecting Amingaon and Pandu. When on 7th June 1963, Prime Minister Nehru formally opened the Saraighat Bridge, wholly Indian in design and execution, it marked the culmination of a plan first thought of in 1910.

Work commenced in November 1958, and it took Rs. 10.6 crores and nearly four years of round-the-clock effort to throw the bridge across the mighty and turbulent Brahmaputra.

When the first goods train travelled over the bridge on 31st October 1962, it heralded a new era in the fast-developing economy of north-eastern India. For the first time, an all-rail-cum-road link was established between the tea gardens and the oilfields of Assam and the rest of the country.

No less than 4.2 million cubic feet of concrete, 40,000 tons of cement and 14,000 tons of steel were used to build the 10-span, two-tier bridge with a roadway on top and rail tracks below. Of about 11,000 tons of vital mild and high tensile steel required to build the girders of the bridge, about 60 per cent came from the steel works at Jamshedpur. This is yet another example of Tata Steel in the service of the nation.

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LISTENING POSTS

Swiss Credit

By Our Special Correspondent

NEW DELHI:

BY AN agreement signed in July, 1960, the Government of the Swiss Confederation had agreed to facilitate the opening of transfer credits to the extent of 100 million Swiss francs (about Rs. 10.9 crores) for payments to suppliers in Switzerland for capital goods required for India's development programmes. The amount of credit was subsequently raised to 110 million Swiss francs (about Rs. 11.99 crores).

It has been agreed that the first instalment of 60 million Swiss francs (about Rs. 6.6 crores) will be used for financing: part of Upper Sileru Project (Rs. 2.00 crores), circuit breakers and switchgear required for power transmission schemes (Rs. 0.80 crores), machinery for modernisation and expansion of textile industry (Rs. 0.80 crores), turbo alternator sets for sugar industry (Rs. 0.60 crores), printing machinery (Rs. 0.40 crores), capital goods and equipment required for private sector industry (Rs. 2.00 crores).

Under the second instalment of the Swiss credit, the following items are being financed:-

	Allocation (Rs. crores)
1. Upper Sileru Project ..	1.10
2. Machine tools equipment for Heavy Electrical (India) Ltd., Bhopal, for manufacture of heavy electrical plant equipment ..	0.20
3. Ropeways for transportation of coal ..	0.04
4. Logging and forestry equipment ..	0.11
5. Travancore-Cochin Chemicals Hydro-Sulphite plant ..	0.30
6. Textile machinery ..	1.00
7. Capital goods for private sector industries ..	1.20
	3.95

A contract for the delivery of oil exploration and drilling equipment was signed here during the week between oil and Natural Gas Commission and VJO Technoexport, the supply organisation of the U.S.S.R.

Under the contract, the Technoexport would supply drilling rigs, pipes and production, transport and geophysical equipment etc. valued at about Rs. 80 million. The contract has been signed in pursuance of the Indo-Soviet Agreements of June, 1960 and February, 1961. This equipment will be used by the Oil and Natural Gas Commission for exploration and production of oil in various parts of India.

A Trade Delegation from Czechoslovakia, led by Mr. V. Rudolf, Deputy Chief of the Asian Department, Czech Ministry of Foreign Trade has arrived in New Delhi. It will hold preliminary negotiations for a new trade agreement between Czechoslovakia and India. Mr. F. Hamouz, Minister of Foreign Trade of Czechoslovakia is expected to arrive here in the latter half of this month. The trade between the two countries, which is expected to be of the order of Rs. 12 crores each way in the current year, is likely to be doubled by the end of 1966 as a result of these trade negotiations. Major items of export from India to Czechoslovakia are iron ore, jute products, spices, coffee, mica, manganese ore and de-oiled

cakes. Imports from that country include machine tools, capital goods, power equipment, steel products, and chemicals.

Europe's shipbuilders, plagued by excess capacities, lack of orders and fierce international competition, are now considering a common scheme to avert an all-out crisis. The programme, which would resemble an international cartel, calls, in effect, for a reduction of capacities and a common price level for new shipbuilding. It was initiated by Adolf Westphal, chairman of the Association of German Shipyards and director of the Kieler Howaldtswerke yards (of Kiel) who urged a "voluntary restraint on bids and an adaptation of yard capacities to the requirements of ship-owners."

In 1962, the world's shipyards produced 8.27 million GRT, or 2.6 per cent more than in the previous year. This was the first increase in four years, but shipbuilders in Germany, Great Britain or Denmark, for instance, had no part in this increase and their production declined as a result of fewer orders. Their main complaint was that world shipbuilding capacity was quickly outgrowing the demand for new tonnage; "dumping" and "excessive" government subsidies granted in some countries had made sound competitive conditions illusory. Deliveries of new ships totalled 1,882 units last year, 91 fewer than in 1961 but comprising more tonnage. Nearly half of the tonnage produced in 1962 originated in the world's three leading shipbuilding countries—Japan, Great Britain and Germany. Japan was the only one of the three to increase tonnage built and also to record a remarkable export boom. Great Britain and Germany, by contrast, suffered severe setbacks: production there dropped by 386,000 and 71,000 GRT respectively. Japanese shipbuilders completed nearly 2.2 million GRT in 1962, more than Great Britain and Germany together. Their exports totalled well over one million tons.

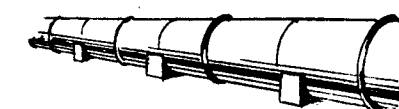
The technical services of the Ministry of Defence, in associations with the engineers of Hyderabad Allwyn, have successfully solved the problem of speeding up the process of body-building for general service (GS) military trucks. The conventional methods make it necessary for body-building to be undertaken in the works of the various body-builders. This involves delays and difficulties. Besides the movement of chassis to the workshops of various body-builders, the inspection of body-building at site often poses awkward problems. Under the new technique, conceived by Maj.-Gen. W. T. Wilson, Director of Ordnance Services, it is no longer the case that bodies can be assembled and mounted only in the body-builders' workshops. What may be described as a "kitable" body has been evolved. It can be mass produced, transported easily in CKD condition to various ordnance depots which hold the chassis and assembled quickly on to the chassis by depot personnel.

The design for these all-metal kitable bodies is derived from a truck body designed on similar principles by Allwyn for civilian use, the basic design has been suitably adopted for military requirements. Prototypes were built, intensively tested and after the design was approved for final production, public tenders were invited and the initial contract for 2,000 kits by Allwyn to the defence services and the assembly of bodies therefrom at the Central Vehicle Depot, Delhi Cantt., was celebrated last week at a pleasant function at which the Defence Minister, Mr. Y. B. Chavan, was present. The Min-

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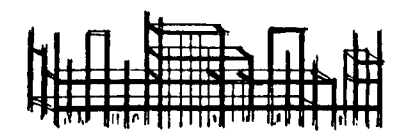
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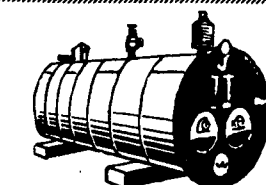
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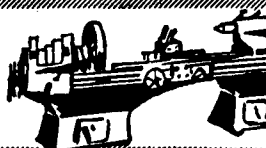
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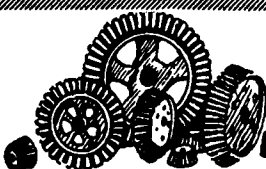
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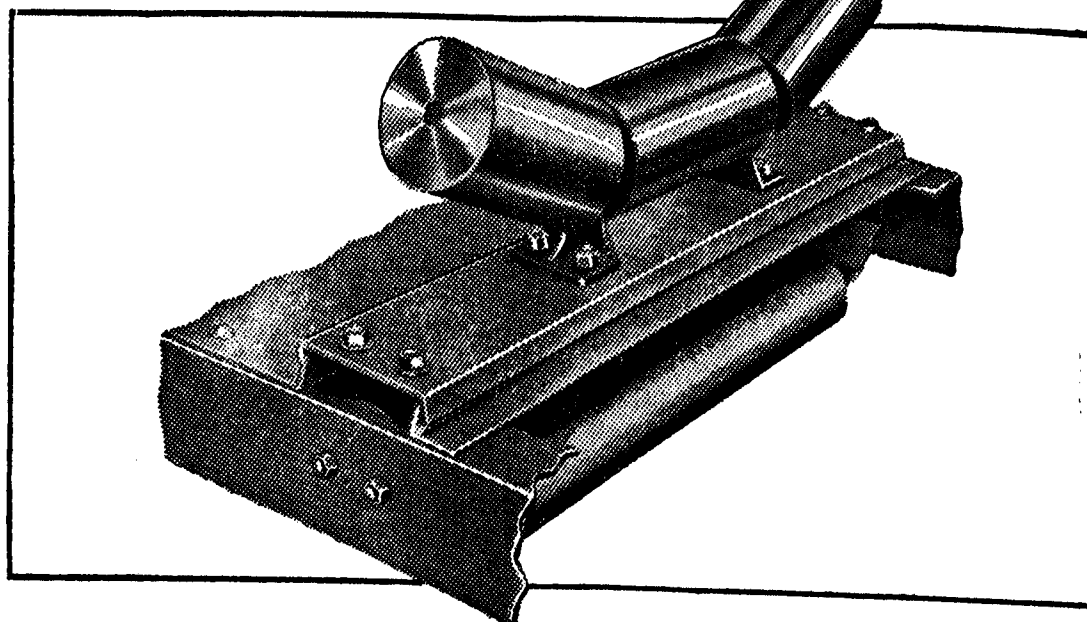
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ister for Supply, Mr. Jaisukhlal Hathi, who spoke on the occasion, described the history of the project and said that, thanks to the new technique of kitable bodies, the delivery of GS military trucks to the armed forces could be considerably accelerated. He also pointed out that this achievement was a good example of the fruitful collaboration between the technical services of the Ministry of Defence and engineering facilities in the private sector. A cheque for Rs. 51,000 was presented to Mr. Chavan for the National Defence Fund, on behalf of the Hyderabad Allwyn Metal Works Limited.

The technique embodied in the kitable body represents a new concept in military general service truck body design. Since the bodies and cabs are despatched CKD, they can be packed flat and as many as 10 complete kits can be loaded in a railway wagon. Allwyn have produced in a short period of two months elaborate jigs and tools for each component to ensure perfect interchangeability. Equally elaborate jigs and fixtures ensure accurate and interchangeable sub-assemblies. The final assembly is almost entirely held together by bolts and nuts and a few rivets and tack-welds. Consequently, little equipment or skill is needed in assembling. The ordnance depots are setting up assembly lines with the assistance of Allwyn engineers and will soon start rolling out completed vehicles at a fast rate. This type of cab and body enables replacement of damaged components by substitution with standardised components.

★★

On the basis of several surveys conducted recently by its Research Programme Committee, the Planning Commission has reached the conclusion that many gaps have been left in the implementation of the land reform measures in most of the States. The main defects found are: (1) slow completion of tenancy records; (2) excessive rents realized by landlords in a number of States and lack of uniformity in rents charged and (3) spurious transactions in land in excess of the ceilings fixed.

So far as tenancy deals are concerned, it has been noticed that in six States—Andhra Pradesh, Assam, Kerala, Madras Mysore and Orissa—land records do not contain any information about tenants and share-croppers. In some others, they are incomplete. Many leases are entered into orally with the result that tenants cannot easily prove their title. Most of the States have not ever taken advantage of the Planning Commission's offer to meet 50 per cent expenditure on preparation of these records. The Commission is stated to be anxious that up-to-date tenancy records should be prepared expeditiously. It favours association of non-officials commanding public confidence, with this task as the official agencies may not in many cases know who owns the land and who cultivates it.

About charging of rents, it has been revealed by the Research Programme Committee's surveys that there is a wide disparity in the practices prevalent in different States. In Gujarat, Maharashtra and Rajasthan, the maximum rent charged by the landlords from the tenants currently is one sixth of the produce. In Assam, Orissa and Union Territories, it is one-fourth of the produce or less. In Punjab, it is one-third. In Madras, it varies between 33-1/3 and 40 per cent. In Andhra Pradesh, Jammu & Kashmir and West Bengal, it is 50 per cent of the produce. The Commission is of the view that rents should be steadily reduced to about one-fifth of the produce and that they should be computed in cash. The system of paying rent by way of share in produce, it is felt, is difficult to enforce.

About disposal of land in excess of ceilings fixed, it has come to the notice of the Planning Commission that transfers

have taken place in recent years which have defeated the very aims of land legislation. In one State—Punjab—even after ten years of planning, legislation has not been enacted to fix ceilings on land holdings. In West Bengal, the law passed has yet to be enforced. In several States, including Andhra Pradesh and Mysore, there are no provisions to prevent spurious transfers. In Madhya Pradesh and Orissa, owners of surplus lands are allowed to sell them to persons in prescribed categories. The Planning Commission wants the State Governments to take, at an early date, steps to ensure that the laws on ceilings are effectively implemented and the lacunae in the legislation in this respect are plugged soon.

The National Development Council, which is meeting here next month, is expected to bestow some thought on these issues.

★★

The Union Minister for Steel, Mr C. Subramaniam, revealed at a Press conference here last week that many countries had shown interest in the Bokaro project. He, however, did not further elaborate his statement. An assessment, the Minister added, was being made of how much of the equipment required for the Bokaro plant would be available from indigenous sources. After this is done, global tenders would be invited for machinery to be imported. Efforts will be made to secure credits from the countries which successfully tender for these supplies. The tenders are expected to be issued in about six months. In regard to the two steel plants proposed to be set up in the Visakhapatnam and Goa areas, Mr Subramaniam stated that preliminary investigations had been entrusted to Dastur & Company. On receipt of the reports by the year-end, the Government would have further consultations with foreign experts, if necessary.

★★

The Government has received all round support to the Norwegian proposal for the establishment of an industrial estate for the manufacture of marine diesel engines for fishing craft. The proposal envisages not only the manufacture of engines but also of other fishing equipment, such as winches, fishing gears, propellers as also for training of technicians. According to the Planning Commission a capacity to manufacture 72,000 diesel engines was needed to produce 66,000 engines by 1966. The present licensed capacity for diesel engines is 78,135 as under:

Madras	..	..	..	..	6,610
Punjab	..	..	..	..	5,004
Maharashtra	..	..	..	..	53,290
Gujarat	..	..	..	..	9,475
West Bengal	..	..	..	..	3,000
Uttar Pradesh	..	..	..	..	756
TOTAL	..	..	..	..	78,135

In addition, a scheme of Alcock Ashdown of Bombay was recently approved to create a capacity of 6,000 diesel engines per year.

★★

The Central Board of Revenue has published regulations to govern the import of goods by members of foreign diplomatic missions entitled to "diplomatic immunity". Under the regulations the head of the diplomatic mission concerned or his duly authorised officer shall have to certify that the goods were meant for official use in the mission or for the personal use of a privileged person or for the use of any member of his family and that they would not be sold or

otherwise disposed of in India without obtaining prior concurrence of the Central Board of Revenue and without payment of customs duty, if any payable thereon. There is a schedule attached to the regulations requiring the importer to state the number and date of Bill of Lading, detailed dis-

Cotton Textile Exports to UK

From Our Correspondent

BOMBAY :

MR RAMNATH A. PODDAR, Chairman of the Indian Cotton Mills' Federation has just returned to Bombay from an extensive foreign trip in connection with the annual conference of the International Federation of Cotton and Allied Textile Industries at Athens. He took part also in the negotiations with the U.K. textile interests about the regulation of the export of cotton cloth and yarn from India. He revealed that agreement was reached on the categorization of exports of yarn from India to the U.K. Certain outstanding problems relating to Indian exports of finished cloth and made-up goods still remained to be settled. The meetings between U.K. and India became necessary, Mr. Poddar added, following the insistent demand by the cotton industry of that country for the introduction of some measure of categorization of the Indian export quota of 195 million sq. yards of cloth and 11.5 million lb of yarn. In face of the difficulties experienced by the Lancashire industry, the British delegation which was led by Mr Frank Rostron, Chairman of the Cotton Board, showed deep consciousness of India's need for earning foreign exchange through the export of cotton cloth and yarn to the U.K. This awareness was reflected, according to Mr R. A. Poddar, in the delegation's efforts to meet the Indian point of view. The deliberations of the annual conference of the International Federation of Cotton and Allied Textile Industries were dominated by the theme of regulating the international trade in cotton textiles. There was a tendency on the part of some of the delegates of the developed countries to show opposition to an increase in the exports of the developing countries. The Indian delegation presented to the conference its viewpoint as to how it was possible for the developed countries to absorb exports from the developing countries to their mutual benefit. A few of the developed countries, particularly, the United Kingdom, gave some support to India's stand by suggesting that the Western countries could take 10 to 20 per cent of their domestic requirements from the product of the developing countries as a help to them to earn vital foreign exchange.

★★

In view of the anticipated record U.S. cotton crop, in the coming year, which is estimated at over 14 million bales in spite of a reduced acreage, enough cotton would be available for import by India. According to Mr G. A. W. Schilling of the U.S. Department of Agriculture, yields in America are expected to be at an all-time high. With a carryover stock of more than 11 million bales, plenty of American cotton would be available for export. U.S. exports are estimated around 5 million bales during the coming crop year and domestic consumption would be nearly 9 million bales. India is expected to obtain a large part of the cotton under the barter programme—for items like manganese ore, mica and bauxite. Cotton under this programme is expected to begin moving within the next month or two.

★★

It has been revealed by the Maharashtra Government that the experimental cultivation in some places of the Sea Island Andrews Cotton, one of the best long-staple varieties, had been successful and its cultivation on a large-scale could be undertaken in Maharashtra. Now Andrews Cotton worth Rs 20 crores was being imported every year and Kerala, Mysore and Assam were growing this variety. The Minister for

agriculture, Mr D. S. Desai, observed that the acreage under Deviraj cotton, a variety of long-staple cotton in Maharashtra had risen by 50 per cent in one year—from 1.50 lakh acres in 1962-63 to 2.25 lakh acres in 1963-64. This had been made possible because of a drive carried out to persuade the farmers to go in for this variety and thus help to minimise the import. Production this year is expected to be of the order of 1,80,000 bales against 1,42,000 bales last year. The total acreage to be brought under Deviraj Cotton in the State during the third Plan is 3 lakh acres. If the Union Government assured a higher price for the growers during the next two years, he was confident that the State would certainly exceed the target.

★★

The pattern of income distribution in India 'is more or less similar' to that in some of the developed countries and is more even than that in some of the under-developed countries. This was the conclusion arrived at by a study published in the September 1963 issue of the Reserve Bank Bulletin. The pattern of income distribution in urban areas seems to be more uneven in India than in some of the developed countries. The trend seems to have been towards an increase in the degree of inequality in income distribution. As in some of the developed and under-developed countries, the pattern of distribution of income is more even in the rural sector than in the urban sector. The system of direct taxes is more effective in reducing the degree of inequality in income distribution in the developed countries than in the under-developed countries. The concentration of personal and disposable income in the rural and urban sectors was also given. The finding is that the disparity between the concentration ratios of personal and disposable income is much wider in the developed than in the under-developed countries. The top decile accounts for 28 per cent of personal income and the bottom decile for only 3 per cent. The top 5 per cent of the households accounts for 20 per cent of personal income. The distribution pattern of household income is more or less similar to that of personal income. Direct taxes seem to affect only the top 5 per cent.

★★

Mr G. L. Mehta, Chairman of the Indian Investment Centre, appealed that foreign collaboration should neither become a 'craze' with Indian industrialists nor should it be a 'symbol' for any venture. He decried the tendency of Indian industrialists to depend upon the collaborators for running the show and said that success of any joint venture depended upon the Indian entrepreneur as much as on his foreign partner. Mr Mehta expressed this opinion at a reception given by the All-India Manufacturers' Organization to honour him, Mr R. S. Bhatt, Executive Director and Mr Gopala Menon, Resident Director of the Centre in New York. Mr Bhatt and Mr Menon attended several receptions in the last few days. Mr G. L. Mehta also cautioned that the confidence generated among the foreign investors counted very much in attracting foreign investments further than any propaganda carried out by the Investment Centre or any other agency. Mr Menon explaining the efforts so far made by the Centre in furthering the flow of American private capital into India said that the present generally favourable climate in the USA was bound to improve in the future. The Kennedy Administration had come out fully behind India to tell their investors that 'a

great giant is waking up' and India presented tremendous opportunities for American industrialists to go in. 'Haphazard handling' of negotiations often left the American parties in confusion. It was in that context that he had advised the Indian industrialists to utilize the assistance of the IIC in Indian industrialists to flood information to the same stead of different parties flooding information to the same American party. When entrepreneurs forwarded proposals to the IIC, they should be exhaustive in furnishing information like capital structure, raw materials, capacity and production targets. American businessmen were 'hard boiled' and liked to get 'hard facts.'

★★

At the Tariff Commission's public inquiry into the cost structure of preserved fruit and vegetable industry and the need for subsidy on tins for open top sanitary (O.T.S.) cans, held recently in Bombay, the Commission's Chairman Mr K. R. P. Aiyangar, underlined the significant role that the preserved fruit and vegetable industry has to play in the country's economy since it conserves valuable food material which might otherwise go waste and also supplies important articles of consumption for our defence forces. Export markets also offer greater scope for further exploitation. However, he said, that a wider market can be developed and retained only by reducing the cost of production for which there was ample scope.

The industry, which was protected from 1948 to 1957 has shown considerable development during recent years. The number of units licensed under the Fruit Products Order (1955) to manufacture preserved fruits and vegetables, increased from 720 in 1957 to 929 in 1962. In 1961, there were only 82 large-scale units whose annual ex-factory sale value exceeded Rs 1 lakh and the rest were small-scale and cottage scale units.

The total production of fruit and vegetable products increased from 25,986 tonnes valued at Rs 316.36 lakhs in 1957 to 47,373 tonnes valued at Rs 632.30 lakhs in 1961, thus recording an increase of 82 per cent over the four years. During this period the rise in the case of production of vinegars, tomato products and sauces, fruit beverages and canned vegetables was as high as 159 to 522 per cent.

In 1961, aerated fruit beverages, canned vegetables, fruit beverages and pickles together accounted for 62 per cent of the total production. The second Plan had fixed a target of production for this industry at the end of 1960-61 at 50,000 tons. The actual production at the end of 1960 was 40,000

Durgapur Canal

From Our Correspondent

CALCUTTA :

MORE THAN four years behind schedule, the 85-mile long DVC navigation canal connecting Durgapur with Calcutta was formally opened for traffic last week. This canal has been built at a cost of nearly Rs. 5 crores and is designed to carry a gross traffic of 2 million tons of cargo. Originally it was intended to be opened in July 1959 but the collapse of a regulator in the September 1959 floods blasted all hopes of the navigation facilities being made available at an early date. It took the DVC nearly three years to reconstruct the regulator and since July last year hopes revived of the canal becoming navigable in the not distant future. The whole project however has been a dismal story of slipshod planning, ad hoc decisions and lack of coordination between the diverse authorities connected with the construction and maintenance of the canal. At one time it was feared that the canal will prove to be a costly failure because of the difference in water levels at particular points. Finally when everything seemed to be shaping well, it was revealed that the canal could not

tons, i.e., about 20 per cent below the target. The third Plan has fixed a target of 1,00,000 tons by the end of 1965-66.

Reviewing the growth of can fabricating industry, Mr Aiyangar stated, that the present capacity to manufacture O.T.S. cans stood at 150 million per year on single shift basis. The production of such cans has increased from 13.44 million in 1958-59 to 32.15 million in 1962-63. The consumption of tinplate which is mainly imported for the manufacture of subsidized cans, increased from 1,134 tonnes in 1958-59 to 2,420 tonnes in 1962-63. Since the introduction of the tinplate subsidy scheme in June 1958 the number of subsidy holders has increased from 32 in 1958-59 to 159 in 1962-63, and Government incurred during the five-year period an expenditure of about Rs 45 lakhs, i.e., less than Rs 10 lakhs a year on account of subsidy.

★★

Mr. Viren J. Shah, Chairman of the Steel Re-rolling Mills Association of India, has welcomed the Raj Committee Report on Steel. He has said that the suggestion to set up a steel plant specially for making billets for re-rollers is encouraging. Since controls are recommended to be removed, the suggestion to set up a Joint Plant Committee has been welcomed by him. One of the glaring omissions, he said, is that the Committee has not recommended representation of the re-rolling industry on the Joint Plant Committee. This industry consumes more than 25 per cent of steel (in the form of billets) produced in India. It is also responsible for about 25 per cent of finished steel produced in the country. It was wrong, he said, to leave out such an important segment of the industry from representation on the Committee. The recommendations to authorize the main producers to raise the price of billets, if accepted, would be severely harmful to the re-rolling industry. It is likely that the recommendation regarding distribution of billets will create complications. The suggestions of establishing freight equalization for re-rollers and maintenance of the status quo in the case of the main producers appears to be grossly unjust to the re-rolling industry. Mr Shah stated that it was not clear from the report whether re-rollers would be called upon to pay deposits on billets they get from the main producers, but if that was the intention, the Government should not accept that recommendation since re-rollers were themselves steel producers, though of secondary type. The recommendation that there should be no import entitlement for exports of scrap should be implemented promptly.

serve both irrigation and navigation adequately. Only on the West Bengal Government agreeing to substantially reduce the targets for rabi irrigation (from the original target of 3 lakh acres to 55,000 acres) a solution to the problem of inadequacy of water could be found. According to the DVC, there are six factors that should be satisfactorily tackled in order that the canal is put into actual use. They are: (a) possible inadequacy of water for navigation after meeting rabi irrigation needs, (b) setting up distinct organisations for moving traffic upto the loading points and for moving traffic in vessels along the canal, (c) provision of mechanical loading and unloading equipment, (d) round-the-year navigation of Hooghly, (e) amendment of the law to make licence and registration fees leviable and (f) subsidy for making up the deficits. The most important requirement is adequate water supply and that has been ensured with the agreement of the West Bengal Government to restrict rabi irrigation target. The other important problem is the fourth in the above list and the DVC representative has informed the Public Accounts Committee

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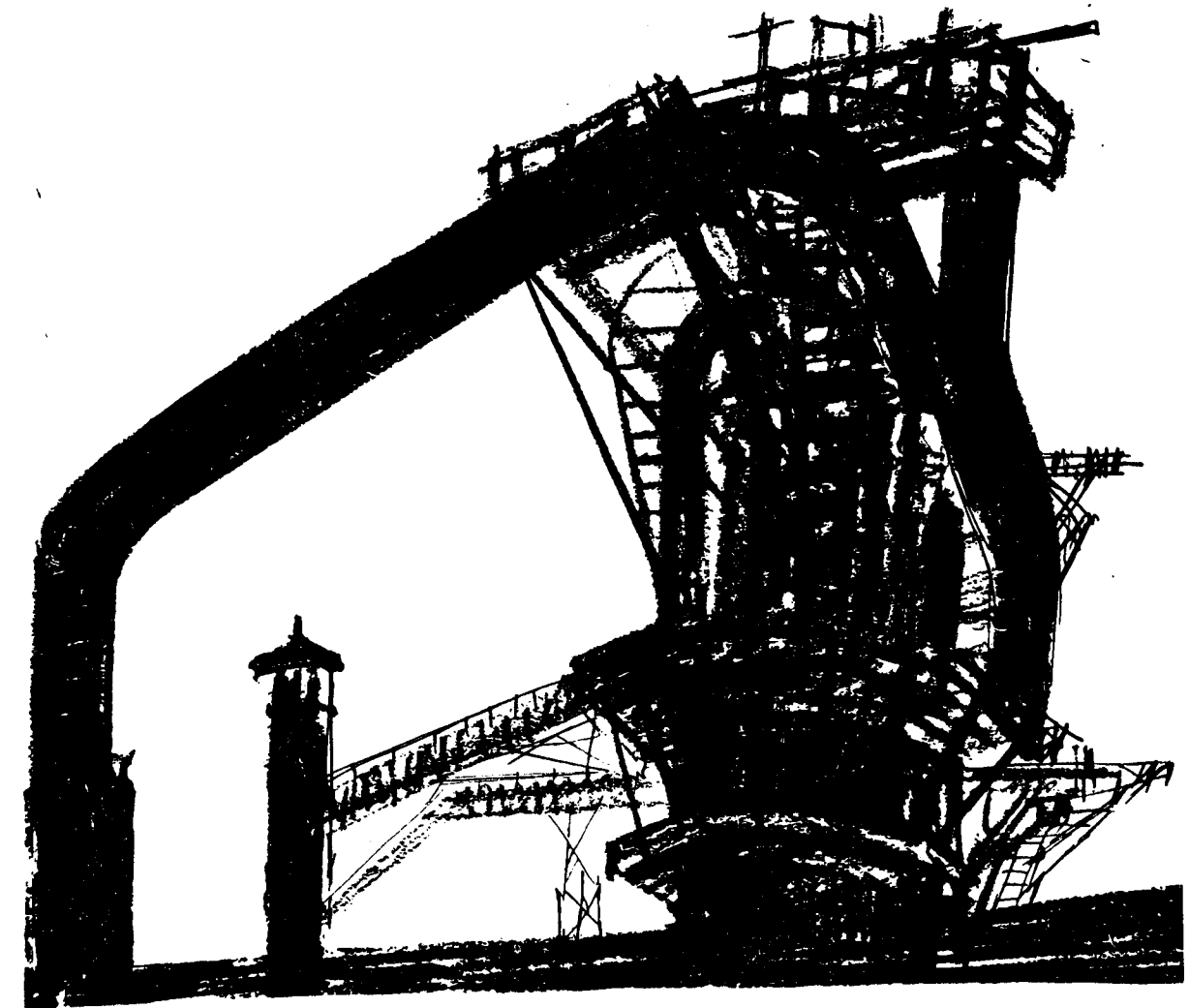
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of Parliament that the round-the-year navigation of Hooghly is not very much of a problem since Hooghly is navigable all the year round by craft of the particular type used in the canal. There is, however, the question of silting of the tail-end of the canal. The PAC has been told that an order for a dredger has been placed and its delivery is expected in 1964. Now that the canal has been opened to traffic, the strain on the overworked road and rail systems may be expected to be relieved somewhat. It is however to be noted that the opening of the canal has only generated subdued optimism. This is understandable because of the following observations of the Public Accounts Committee: "The committee feel concerned at the delay in establishing the causes of the collapse of the bridge, which took place in September 1959. They trust that the finalisation of the findings of the expert committee will not be further delayed. They would like to know the action taken to fix the responsibility for the collapse of the bridge on the basis of the findings of the expert committee and the remedial measures applied to other similar structures."

★★

Although Mr P. C. Sen, the Chief Minister, has been often speaking on the food situation in the State during the past few days, he has not been able to give any good news to those who still prefer to eat rice. He has however been all along consistent in his stand that the shortfall in the supply of rice is so big that it is impossible to meet the demand beyond a particular point. There are about 12 million people who are demanding rice but the Government could make firm arrangements to meet the rice needs of only 8.5 million people. The proper thing to do is for the rest of the population now demanding rice to take to wheat. He has tried to emphasise again and again that there is no food shortage. Only rice is in short supply and the remedy is to substitute wheat for rice and there will not be any difficulty because wheat is in plentiful supply. But there are people who seem to think that when demand for wheat increases, the Government will come up against fresh difficulties in ensuring supplies. It is also felt that Government has failed to take expeditious steps to arrest the spurt in rice prices. Over the past few days rice prices have shot up with certain varieties selling at as much as Rs. 50 a maund. The Chief Minister who said the other day that wholesale prices were declining however admitted that the change for the better had not been reflected in the retail level. It is pointed out that the State Government is unnecessarily complicating a situation which is no doubt difficult but temporary. It is generally expected that the rice supply will markedly improve in about two months' time with the arrival of the new crop. Fortunately, the coming crop in West Bengal is said to be quite good and according to the Chief Minister of Orissa that State also expects to harvest a bumper crop. So it is argued that the proper thing for the State Government to do is not to urge people to change their food habits overnight—the wisdom of the step to ask people in this State to consume more wheat is not questioned: but it is a measure that has got to be accomplished steadily over a period—but to try to get over the temporary scarcity period by making up the shortfall from supplies from the Centre and surplus States such as Andhra. In this regard the suggestion of the committee of the Bengal National Chamber of Commerce and Industry reflects the general view on this ticklish question. It points out that a total of 80,000 tons appear to be available from the two States of Orissa and Andhra and if only the West Bengal takes energetic steps to persuade these two Governments to liberalise their despatches, there will be a favourable effect on rice prices in West Bengal.

★★

Prospects for close cooperation of UK's National Coal Board with the Indian coal industry as a whole in its deve-

lopment plans have considerably brightened since the brief visit to this country recently of Lord Robens, Chairman of the NCB which is presently assisting the NCDC in the development of deep shaft mines. In the course of his discussions with the private sector coal industry in Calcutta, Lord Robens indicated the readiness of NCB to train Indian personnel either in England or in India itself with a view to enabling this country to achieve its targets in the coming plan periods. He has however pointed out that India's plan to raise 350 million tons of coal by 1980 is impracticable. According to him it would be physically beyond the capacity of the country to attain such a big target while financial stringency will also constitute another serious obstacle. He said that to reach the present coal production level of 200 million tons, the UK had to invest nearly £ 1000 million since 1947. As pointed out by Lord Robens himself, talks of automation in the coal industry in our country may not be relevant in the present context of the huge employment but what he has said on the subject nevertheless deserves careful consideration. Automation in the coal industry in England is a must because it has to compete with the cheaper American coal and oil. Automation has enabled the NCB to reduce an estimated labour force of 2,500 to a mere 250 in a particular mine.

★★

If Lyons Range has been reassured by the Finance Minister's broadcast to the nation last Friday evening, it has yet to display its enthusiasm. For in last Saturday's trading, prices continued to hover around previous levels which were not the best touched recently. Perhaps this is because, concrete evidence of the Government's new found anxiety to stimulate the allround economic growth seems to be still in the offing only. He has however promised to initiate early steps to meet the credit demands for all productive purposes. There are passages in his speech which indicate that the difficulties of the private sector in increasing production will receive sympathetic consideration. But it is generally believed that liberalisation of credit will come soon enough but fiscal changes, if any, will not be announced before the next budget. So there is a tendency to await the shape of things to come before extending commitments. The undertone however continues to be fully steady and this partly stems from encouraging news from the corporate front. As far as Lyons Range is concerned, the resumption of aggressive bullish fervour has a deterrent in the proximity of the long Pujā holidays. The reluctance of operators to push up prices any further may also stem from the none too improbable contingency of the authorities frowning upon any unbridled speculative fervour.

★★

Although the jute goods market continues to display a steady undertone, prices have been moving both ways under alternate bouts of buying and selling. The market is still sustained largely by the expectation of further fresh orders especially for sacking in view of the reported trade deal of Pakistan with China for the supply of about one lakh tons of sacking. With Pakistan thus committed to supply China a sizable quantity of jute goods, she will not be a serious competitor to India for at least some months to come. In the meantime, the fact that stocks of jute goods at the end of September with IJMA mills have increased despite a fall in output has been a damper. Though it is explained that the rise in stocks is partly due to the congestion in Calcutta port in September, the development has nevertheless served as a reminder of the setback suffered by sacking exports over the past few years. It is relevant to note in this connection the observations made recently by Mr C. L. Bajoria, former chairman of the Indian Jute Mills Association in the course of his comments on the recommendations of the Srivatsava Committee. He has expressed surprise that the committee

which was set up to suggest ways and means of increasing export of jute goods from India has totally ignored the threat posed by the fast growing Pakistani industry. In his view continued failure to counter Pakistani competition will result in losing for our industry the entire sacking market abroad and a shrinkage of hessian market as well.

★★

The Indian Chamber of Commerce, Calcutta, have forwarded their views on utilization of foreign aid to the Rao Committee stating that the rate of utilization could be hastened "by appropriate physical measures and streamlining of Government machinery." An important cause for the slow utilisation of foreign loans and aid is the difficulty experienced by entrepreneurs in getting together the requisite rupee finance to match the external assistance. To remedy this situation, measures need to be adopted to revitalize the capital market. Risk capital is not forthcoming currently because growth prospects of companies have become unattractive due to the taxation policy. A liberalization of equity-debt ratio in the proportion of 1:2 is also necessary so that the entrepreneurs may be able to obtain loan finance if sufficient equity capital is not available. The Reserve Bank's restrictive credit policy has greatly reduced the commercial banks' advances against shares, making the capital market still more difficult. The Chamber strongly feels that such restrictive policies need to be reviewed so as to provide encouragement

Accent on Coffee Exports

From Our Correspondent

MADRAS :

INDIAN COFFEE is getting into the headlines. The success of the export drive in the last three years has encouraged the Indian Coffee Board to approach the International Coffee Council for increasing our export quota to the rather handsome figure of 50,000 metric tons from the present quota of 21,305 metric tons. With a slump in prices sometime back in world markets and the apathy shown by estates owners for building up an export trade, so long as internal sales were remunerative, there was no problem of marketing. However, it was feared in 1960-61 that the problem would relate to the disposal of a large crop especially as internal consumption was not expanding at the anticipated rate. There was a record crop of 66,000 metric tons in this year and the problem related for a time in several years to its marketing. It was even felt that, without a sizable export trade, the industry could not think of increasing the size of the crop. Even though there was an accumulation of stocks at the end of 1960-61 season and prices slumped, later developments have come about in a rather unexpected manner. Either because of the recent emphasis on growing more Arabica coffee or unfavourable weather conditions, the coffee crop has been fluctuating between only 57,000 and 60,000 metric tons in the last three years. The quantum of exports has tended to increase and plantation grades particularly could be disposed of without difficulty though prices were not considered remunerative enough and internal sales were more profitable. But the Government have been advising the coffee growers to step up exports and utilise Robusta grades for internal consumption as far as possible. In the absence of easy availability of plantation grades and Peaberry, Robusta has been used in larger quantities after being blended with Arabica varieties.

The position is now such that the industry cannot hope to increase exports without restricting consumption. This position is in direct contrast with the situation that obtained three years ago. The Indian Coffee Board was successful in signing an international agreement last year and a quota of 21,305 metric tons was allotted, as stated earlier. A higher quota could not be secured because average exports were rather low, the drive

for a sufficient flow of rupee finance for increasing participation in industrial ventures with foreign collaboration

Another factor retarding the growth of foreign collaboration is the highly controlled character of the economy and the administrative set up. The procedure for Government's examination of proposals involving foreign collaboration is lengthy and cumbersome. The various stages through which a proposal has to pass take a long time with the result that a project needs nearly four to five years for coming to fruition. The entire process of sanctioning the schemes needs to be streamlined. It has been suggested by the Chamber that a single committee should be empowered to examine and decide on every aspect of foreign collaboration proposals so that all delay is eliminated. Mention has also been made by the Chamber of the uneconomic price policy, inadequate return on capital, difficulties in sanctioning royalty agreements and the taxation structures as a whole as factors responsible for a decline in the number of foreign collaborations. Foreign collaborators generally like to know beforehand how much tax they will have to pay and the terms of the collaboration are usually finalized after taking into account the tax payable. It is desirable, therefore, that in the case of joint ventures the C.B.R. should have a system of clarifying what will be the tax position under any proposed scheme of foreign collaboration.

for maximizing foreign exchange earnings being intensified only latterly. But over and above exports against the quota, our estate-owners have been developing the trade with non-quota countries like the U.S.S.R., East European communist bloc and neighbouring markets like Ceylon, Iran etc. The offtake by these countries has been quite satisfactory in recent months and it is now estimated that total exports will be over 30,000 metric tons in the current year. As internal consumption has been between 32,000 metric tons and 35,000 metric tons it is felt that the marginal shortage can have upsetting effect especially if the present trend in internal consumption proves to be more pronounced. The current season's crop is estimated at around 60,000 tons and with good blossoms the next crop may be larger.

But if Mr Manubhai Shah's move for raising the export quota to 50,000 metric tons proves to be successful even partially and we are allowed to export up to this limit in stages, it might happen that, even in a short period, the total of exports would amount to 40,000 metric tons. As the coffee habit has been latterly spreading fast in different parts of the country it has become necessary to think in terms of a policy which would ensure the same rate of increase in output as was witnessed in the 'fifties. During that period there was a more than doubling of the yield of the crop on account of better methods of cultivation and the extension of acreage. Even now it is said that the estates can undertake a programme of fresh planting besides raising the yield from existing acreage. It is no doubt anticipated that, within a five-year period, there will be an increase in the yield of the crop to 80,000 metric tons in the normal course. But it would be necessary to have even accelerated progress if simultaneously with an increase in exports internal consumption also is to be allowed to grow in an uninhibited manner. The Coffee Board has a special responsibility in this regard as, apart from additional foreign exchange earnings of Rs. 10 crores on account of the stepping up of exports, the needs of the internal market should be met freely. The Union Minister for International Trade has asserted that, notwithstanding the vagaries of the monsoon and the difficulties involved in coffee cultivation, the yield of the crop could be significantly raised by adopting better methods and applying

larger doses of fertilizers. While there should be no problem of marketing a larger crop under the changed circumstances, the assurance has also been given by the Minister that the growers should be guaranteed a minimum price if ever there happened to be a slump in the market. The coffee industry is, therefore, on the eve of a new era of expansion.

★★

It had been hoped sometime back that the South Arcot District in Madras State, which is the home of lignite now being used intensively for generation of power, would also come to the rescue of this region by leading to the find of reserves of non-ferrous metal ores. The Geological Survey of India has been exploring this region for some time past and it was suggested that there might be reserves of copper, lead and zinc which could be commercially exploited. The size of the reserves was not known then. It has now been stated that about 8 lakh tons of ore reserves have been located. Even though this quantity cannot be considered large in any sense the content of metals in the ore is high enough to warrant commercial exploitation. Copper will necessarily have to be refined in conjunction with other metals like lead and zinc. The share of copper is no doubt low at one per cent of the ore that might be milled but the yield, however, will be fairly large as the aggregate proportion is as much as 10 per cent. It may be said that even the fullest use of reserves, not more than 60,000 to 80,000 tons of different metals can be refined. However, since the Indian Copper Corporation in Bihar has not been producing more than 5,000 to 6,000 tons annually, a medium-sized project, without involving heavy capital expenditure, can be started. It might happen that when mining operations are begun, additional reserves are located. Private parties will be allowed to undertake the exploitation of these new reserves. But the Indian Bureau of Mines might take up the task itself if no entrepreneur volunteers to take up the work.

★★

The broadcast speech by the Union Finance Minister had been eagerly awaited by industrialists and stock brokers in Madras City. Even though there was reason to believe that Mr. T. T. Krishnamachari would make a constructive speech there was no disposition to anticipate his pronouncement. The Finance Minister could not naturally make any definite announcements as he was still examining the impact of credit and tax policies and any major decision could not be taken without having discussions in Parliament. It is now, however, expected that there would be a liberalization of credit restrictions and that no serious difficulties would be experienced during the next busy season in meeting requirements of industry and trade. The reaction in business circles here to the observation made by Mr. T. T. Krishnamachari has been quite favourable and somehow there is a feeling in knowledgeable quarters that, besides easier credit availability, there would be changes in direct and indirect taxes. The corporate sector may probably be helped to proceed with the expansion plans with liberal outside assistance apart from definite inducements for promoting capital formation within the sector. The Super Profits Tax might be modified or even abolished though it is not known whether an announcement to this effect would be made during the winter session. But it is felt that corporate bodies will get greater relief than individual income-tax assesses and many of the pending schemes for developing new industries would be finalised in a short period.

It is apprehended, however, that some measures might be adopted to mop up unaccounted money though it is not clear how this problem would be tackled. If speculation in commodities could be effectively checked and tax evaded sums could be legalised somehow, many of the present difficulties relating to availability of funds could be got over while violent fluctuations in the commodity markets due to speculation can be avoided. The stock market, however, has not had the opportunity to digest the observations of the Finance Minister. The trend of

prices even earlier was inclined to be steadier and on account of the reserve of sellers no large business could be put through. With favourable advices from Bombay and Calcutta select scrips in Madras were pushed higher. Planting shares too improved further and the general undertone was inclined to be hopeful. There may not be any increase in activity as there is already a holiday feeling in evidence in Calcutta while business will be brisk in Bombay only after the Moorat session on October 17. All the same, there is a feeling that stock markets have turned the corner and with a positive relief in taxes prices might be marked further higher in the coming weeks.

★★

The 22nd meeting of the Central Board of Trustees which administers the Employees' Provident Fund, was held at Madras on October 7, 1963, under the chairmanship of Mr. N. N. Chatterjee, Joint Secretary, Ministry of Labour and Employment, Government of India. The Board discussed the question of setting up of a 'Death Relief Fund' under the Employees' Provident Fund so as to ensure a minimum payment to the nominees/heirs of the deceased members of the Fund. It also considered re-introduction of the facility of grant of advance from provident fund for meeting medical expenses in certain types of illness. The annual report on the working of the Employees' Provident Fund Scheme for 1962-63, was also an item on the agenda. At the end of June, 1963, about 23,300 factories and other establishments were covered under the Employees' Provident Funds Act and the benefit of contributory provident fund was being enjoyed by about 36.66 lakhs of workers. The Employees' Provident Funds Act, 1952, which was initially applied to six industries, now applies to 81 industries and classes of establishments.



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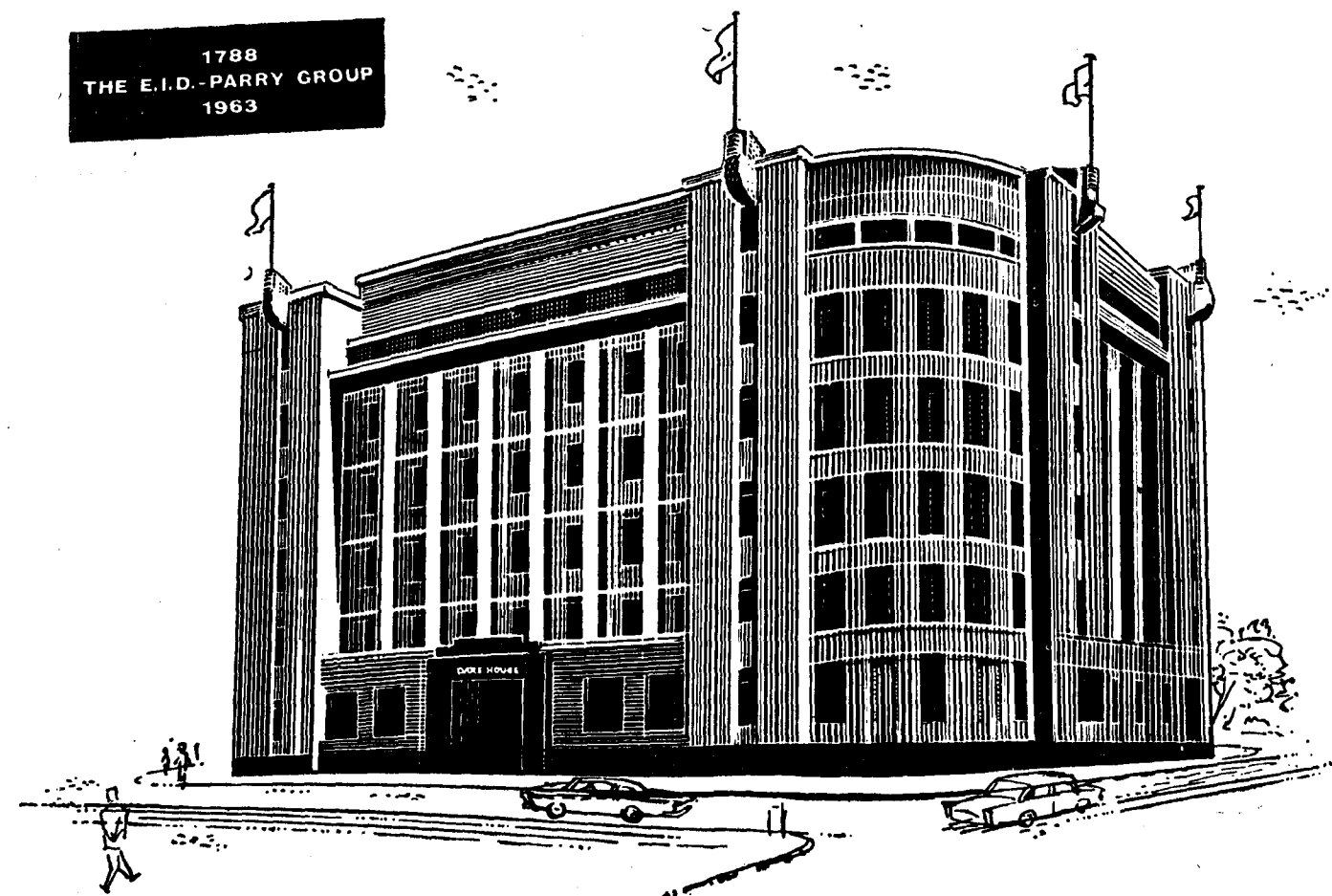
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The moving finger writes

WE WERE listening to a musical recital by Madurai Mani last Friday on the Madras station of the All India Radio when the programme was interrupted for the Finance Minister's broadcast to the nation. One of us, a rather ardent fan of Madurai Mani, was more than slightly annoyed and his irritation became all the greater on finding that Mr. T. T. Krishnamachari had no sensational announcement to make. Since he also happened to be a journalist, he went on to complain why the Finance Minister should not have chosen the medium of a Press conference to release his statement. His argument was that a Press conference would also have had the additional advantage of giving the Press an opportunity to put questions on matters arising from the statement.

I, however, am inclined to disagree. Even on the purely aesthetic plane, the broadcast was an enjoyable performance. The shrillness that is sometimes noticeable in Mr. Krishnamachari's voice when he uses the mike was happily completely absent. He spoke in a very soft, well-modulated, almost musical voice which sent my teen-aged daughter into something like an ecstasy. The script of course helped a lot and the fact that he himself had drafted it is a credit to Mr. Krishnamachari. Except in parts, it was in tidy and telling sentences while, for the most part, the language, allowing for the necessary use of technical words or phrases, was simple and direct. But it was in the mode of his delivery that Mr. Krishnamachari scored most strikingly. He spoke in a manner which was intimate, personal, giving the listener the impression that he was not only talking to him personally but was also greatly caring how it all went down.

I have no doubt that Mr. Krishnamachari has done a wise thing in electing for this kind of personal diplomacy in the matter of public relations for his colourful and controversial portfolio. In fact, I would strongly recommend that the radio should be used more and more by leaders of Government for communicating with the people and taking them into confidence on the working of the Administration in important areas of public welfare. I am aware that as one belonging to the Press, I am not exactly promoting the interests of my guild when I plead the rival claims of broadcasting, but I am convinced that since the AIR is a Government undertaking, the Government should at least get more out of it than it seems now to be doing.

★★

The selection of Mr. Kamaraj for the Congress Presidency has been described as "unanimous". But, given current tensions in the party hierarchy, "unanimity" in a matter of this kind is just not possible in the true sense of the term. It would be more accurate perhaps to say that Mr. Kamaraj was chosen "without dissent". That Mr. Kamaraj himself would have dearly loved to be excused is not in doubt. If, in the event, he has acquiesced, it is clearly because this is the only decision which, in the present state of party affairs, would have avoided an eruption, perhaps violent, but certainly disconcerting, of personal rivalries and factionalism at the level of the national leadership. And so, for the time being, the explosive issue of "the next man" or even "the second man" seems to have been shelved, although politicians practising astrology, even if not astrologers practising politics, have apparently begun moving already to the conclusion that from the manner in which the question of Mr. Sanjivayya's successor has been

settled, certain aspirants have definitely lost ground—perhaps irretrievably.

★★

I never doubted for a moment that Mr. S. K. Patil would manage to get away with it. Those who would normally have been inclined to make an issue of his Calcutta speech were not on as firm ground as might have been generally assumed — and they knew that they were not. Man, it is said, is a political animal and, in that sense, at any rate, Mr. S. K. Patil is the Perfect Man. There was just enough home-truth in his Calcutta homily to compel his would-be critics to decide to lump it all on the excellent principle that discretion was the better part of valour. It is surely significant that the Prime Minister found it wise and convenient, when an opportunity was offered to him at his last Press conference, to declare with great vigour that he was not thinking, nor had he ever thought, in terms of a "second or third list" of what may be described as "Kamaraj resignations". It will be recalled that one of the points made by Mr. S. K. Patil in his Calcutta speech was that the implementation of the Kamaraj Plan should not be done in a manner which caused confusion within the Congress Party over motives or resulted in the dislocation of the functioning of the Government through prolonged uncertainties about the future of individual Ministers or their portfolios.

In the circumstances, I am inclined to conclude that this particular Patil episode has, on the whole, ended well for all concerned—and I am not forgetting the Press, which, predictably, has been blamed for misreporting the Calcutta speech. This is not the first time — nor will it be the last — that politicians who find that they may perhaps have let their loquacity get the better of their instinct for self-preservation have exploited the alleged weakness of the Press for attempting to take a public man's foot and thrust it into his mouth. But the Press manages to survive — even as Mr. Patil does; the public has come to understand only too well that it is the professional privilege, even if it may not be the divine right, of politicians in tight corners to accuse the Press of hearing one thing and reporting another. Finally, I see that I have said "this particular Patil episode". Surely, no one would believe that Mr. Patil is now cured for good of the habit of saying things which, if embarrassing to himself, are usually even more embarrassing to others.

★★

It is a bracing experience to meet the Minister for Supply and discuss with him how things are going on in the direction of provisioning the Defence Services. It is rather difficult to draw Mr. Hathi out on the subject of his Ministry's performance. I am convinced, however, that much good work is being done in a silent way in organizing the production, procurement and distribution of provisions and equipment required by the Armed Forces. Indeed, I was able to wring out of Mr. Hathi the reassuring information that in the matter of supplies, such as clothing, footwear and tents, not only have the Armed Forces been adequately equipped but stocks have also been built up to take care of future needs. Mr. Hathi hinted that his organisation was no longer confining itself to new procurement but was also undertaking larger responsibilities such as assistance to suppliers in obtaining raw materials and other facilities for their manufacturing programmes. Mr. Hathi is also emphasizing the development aspect of his Inspection organisation by asking his inspection staff to extend technical advice wherever needed.

V.B.

tomers to buy his product. Here the buying habits of the people can provide a helpful guide. Mail order selling, door-to-door canvassing and the appointment of wholesalers, retailers, etc. need to be handled imaginatively. Mr. Bell advised that the highest percentage of possible outlets must be sought if sales were to be smooth and speedy. The fourth important element in the marketing mechanism was split by him into two parts. The first part related to "concentration" in the sense that the consumer must not be confused by being asked to assimilate too much at once. If a product had a number of selling points, only one should be stressed in the first instance. The example of the London manufacturer of shirts who pushed his sales by concentrating on white shirts proved the efficacy of "concentration." The second was "domination" of the market; in case the manufacturer had limited resources, he must "dominate" a small area instead of frittering his strength over a wide area.

POWER PROJECTS

Five new power schemes, which will yield results in the beginning of the fourth Plan, have been sanctioned by the Union Ministry of Irrigation and Power. The schemes have been sanctioned in advance to ensure that there is no imbalance in the demand and supply of power in the beginning of the next Plan. Consisting of nine units in all, they will generate a total of 7,15,000 KW power.

The power stations sanctioned include:

Dhuvaran thermal station extension	)	Gujarat	2 x 125 MW = 250 MW
Harduaganj thermal station extension	)	U.P.	2 x 60 MW = 120 MW
Kodayar hydro electric station	)	Madras	1 x 30 MW = 75 MW 1 x 45 MW
Durgapur Coke Oven thermal station extension.	)	West Bengal	1 x 150 MW = 150 MW
Kothagudam thermal station extension	)	Andhra Pradesh	2 x 60 MW = 120 MW

FOREIGN CAPITAL

In an address delivered on September 16, 1963, at the 13th International Management Conference held in New York, Mr. H. K. S. Lindsay, Managing Director, Metal Box Company of India Ltd., explained in detail the role of foreign enterprises in developing economies with particular reference to India. He said that in India "there had been no turning back from the welcome extended to foreign capital after Independence." On the basis of his 15 years' experience in India, he asserted that "the developing nations will increasingly judge private foreign investment not merely in terms of financial costs and benefits but by its broader contribution to the economy," which depended on the quality of management which the overseas investor brought into the enterprise. The application of sound management principles in an unfamiliar environment required both flexibility and imagination of a higher order; that was a challenge which international management must prepare itself to meet if it desired to take the best out of its investments in the developing economies of the world. Speaking of the prospects for further investment in this country, he expressed the opinion that the economy offered splendid opportunities for further investment and that the market was almost unlimited. The recent budget had no doubt increased the incidence of taxation, but the modifications made in the Super Profits Tax to favour new enterprises and the incomes

received by non-residents, showed that the Government were keen to encourage foreign investment. A fact which needed to be borne in mind was that "many of the industries were highly protected against competitive imports which both reduced risks and enhanced profits."

TANKER 'DESHBANDU'

The 33,500-ton tanker "Deshbandu" belonging to the Indian Shipping Corporation was launched at Hitachi Enoshima Yard on October 5 by the Indian Ambassador in Japan, Mr. Lalji Mehrotra, in the presence of the President and Managing Director of the Hitachi Company and a selected gathering. "Deshbandu" is the first tanker acquired in Japan by the Shipping Corporation.

BANK TAKE-OVER

The assets and liabilities of the Coimbatore Sri Kannikaparameshwari Bank Ltd., Coimbatore, have been taken over by the Canara Industrial & Banking Syndicate, Ltd. with effect from October 3, 1963. Started in 1927, the Coimbatore Sri Kannikaparameshwari Bank had one office at Coimbatore. With the merger of Sri Kannikaparameshwari Bank, 15th to be taken over, the Syndicate Bank will have two offices at Coimbatore.

DELEGATION TO GERMANY

The Government of India has announced the inclusion of Dr. D. P. Antia, Director, Union Carbide India Ltd., as a member of the Indian Goodwill Mission to Germany. The other three members of the delegation are Mrs. Sharda Mukherjee, member of Parliament, Mr. H. C. Mahindra of Mahindra and Mahindra and Mr. A. M. M. Arunachalam of T. I. Cycles of Madras. The members of the delegation will attend the opening of the Berlin Industries Fair, and visit important industrial centres in Germany. The delegation will stay in Germany for two weeks and will be the state guests of the Berlin Senate and the West German Government.

ALUMINIUM PRICES

Aluminium Limited has announced that with effect from October 2, 1963, its basic price for Primary Aluminium Ingot in world markets has been increased by one-half cent per pound to U.S. cents twenty-three per pound CIF main ports.

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

(Incorporated in England)

Notice is hereby given that the Board of Directors of this Company have declared payment of an Interim Dividend on the Company's Preference Stock for the year ending 31st March, 1964 at the rate of £2-14-8.16/49d. per cent less Income Tax at 7s. 9d. in the pound equal to £1-13-6d. per cent. Payment will be made on 15th November, 1963 to those stockholders whose names are registered in the Company's Stock Register on 28th October, 1963.

Applications for transfers received in this Office before 12 O'clock noon on Monday, the 28th October, 1963, 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,
Agent.

VICTORIA HOUSE,
CALCUTTA, the 10th October, 1963.



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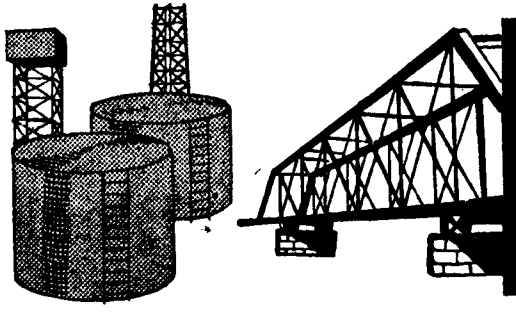
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92/KFS.6A

Company Affairs

HYDERABAD ALLWYN

THE HYDERABAD Allwyn Metal Works Limited has recorded handsome results for the year to April 30, 1963. With sales rising from Rs. 2.77 crores to Rs. 3.54 crores, the net profit increased substantially from Rs. 5.30 lakhs to Rs. 17.23 lakhs. The directors have proposed to maintain a dividend at 10 per cent on increased capital. Subscribed and paid-up capital at the end of the previous year amounted to Rs. 43.00 lakhs which was increased to Rs. 120.49 lakhs by the end of the year under review. The dividend is to be paid out of the dividend reserves to which a sum of Rs. 12.05 lakhs has been transferred. Allocations include Rs. 14.63 lakhs for depreciation, Rs. 2.61 lakhs for managing agents' commission, Rs. 5 lakhs for deferred taxation reserve and Rs. 2.65 lakhs for general reserve. During the year under review the company's expansion proceeded satisfactorily and the programme was almost completed. The addition to plant and machinery during the year was to the extent of Rs. 54.28 lakhs. The company made arrangements on a priority basis to manufacture and supply some defence requirements without, however, affecting the production of its normal items.

SARAN ENGINEERING

The Saran Engineering Company Limited proposes to undertake the manufacture of pneumatic hammers in collaboration with Beche and Grohs of West Germany. The company has applied to the Government for industrial licence for this purpose. During the year ended March 31, 1963, the company earned a net profit of Rs. 2.14 lakhs. This is after providing Rs. 3.00 lakhs for taxation and Rs. 1.09 lakhs for depreciation. The profit for the year under review was lower than the previous year, consequently the gross equity dividend has been reduced from 12½ per cent to 10 per cent, absorbing Rs. 60,000. A sum of Rs. 1.50 lakhs has been separated towards rehabilitation reserve and Rs. 25,000 towards general reserve. The decline in profit is attributed to the keen competition from engineering firms recently established, high cost of raw materials and production of items on which the margin of profit is comparatively low. Current year's working is expected to be considerably satisfactory.

T. MANEKLAL'S BONUS ISSUE

The directors of T. Maneklal Manufacturing Company Limited have recommended a cut in the equity dividend from Rs. 27 to Rs. 6 per fully-paid share of Rs. 100 each and a pro rata dividend on partly-paid shares. They have however, proposed to issue bonus shares in the ratio of one for every five shares held, both fully-paid and partly-paid, subject to the sanctions of the Controller of Capital Issues, by capitalising Rs. 5.98 lakhs from the general reserve. The working of the company during the year ended May 31, 1963 resulted in a gross profit of Rs. 19.22 lakhs. Sales increased from Rs. 112.10 lakhs last year to Rs. 136.90 lakhs during the year under review. A sum of Rs. 5.16 lakhs was provided for depreciation, Rs. 2.12 lakhs for development rebate and Rs. 11.21 lakhs for taxation including Rs. 2.51 lakhs for the super profits tax. The directors have provided a further sum of Rs. 4 lakhs for super profits tax for the earlier year.

The company has received an industrial licence for the manufacture of Artos patented float dryer, Artos hot-flue with Artos nozzle and patented relax drive, Artos-Avetema steam ager for continuous dyeing range, merceriser, stenters, soapers, pneumatic mangles, fibre machine and jiggers. Some time ago it received licences for the manufacture of 300 automatic looms per annum for silk, rayons, nylon and staple fibre mixtures. The collaboration proposal with a foreign firm is

pending with the Government. The company has undertaken the fabrication of rubber lined vessels and plants for chemical industries. The annual capacity is equivalent to Rs. 14 lakhs in value. For larger and heavy duty units the installation of special machine tools is awaited. The construction of the building for the rubber and ebonite rollers plant has commenced at Hyderabad and the manufacture of rubber ebonite rollers, rubber lining of vessels and hard rubber drums is expected to commence shortly. For the rubber blankets plant with an annual capacity of 30,000 square metres, negotiations for foreign collaboration are being finalised. The production of fibre machine is expected during the current year. Licence for imports of components from Benninger Engineering Company Ltd., Switzerland, has been received and orders have been placed.

JUBILEE MILLS

The directors of Jubilee Mills Limited have proposed the issue of bonus shares in the ratio of one share for every two held, subject to the sanction of the Government. They have also proposed an equity dividend of Rs. 4.50 per share for the year ended June 30, 1963 against a dividend of Rs. 5 and a bonus of Rs. 2 per share during the previous year. The company has recorded better results for the year with its gross profit amounting to Rs. 27.86 lakhs against Rs. 22.80 lakhs for the previous year. The higher profit is a sequel to an increase in realisations from Rs. 68.57 lakhs to Rs. 85.37 lakhs. A sum of Rs. 4.46 lakhs has been transferred towards depreciation, Rs. 1.50 lakhs towards development rebate reserve and Rs. 2.03 lakhs towards managing agents' remuneration and Rs. 11.40 lakhs towards taxation. The directors have set apart Rs. 6.40 lakhs for general reserve out of which the proposed dividend will be paid. Special reserve for super-profits tax absorbs Rs. 2 lakhs. The proposal to issue bonus shares will result in the creation of 50,000 new equity shares by capitalising a sum of Rs. 5 lakhs from the amount standing to the credit of company's reserve No. 2.

FIBRE GLASS ISSUE

Fibre Glass Pilkington Limited will enter the capital market shortly with an offer of Rs. 45 lakhs in 4,50,000 equity shares of Rs. 10 each. The company has been promoted by Fibre Glass Ltd., of U.K. and Bombay Company (Private) Limited. It proposes to manufacture glass fibres and glass fibre products. The issued capital will be Rs. 1.20 crores of which Fibre Glass Limited, U.K., has agreed to take up shares worth Rs. 60 lakhs. An allocation of shares worth Rs. 15.00 lakhs will be for consideration other than cash. The Bombay Company (Private) Ltd., will take up shares worth Rs. 4.88 lakhs and the directors, their friends and associates worth Rs. 10.20 lakhs. The offer for public subscription, therefore, amounts to equity shares worth Rs. 45 lakhs. The total cost of the project has been calculated to be around Rs. 114.02 lakhs to be met partly by this present issue and partly by bank borrowings. Fibre Glass Limited, U.K. has agreed to act as the technical consultants and has assigned to the company certain patents. An arrangement has also been made to assign a proof patent to the company from Corning Fibre Glass Corporation, U.S.A., one of the important manufacturers of glass fibres in the U.S. The plant will be located at Thana, near Bombay. The raw materials required are available indigenously. The imports will constitute a very small percentage of the total raw materials and may be limited to chemicals. Orders for plant and machinery have been placed and the shipment is expected to arrive within the next twelve months. The annual capacity of the proposed plant at Thana will be about 1,100 tons of glass fibre and glass fibre products,

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a level which is likely to be reached within three years of commissioning of the plant. The company has also secured licences to manufacture glass wool, glass textile fibres and glass staple tissues. This will involve the construction of two additional glass wool plants, one each in West Bengal and Madras.

JOHN FOWLERS ISSUE

John Fowlers India Limited is expected to offer shortly for public subscription an equity capital of Rs. 10.67 lakhs. The company has an authorised capital of Rs. 50 lakhs, made up of 5,00,000 equity shares of Rs. 10 each. The issued and subscribed capital is Rs. 4.03 lakhs. It proposes to issue a further capital of Rs. 15.97 lakhs in 1,59,700 shares of Rs. 10 each. Out of this, 3,950 shares will be allotted to Stream-Line Filters Limited, U.K. as part consideration for technical collaboration, 29,050 shares are reserved for Vokes Group Ltd., and/or Stream-Line Filters and 20,000 shares for Vokes Group Ltd. The balance of 1,06,700 shares will be offered for public subscription. The company was formed to acquire the business of John Fowler and Company (India) Ltd., which was importing spare parts into India and servicing road rollers and diesel locomotives supplied by John Fowler and Company (Leeds) Ltd. Following the restrictions on imports, the company had to undertake manufacturing activities. It entered into the collaboration agreements with Vokes Limited for the manufacture of filters and elements for mobile and stationary internal combustion engines and industrial filters. It has negotiated with Stream-Line Filters Ltd., a subsidiary of Vokes, for the manufacture of lubricating and insulating oil, aviation oil and fuel filters. It has also obtained a licence for the manufacture of tobacco processing machinery. The plant for the manufacture of new items will be located in Bangalore. The construction of the factory has already commenced. The present capital requirements of the company will be met by the public issue and by the allotment of 20,000 shares to Vokes Group Limited.

SANDVIK ASIA

Mr Nawal S. Phatarphekar, who presided at the third annual general meeting of the Sandvik Asia Limited in the absence of the Chairman, Mr Wilhelm Haglund, indicated that despite the impediments in the way of the new company, particularly by way of power interruptions and non-availability of raw materials in sufficient quantities, it has recorded satisfactory performance. Its sales increased from Rs. 7.60 lakhs during the previous year to Rs. 65.60 lakhs during the year under review. It has also built up development reserve and depreciation provision to the tune of nearly Rs. 21 lakhs. He pointed out that the company's three plants, rock drill steels plant, tungsten carbide blanks plant and tungsten carbide power plant are all in production. A new line of production, tungsten carbide tipped tools, has also commenced and stocks of tools are being built up with a view to commencing commercial sales. Outlining the prospects of the company in the financial year 1963-64, he indicated that the sales between April 1, 1963 and September 20, 1963 have been of the order of Rs. 44.35 lakhs against Rs. 24.00 lakhs during the corresponding period last year. He indicated that the technical collaborators, Sandviken Jernverks Aktiebolag, Sweden extended 'splendid co-operation' in resolving all the numerous technical problems and helped it to attain the present satisfactory result.

CAPITAL ISSUES

Ten companies have been authorised to raise capital totalling Rs. 11.33 crores. The consent of the Controller of Capital Issues is valid for 12 months.

Hardcastle and Waud Manufacturing Private Limited, Bombay, has been authorised to issue bonus capital of Rs. 4

lakhs (in equity shares of Rs. 100 each). It will be offered to the existing equity shareholders of the company in the ratio of one bonus share for every three equity shares held, on capitalization of the company's reserves to a like extent.

Cochin Refineries Limited, Kerala, to be floated for refining crude petroleum, in collaboration with Phillips Petroleum Company, U.S., is to issue capital of Rs. 7 crores divided into 7,00,000 equity shares of Rs. 100 each, for cash at par. Out of this issue, shares of the value of Rs. 3.57 crores will be offered to the Government of India, Rs. 1.75 crores to the U.S. collaborators, Rs. 14 lakhs to Duncan Brother & Company, Calcutta, and Rs. 84 lakhs to the public by prospectus. The remaining shares of the value of Rs. 70 lakhs are to be offered to parties to be nominated by the Government of India.

The Minerals and Metals Trading Corporation of India Limited, New Delhi (Proposed), a Central Government undertaking, will raise capital of Rs. 2 crores divided into 2,00,000 equity shares of Rs. 100 each for cash at par to be issued privately.

Bharat Bijlee Limited, Bombay, is to issue further capital of Rs. 60 lakhs for cash at par consisting of Rs. 30 lakhs in equity shares of Rs. 100 each and Rs. 30 lakhs in 9.3 per cent cumulative redeemable preference shares of Rs. 100 each.

Andhra Foundry and Machine Company Limited, will issue capital of Rs. 55 lakhs divided into 4,00,000 equity shares of Rs. 10 each and 15,000 9.3 per cent cumulative redeemable preference shares of Rs. 100 each for cash at par. Of this, equity shares of the value of Rs. 10 lakhs would be subscribed by the promoters and directors of the company.

Tractor Engineers Limited, Bombay, is issuing further capital of Rs. 50 lakhs divided into 5,000 equity shares of Rs. 1,000 each for cash at par. The issue would be subscribed as to Rs. 30 lakhs by Caterpillar Tractor Company of the U.S. and Rs. 20 lakhs by Larsen Toubro Limited, Bombay.

U.P. State Industrial Corporation Limited is to issue Rs. 25 lakhs equity capital in shares of Rs. 100 each for cash at par, to be subscribed entirely by the U.P. Government.

Mahindra Owen Limited, Bombay, will raise Rs. 20,95,000 in equity shares of Rs. 100 each at par, of which shares of the value of Rs. 10,68,400 will be issued for cash to Mahindra and Mahindra Limited and Rs. 10,26,600 to Rubery Owen and Company Limited, U.K. for consideration other than cash against the supply of plant and machinery.

Kerala State Small Industries Corporation Limited, Trivandrum, a State Government undertaking, is to issue capital of Rs. 8 lakhs divided into 8,000 equity shares of Rs. 100 each to be issued for cash at par.

The Indian Motion Pictures Export Corporation Limited, Bombay, will issue capital of Rs. 10 lakhs in equity shares of Rs. 100 each for cash at par.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951 during the week ending 5th October, 1963. The list contains the names and the addresses of the licensees, articles of manufacture and annual installed capacity.

IRON & STEEL

V. Ramakrishna Sons (P) Ltd., 38, Mount Road, Madras-6 (Tiruvottiyur, Madras)—Foundry grade pig iron 20,000 tonnes. Mysore Iron & Steel Works, Bhadravati (Mysore)—Pig iron

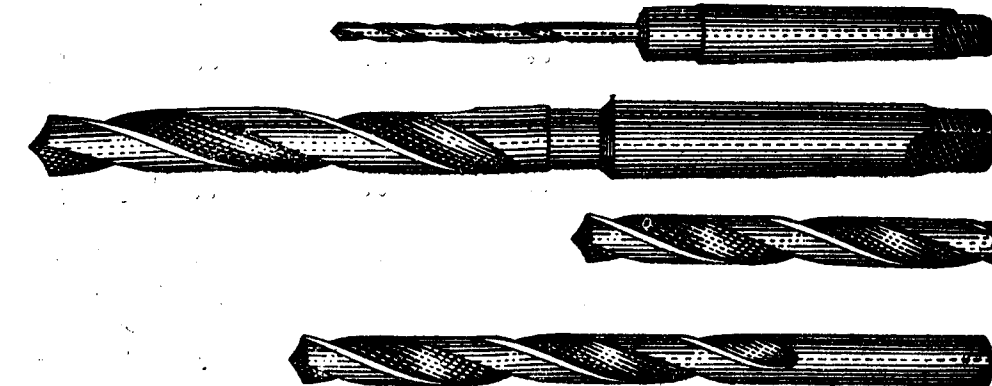
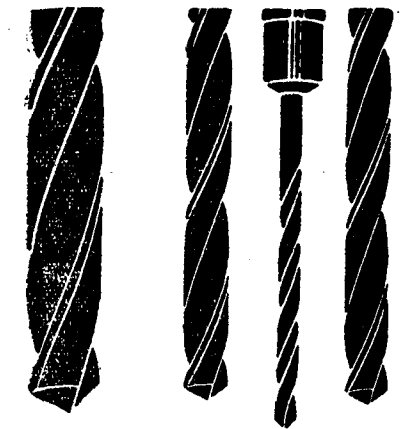
October 18, 1963

EASTERN ECONOMIST

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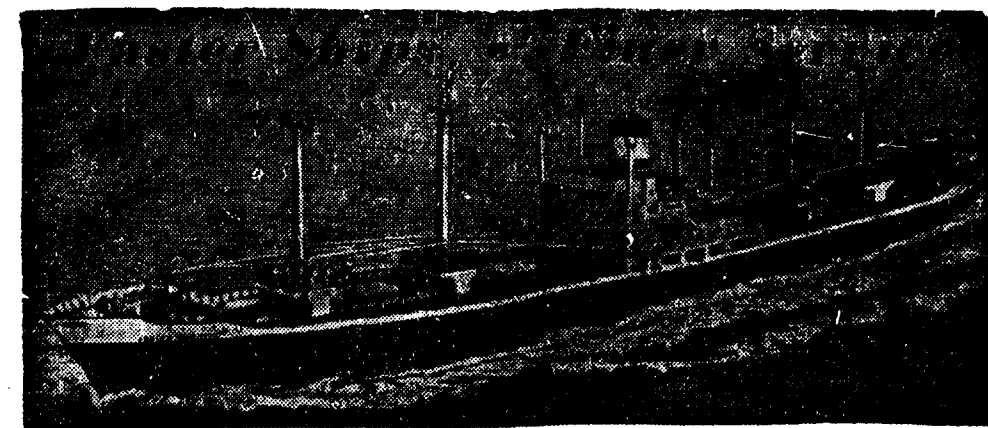
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G. D. BIRLA
CHAIRMAN

AUTHORISED CAPITAL	..	..	..	Rs. 8,00,00,000
SUBSCRIBED CAPITAL	..	..	..	Rs. 5,60,00,000
PAID-UP CAPITAL	..	..	..	Rs. 2,77,75,037
RESERVE FUND AND OTHER RESERVES	..	..	..	Rs. 3,03,00,000
DEPOSITS & BILLS PAYABLE (31-12-'62)	..	..	..	Rs. 1,08,22,75,015

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S. T. SADASIVAN,
General Manager

THE BRITISH INDIA CORPORATION LIMITED, KANPUR

BRANCHES DIVISION

Cawnpore Woollen Mills Branch
New Egerton Woollen Mills Branch

Cooper Allen Branch
North West Tannery Branch

LONDON OFFICE

BEGG SUTHERLAND DIVISION: SECRETARIES & TREASURERS

The Elgin Mills Co. Ltd.
Cawnpore Textiles Ltd.
Brushware Limited

Cawnpore Sugar Works Ltd.
Champaran Sugar Co. Ltd.
Saran Engineering Co. Ltd.

Secretaries for: Beta Picker Co. Ltd.

Agents for: The Oriental Fire & General Insurance Co. Ltd.

12,000 tonnes. Krishna Industrial Corporation Ltd., Rama Krishna Buildings, 38, Mount Road, Madras-6 (Belur, Howrah, West Bengal)—Pig iron 50,000 tonnes. Shri V. Pandurangiah, No. 5, Dr. Nair Road, T. Nagar, Madras-17 (Madras)—Sponge iron 20,000 tonnes.

FERRO-ALLOYS

Electro Metallurgical Works Private Ltd., 20, Phirozshah Mehta Road, Bombay-1 (North Kanara District, Mysore)—Ferro-chrome with less than 0.06% Carbon—10,000 tons.

OTHER PRODUCTS OF IRON & STEEL

Guest Keen Williams Ltd., 41, Chowringhee Road, Calcutta-16 (Bombay, Maharashtra)—Self tapping screws 3,20,000 gross. Shri N. A. Ramachandra Raja, Managing Director, The Janakiram Mills Ltd., Rajapalayam Proposed name: M/s. Bharat Strappings Ltd., Madras. (Ambathur, Madras)—Box strapping 5,000 tons.

COAL

Shri Nathumal Agarwalla, Selected Mandra Colliery Co., P.O. Nawagarh, Dhanbad (Bihar)—Coal 9,600 tonnes. North Dharmaband Colliery, P.O. Katrasgarh, Dist. Dhanbad (Bihar)—Coal 8,700 tonnes.

ELECTRICAL CABLES AND WIRES

The Managing Director, Small Industries Development Corporation, Industrial Estate, Gauhati. Proposed name: Assam Conductors & Tubes Industries (Gauhati, Assam)—A.C.S.R. & A. A. Conductors 2,000 tons. Orissa Industrial Development Corporation Ltd., C/o Secretary to the Govt. of Orissa, Industries Department, Bhubaneswar (Hirakud, Orissa)—A.C.S.R. and A.A. Conductors 3,000 tons. Sahibganj Electric Cables Ltd., 49, Palace Court, 1, Kyd Street, Calcutta-16 (West Bengal)—A.C.S.R. & A.A. Conductors 2,000 tons. Prem Industrial Corporation B-7/8, Industrial Estate, Kotah (Rajasthan)—A.C.S.R. & A.A. Conductors 2,000 tons. Prem Industrial Corporation 70 Godown Street, Madras-1. Proposed name: M/s. Premraj Ganapatraji and Co. Private Ltd. (Madras)—A.C.S.R. and A.A. Conductors 2,000 tons. Prem Industrial Corporation, Bhaskar Bhavan, Khadia Chor Rasta, Ahmedabad-1 (Gujarat)—A.C.S.R. and A.A. Conductors 2,000 tons.

RAILWAY ROLLING STOCK

Howrah Iron & Steel Private Ltd., 90, Benares Road, Sakia, Howrah (West Bengal)—Loco & Wagon components viz. Bridle, Yoke, Roller, Bearing, Housing, Cover etc. 1920 tons.

TEXTILE MACHINERY

T. Maneklal Mfg. Co. Ltd., Vaswani Mansions, Dinshaw Vachha Road, Bombay-1 (Maharashtra). Substantial Expansion: (Nos. per annum): (i) Merceriser 4; (ii) Stenters 18; (iii) Soapers 16; (iv) Pneumatic mangles 42; (v) Fibre machine (4 bowl pad dyeing machine) 16; (vi) Jiggers 72. New ARTICLES: (Nos. per annum): (1) Artos Patented Flot Dryer 6. (2) Artos Hot-flue with Artos Nizzle and patented Rolax Drive 4. (3) Artos-Svetema Steam Ager for continuous Dyeing Range 4. Mathor Greaves Ltd., 1, Forbes Street, Bombay-1. (Akurdi Village, Chinchvad, Near Poona, Maharashtra). (1) Duplex Palmer Finishing machine (Felt Calender Machine). (2) Chain Mercerising Range. (3) Roller Printing Machines suitable for printing — 9 machines of any or all of the types per annum.

JUTE MACHINERY

Reed and Camb Mfg. Co. (P) Ltd., 138, Canning Street, Calcutta-1 (West Bengal)—Wire Healds 12 million pieces.

CONVEYING EQUIPMENT

Jessop & Co. Ltd., 63, Netaji Subhas Road, Calcutta-1 (Son-dalia, 24 Parganas, West Bengal)—Steel Works Duty Cranes 1500 tons. Shri Subroto Ghose, 7, Burdwan Road, Alipur, Calcutta-27 (Taratola Road, Calcutta, West Bengal)—Electric Hoists: Annual Capacity: 1st year: 30 pieces (1 ton capacity), 300 pieces (3 ton capacity), 100 pieces (5 ton capacity).

city). 2nd year: 400 pieces (1 ton capacity), 400 pieces (3 ton capacity), 200 pieces (5 ton capacity).

HAND TOOLS AND SMALL TOOLS

Echjay Industries (P) Ltd., Kanjur Village Rd., Bhandup, Bombay-78 (Bhandup, Bombay, Maharashtra) — Capacity Per Annum (1) Steel forgings — 360 metric tons (2) Hand Tools: (a) Hand Hammers: (b) Chisels and Punches; (c) Spanners; (d) Pliers etc—100 metric tons. (3) Diesel and automobile engine parts 200 metric tons. (4) Press Tools Worth Rs. 3.5 lakhs. (5) Jigs and Fixtures Worth Rs. 3 lakhs. (6) Dies and Punches Worth Rs. 1.5 lakhs. Harbans Lal Malhotra & Sons (P) Ltd., 18, Netaji Subhas Road, Calcutta-1 (Belgheria, 24 Parganas, West Bengal)—Finished cutting Knives (Machine Worked) 450 tonnes.

ENAMELS

Hindustan Wire Products Ltd., Factory Area, Patiala (Punjab)—Wire enamels 150 tonnes.

MISCELLANEOUS CHEMICALS

Kolhapur Sugar Mills Ltd., Kasaba Bavada, P.B. No. 13, Kolhapur-3 (Maharashtra)—Carbon-dioxide gas 5,400 tonnes per annum Dry Ice 3,600 tonnes. Vegetable Products Ltd., 1 & 2, Old Court House Corner, National Tobacco Buildings, Calcutta-1 (Belgharia, West Bengal)—Oxygen Gas 105000 Cu. meters.

DRUGS & PHARMACEUTICALS

Geoffrey Manners and Co. Private Ltd., Magnet House, Dougall Road, Ballard Estate, Bombay-1 (Maharashtra)—Ground Nut Cake Protein Hydrolysate 100 tons. Hindustan Antibiotics Ltd., Pimpri (near Poona) (Maharashtra)—Penicillin 45 mega million units.

COTTON TEXTILES

Rai Sahib Seth Gopikishan Agrawal & Sons, Manganese Mine Owners and Exporters, Tumsar. Proposed name: Rajaramka Spinning Mills Ltd. (Shujalpur, Madhya Pradesh)—12,000 spindles for the manufacture of cotton yarn. Bijli Cotton Mills Private Ltd., Freerang, Agra (Hathras, Uttar Pradesh)—100 ordinary looms for manufacture of Tapes and Niwars. The Andhra Co-operative Spinning Mills Ltd., Guntakal. Timmancherla P.O. Anantapur District (Andhra Pradesh)—3816 spindles for manufacture of cotton yarn.

ART SILK

Eldee Velvet & Silk Mills Private Ltd., Opp. Bawla Mosque, Delisle Road, Bombay-13 (Maharashtra)—Art silk velvet fabrics 25 power looms.

FLOUR

Shri K. P. Sikaria, Sikaria House, Strand Road, Fancy Bazar, Gauhati. Proposed name: M/s. Orissa Flour Mills (Hirakud, Orissa)—Wheat products (Maida, Atta and Suji) 50 tonnes per day in terms of wheat

CHANGE IN NAMES (OWNERS OR UNDERTAKINGS)

(During the week ending 5th October, 1963)

From M/s. Harshdray (P) Ltd., Bombay to M/s. Diamond Steel Rolling Mills Ltd. Baroda. From M/s. Man Mohan Singh and Co., Calcutta to M/s. Indo-American Electricals Ltd. Calcutta. From M/s. Industrial and Engineering Apparatus Co. Private Ltd., Bombay to M/s. Borosil Glass Works Ltd., Bombay. (These changes pertain to specific licences).

LICENCES REVOKED

(During the week ending 5th October, 1963)

M/s. Standard Pharmaceutical Works Ltd., Calcutta—Streptomycin. M/s. Kondan Textiles, Madras—Cotton Textiles. M/s. Sree Suryodaya Mills Private Ltd., Bangalore—Cotton Textiles. Shri Ram Gopal Agarwal, P. O. Domchanch, Dist. Hazaribag—Cotton yarn. Shri Vimalbhai Nagindas Shah, Ahmedabad (Name of the Licensee): M/s. Melamine and Fibre Boards Ltd., Ahmedabad (Name of the undertaking): Chipboard.

BOOKS BRIEFLY

Old Wine in New Bottles

Price Theory: By W. J. L. Ryan; Macmillan, London; Price 16 Sh.

Reviewed by DR. B. M. BHATIA

THOUGH A considerable change in emphasis has recently taken place in economic analysis, price theory still continues to form a major part of courses in Economic Theory at the universities. The book under review is, therefore, a welcome addition to textbooks on Economic Theory for use in the universities.

The book is divided into 12 chapters. The first four chapters discuss the theory of price determination under conditions of perfect competition, and the next three, "the determination of relative prices of productive services" or what is traditionally included in the theory of distribution. Chapter VIII takes the reader from Partial Equilibrium to the Walrasian General Equilibrium. The next three chapters discuss the pricing of products and services under conditions of 'imperfect' and 'Monopolistic' competition. Chapter XII discusses briefly a number of miscellaneous problems, left over from the first eleven chapters, such as "the choice of a sale-plan by a multiproduct firm," and the actual method of 'fixing selling prices of their products by firms. In this connection a brief description is given of the two alternative techniques of analysis — namely mathematical programming and the theory of game.

The analysis in the first eight chapters closely follows Marshall's analysis in Books V and VI of his 'Principles'. According to the author these chapters "are largely a translation (of Alfred Marshall's Principles of Economics) into a different idiom" (p.260). But the change of idiom is very important from the point of view of the student. Mr. Ryan builds up his theory of demand on Hicksian Indifference Curves and his analysis of supply side on average and marginal cost curves. He makes generous use of Hick's and Joan Robinson's "geometry" as well as some mathematics because "it is convenient for us to do so; it is also fashionable".

To the present reviewer who himself has taught Economic Theory at the University level for quarter of a century, the chief appeal of the book lies in the way the author presents the subject. As the author himself points out with characteristic academic humility: "I do not think that there is anything that is original in the contents of this book, but there may be some originality in the form in which they are presented." In the latter there is not some but lot of originality.

Probably to keep the size of the book within limits, the author ignores even important concepts, which it is necessary even for a beginner in the subject to be familiar with. For example, in the first chapter devoted to analysis of demand he does not even mention the word "utility" much less give Marshallian analysis of the theory of demand before giving indifference curve analysis. Similarly, he bases his supply and cost curves on the modern law of variable proportion and completely ignores the classical law of diminishing returns. The cost curve of a firm under perfect competition is said to include no profits because "when these conditions (of perfect and pure competition) obtain, profits tend towards zero, as long run adjustments are effected" (p.308). All Economists do not subscribe to this view. It would have been far better if the author had given the traditional view in these matters, at least in the footnotes.

All the same, Mr. Ryan has written an excellent introduc-

tion to Price Theory and he is to be congratulated on this useful production.

TRIBAL UPLIFT

Socio-Economic Survey of Primitive Tribes in Madhya Pradesh: National Council of Applied Economic Research, New Delhi, 1963; Price Rs. 15.00.

IN ITS survey of the socio-economic conditions of the primitive tribes of Madhya Pradesh, the Council has shown that development of land and agriculture alone would not be adequate for the rehabilitation of 4.8 million tribals in the State. Agricultural land available within the State was insufficient to serve the needs of even half the tribal population. The Council has therefore recommended top priority for a programme of industrialization and extension of communication facilities to the interior of the tribal areas.

The recommendations of the Council obviously fall within the broad framework of the national policy for tribal areas and tribal communities. The policy is to integrate the tribal communities within the body politic of the nation. The nature of the economic problem of the State's sizable tribal population is fundamentally not very different from that of the other backward societies in that the vicious circle of low income and lack of thrift is ubiquitous. The differences, if any, largely arise from the relative insularity in which tribal society had lived through the ages.

Roughly, the survey says, a fifth of the tribals are landless labourers whose economic distress is the most stringent. As against the average State per capita income of Rs. 260 the figure for the tribal populations in the eastern parts of the State is Rs. 171, Rs. 162 in the western zone, and Rs. 134, Rs. 112 and Rs. 104 respectively in the Southern, Northeastern and Central zones. In terms of per capita daily income the most prosperous zone would thus have an average of 50 nP. and the poorest 29 nP. There is considerable variation in the income level within each zone.

A. K. N.

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wires to turn the wheels of industry. Electric
lamps are switched on in village homes. Long lines
of steel pipes girdle vast stretches of land, carrying
water to thirsty villages and liquid gold to refineries.
Automatic signals guide rolling wheels along a
criss-cross of steel tracks. Radio waves race across
the skies to help mighty Jet planes land on our soil
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RECORDS AND STATISTICS

Direct Taxes: Pattern of Yields

Wealth Tax

DISTRIBUTION OF NET WEALTH ASSESSED AND WEALTH TAX LEVY DURING 1960-61 AND 1961-62

Range of Net Wealth	1961-62				1960-61				(Rs. Lakhs)	
	No. of assess-ments.	In respect of assets in India.	In respect of assets outside India.	Total	Wealth tax levy.	No. of assess-ments.	In respect of assets in India.	In respect of assets outside India.	Total	Wealth tax levy.
Up to 5,00,000	19335	56823	554	57377	178	16199	50379	464	50843	156
5,00,001—15,00,000	6876	52479	724	53203	328	6332	48450	686	49136	291
15,00,001—25,00,000	704	13110	156	13266	120	672	12274	180	12454	103
25,00,001—50,00,000	348	11386	203	11589	121	332	10768	459	11227	112
50,00,001—1,00,00,000	107	7340	167	7507	77	121	8002	532	8534	94
Over 1,00,00,000	68	12708	175	12883	102	70	15460	863	16323	154
Total	26438	153846	1979	155825	926	23726	145333	3184	148517	910

NUMBER OF WEALTH-TAX ASSESSMENTS COMPLETED DURING 1961-62

(According to the range of net wealth & classes of assessee)

A. INDIVIDUALS						B. HINDU UNDIVIDED FAMILIES					
Range of net wealth	No. of assess-ments	Total value of wealth in respect of assets in India (Rs. crores)	Total value of wealth in respect of assets outside India (Rs. crores)	Total (Rs. crores)	Wealth-tax levy (Rs. crores)	Range of net wealth	No. of assess-ments	Total value of wealth in respect of assets in India (Rs. crores)	Total value of wealth in respect of assets outside India (Rs. crores)	Total (Rs. crores)	Wealth-tax levy (Rs. crores)
(In lakhs)						(In lakhs)					
Below 2	...	...	...	...	...	Below 2	...	...	...	...	...
2 — 3	9588	233.6	2.1	2,35.8	0.4	2 — 3	...	...	...	...	...
3 — 4	5116	174.5	1.8	1,76.3	0.7	3 — 4	...	...	...	...	...
4 — 5	2836	125.0	1.3	1,26.3	0.6	4 — 5	795	35.1	0.3	35.4	0.04
5 — 12	4867	345.0	4.6	3,49.6	2.3	5 — 12	1284	89.4	1.4	90.7	0.4
12 — 13	220	26.9	0.5	27.5	0.2	12 — 13	34	4.2	0.05	4.2	0.02
13 — 14	190	25.2	0.3	25.6	0.2	13 — 14	22	3.0	...	3.0	0.02
14 — 15	132	18.8	0.3	19.1	0.2	14 — 15	18	2.6	...	2.6	0.02
15 — 22	428	75.4	1.0	76.4	0.7	15 — 22	108	18.6	0.4	18.9	0.1
22 — 23	43	9.6	0.05	9.7	0.09	22 — 23	6	1.4	...	1.4	0.01
23 — 24	31	7.3	0.006	7.3	0.06	23 — 24	8	1.9	...	1.9	0.02
24 — 25	26	6.4	0.01	6.4	0.07	24 — 25	11	2.7	...	2.7	0.02
25 — 50	247	80.2	1.8	81.9	1.0	25 — 50	44	14.7	Neg	14.7	0.2
50 — 75	46	27.0	0.7	27.7	0.4	50 — 75	4	2.3	0.3	2.6	0.04
75 — 1,00	17	13.8	0.4	14.2	0.2	75 — 1,00	4	3.5	Neg	3.5	0.06
Over 1,00	28	38.8	1.7	40.4	0.5	Over 1,00	7	12.5	0.09	12.6	0.2
Total	23815	12,07.6	16.4	12,24.1	7.5	Total	2345	1,91.8	2.5	1,94.3	1.2
Increase in wealth-tax*	...	...	...	...	0.08	Increase in wealth-tax*	...	...	...	...	0.009
Decrease in wealth-tax*	...	...	...	...	0.4	Decrease in wealth-tax*	...	...	...	...	0.05

NUMBER OF WEALTH-TAX ASSESSMENTS COMPLETED DURING 1961-62 (Contd.)

C. COMPANIES

Range of net wealth	No. of assess-ments.	Total value of wealth In respect of assets in India. (Rs. crores)	Total value of wealth In respect of assets outside India. (Rs. crores)	Total (Rs. crores)	Wealth-tax levy. (Rs. crores)
(In lakhs)					
Below 2	2	...	...	...	...
2 — 3	...	...	...	...	...
3 — 4	...	...	...	...	...
4 — 5	...	...	...	...	...
5 — 12	90	7.2	0.1	7.3	0.02
12 — 13	10	1.2	...	1.2	0.004
13 — 14	4	0.5	...	0.5	0.001
14 — 15	5	0.7	...	0.7	0.002
15 — 22	37	6.5	0.2	6.6	0.08
22 — 23	1	0.2	...	0.2	Neg
23 — 24	2	0.5	...	0.5	0.001
24 — 25	3	0.7	...	0.7	0.002
25 — 50	57	19.0	0.3	19.2	0.06
50 — 75	20	12.6	0.3	12.9	0.05
75 — 1,00	16	14.1	...	14.1	0.005
Over 1,00	33	75.8	...	75.8	0.3
Total	278	139.0	0.9	139.9	0.6
Increase in wealth-tax*	...	...	...	...	0.05
Decrease in wealth-tax*	...	...	...	...	0.4

* As a result of revisionary actions, rectifications etc.

D. ALL CLASSES OF ASSESSEES

Range of net wealth	No. of assess-ments.	Total value of wealth In respect of assets in India. (Rs. crores)	Total value of wealth In respect of assets outside India. (Rs. crores)	Total (Rs. crores)	Wealth-tax levy. (Rs. crores)
(In lakhs)					
Below 2	2	...	...	...	...
2 — 3	9588	2,33.6	2.1	2,35.8	0.4
3 — 4	5116	1,74.5	1.8	1,76.3	0.7
4 — 5	3631	1,60.1	1.6	1,61.7	0.7
5 — 12	6241	4,41.5	6.1	4,47.6	2.7
12 — 13	264	32.4	0.6	32.9	0.2
13 — 14	216	28.8	0.3	29.1	0.2
14 — 15	155	22.1	0.3	22.4	0.2
15 — 22	573	1,00.5	1.5	1,02.0	0.9
22 — 23	50	11.2	0.05	11.2	0.1
23 — 24	41	9.6	0.006	9.6	0.08
24 — 25	40	9.8	0.01	9.8	0.09
25 — 50	348	1,13.9	2.0	1,15.9	1.2
50 — 75	70	42.0	1.3	43.3	0.5
75 — 1,00	37	31.4	0.4	31.8	0.3
Over 1,00	68	1,27.1	1.7	1,28.8	1.0
Total	26438	15,38.5	19.8	15,58.2	9.3
Increase in wealth-tax*	...	...	...	...	0.1
Decrease in wealth-tax*	...	...	...	...	0.8

ANALYSIS OF GIFT-TAX FOR THE YEAR 1961-62

(According to the range of taxable gifts)

INDIVIDUALS

Range of taxable Gifts.	Ordinary resident			Not ordinarily resident			Not a citizen of India			Individual (Consolidated)		
	No. of assess-ees.	Total Tax-able Gifts. (Rs. lakhs)	Gift-tax (Rs. lakhs)	No. of assess-ees.	Total Tax-able Gifts. (Rs. lakhs)	Gift-tax (Rs. lakhs)	No. of assess-ees.	Total Tax-able Gifts. (Rs. lakhs)	Gift-tax (Rs. lakhs)	No. of assessees	Total tax-able Gifts (Rs. Lakhs)	Gift-tax (Rs. Lakhs)
1 — 50,000	5591	7,48.8	30.1	6	1.0	0.03	1	0.2	0.006	5598	7,50.0	30.1
50,001 — 1,00,000	520	3,80.6	17.6	2	1.5	6.06	2	1.5	0.07	524	3,83.7	17.8
1,00,001 — 1,50,000	132	1,62.5	9.0	...	...	...	...	...	...	132	1,62.5	9.0
1,50,001 — 2,00,000	69	1,20.5	7.9	1	1.5	0.07	...	...	...	70	1,22.0	8.0
2,00,001 — 3,00,000	48	1,15.9	9.1	...	...	...	...	...	...	42	1,01.2	7.9
3,00,001 — 5,00,000	32	1,19.4	11.8	...	...	...	...	...	...	38	1,34.1	13.0
5,00,001 — 10,00,000	8	52.6	7.0	...	...	...	...	...	...	8	52.6	7.0
10,00,001 — 20,00,000	2	21.6	3.5	...	...	...	...	...	...	2	21.6	3.5
20,00,001 — 30,00,000	...	...	...	...	...	...	...	...	...	...	...	...
30,00,001 — 50,00,000	...	...	...	...	...	...	...	...	...	...	...	...
50,00,001 — 1,00,00,000	...	...	...	...	...	...	...	...	...	...	...	...
1,00,00,001 — 2,00,00,000	...	...	...	...	...	...	...	...	...	...	...	...
Above. — 2,00,00,000	...	...	...	...	...	...	...	...	...	...	...	...
Total.	6402	17,22.0	96.0	9	4.0	0.2	3	1.7	0.08	6414	17,27.7	96.3
Increase in gift tax *	...	...	...	...	...	...	...	...	...	...	...	0.5
Decrease in gift tax and refund *	...	...	...	...	...	...	...	...	...	...	...	8.5

* As a result of revisionary actions, rectifications etc.

Gift Tax : 1961-62

Classification	No. of Asses-sees	Value of Gift (Rs. Lakhs)
A. Property Situated in Taxable Territories:		
(a) Immovable property	3585	11,97.3
(b) Movable property	3119	13,87.8
B. Property Situated Outside Taxable Territories:		
Movable property	107	43.7
C. TOTAL of A and B	6811	26,29.3
D. Details of Gifts Exempted Under Section 5(1):		
(a) Of Savings Certificates	6	2.0
(b) To Government or local authority	4	0.3
(c) To institutions or funds to which section 15B of Income-Tax Act applied	38	37.5
(d) For other charitable purposes	38	6.1
(e) On the occasion of marriage	42	6.1
(f) To spouse	123	40.1
(g) Of policies of insurance or annuity	6	0.3
(h) Under will	26	3.6
(i) In contemplation of death	3	0.1
(j) For education of children	19	3.7
(k) To employees by way of bonus etc.	...	...
(l) Bonafide for purposes of business, profession or vocation	6	0.2

Classification	No. of Asses-sees	Value of Gift (Rs. Lakhs)
(m) To Bhodan or Sampattidan	...	...
(n) Out of privy purse	3	0.2
Total Value of Gifts exempted under Section 5(1)	314	1,00.2
E. Value of Gifts exempt under Section 5(2)	...	...
F. Value of taxable Gifts made during the year [C—(D+E)]	6648	6,64.8
G. Computation of Tax:	...	18,64.3
1. Gift-tax payable on F.	...	1,15.5
2. Less 10 per cent credit on advance payments u/s 18 qualifying for allowance of rebate [See 4(a) below]	354	0.8
3. Balance of Gift tax payable	...	1,14.6
4. Advance Payments:	...	...
(a) Qualifying for rebate u/s 18	354	8.5
(b) Not qualifying for rebate	188	2.9
(c) Total	...	11.4
5. Net amount of Gift-tax payable	...	1,03.2
Increase in Gift-tax as a result of revisionary actions, rectifications etc.	...	0.5
Decrease in Gift-tax and refund as a result revisionary actions, rectifications etc.	...	...
Net	...	9.5
	...	94.2

ANALYSIS OF GIFT-TAX FOR THE YEAR 1961-62 (Contd.)

(According to the range of taxable gifts)

Range of Taxable Gifts (Rs. Lakhs)	Hindu Undivided Family			Company			Firms			Association of persons			All classes		
	No. of asses-sees	Taxable gifts	Gift tax	No. of asses-sees	Tax-able gifts	Gift tax	No. of asses-sees	Tax-able gifts	Gift tax	No. of asses-sees	Tax-able gifts	Gift tax	No. of asses-sees	Taxable gifts	Gift tax
Upto 0.5	160	20.2	0.8	2	0.1	0.04	6	0.9	0.04	20	2.3	0.1	5788	7,74.0	31.1
0.5— 1.0	22	15.9	0.7	2	1.5	0.07	1	0.8	0.04	4	3.0	0.1	553	4,04.9	18.7
1.0— 1.5	3	3.6	0.2	1	1.4	0.08	...	...	...	1	1.0	0.05	137	1,68.5	9.3
1.5— 2.0	5	9.6	0.7	1	1.8	0.1	...	...	...	...	...	...	76	1,33.3	8.8
2.0— 3.0	2	4.6	0.4	...	...	...	1	2.8	0.2	...	...	...	51	1,23.3	9.6
3.0— 5.0	...	...	...	...	...	...	...	...	...	...	...	...	32	1,19.4	11.8
5.0— 10.0	...	...	...	...	...	...	...	...	...	...	...	...	8	52.6	7.0
10.0— 20.0	...	...	...	2	24.6	4.3	...	...	...	...	...	...	4	46.3	7.8
20.0— 30.0	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
30.0— 50.0	...	...	...	1	41.9	11.3	...	...	...	...	...	...	1	41.9	11.3
50.0—100.0	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
100.0—200.0	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Above 200	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Total	192	53.9	2.7	9	71.3	15.8	8	4.5	0.3	25	6.8	0.3	6648	18,64.3	1,15.5
Increase in Gift Tax*	...	...	...	...	...	...	...	...	...	...	...	...	...	...	0.5
Decrease in Gift Tax*	...	...	0.4	...	...	...	...	...	0.005	...	...	0.5	...	...	9.5

* As a result of revisionary actions, rectifications etc.

Expenditure Tax : 1961-62

Classification.	No. of assesseees. (Rs. Lakhs)	Classification	No. of Asses- sees	Amount (Rs. Lakhs)
A. Details of income during previous year :		D. Total Expenditure Less Expenditure Exempt Under Section 5: [B—C]		10,33.3
Of the assessee		E. Deductions Made Under Section 6 Of The Act :		
1. Aggregate income from all sources (including agricultural income) ..	593	1. Basic allowance [Section 6(1)(h)] ..	739	2,30.7
2. Taxes payable on above ..	4,53.2	2. Other deductible expenditure in respect of		
3. Net Income (1—2) ..	4,87.9	(a) Civil or criminal proceedings [Section 6(1)(b)] ..	97	7.6
Of assessee's dependants		(b) Marriages [Section 6(1)(c)] ..	40	2.2
4. Aggregate income from all sources (including agricultural income) ..	78	(c) Maintenance of parents [Section 6(1)(e)] ..	82	4.1
5. Taxes payable on above ..	20.2	(d) Medical treatment [Section 6(1)(f)] ..	357	9.9
6. Net Income (4—5) ..	27.4	(e) Education abroad [Section 6(1)(g)] ..	165	7.4
7. Net aggregate income from all sources of assessee and his dependants (3+6) ..	671	(f) Expenditure not falling under heads (b) to (e) incurred outside India by a resident not being a citizen of India [Section 6(1)(i)] ..	89	11.6
		(g) Capital expenditure (to the extent of four-fifths of such expenditure only) incurred in the purchase of furniture, motor cars, jewellery etc. [Section 6(1)(d)] ..	237	54.3
B. Details of total expenditure :		3. TOTAL of 1 and 2 ..	1806	3,27.7
1. Total expenditure incurred by the assessee during the previous year ..	803	4. Alternative allowance under section 6(2), if applicable ..	54	25.9
2. Amount of expenditure incurred by others but liable to be included in the taxable expenditure of the assessee ..		5. Taxes, duties etc. paid and deductible:		
Under Section 4(i) (Third party expenditure) ..	85	(a) Paid to the Government or a local authority in India [Section 6(1)(a)] ..	535	5,26.7
Under Section 4(ii) (Expenditure incurred by dependants) ..	129	(b) Paid in any foreign country [Section 6(4)] ..	13	10.3
3. Total of items (1+2) ..	1022	Total deductions claimed ..	2408	8,90.6
C. Expenditure on which no tax is payable under section 5 :—		F. Taxable Expenditure: [D—E]		1,42.7
Any expenditure incurred		G. Computation Of Tax :		
1. In the purchase of		1. Tax payable on the amount shown against item F ..		49.3
(a) Books ..	117	2. Deduct amount of tax already paid, if any ..		0.7
(b) Products of cottage industry in India and works of art where the price of each such article exceeds Rs. 1,000/- ..	29	3. Net amount of expenditure-tax payable ..		48.6
Total [Section 5(g)] ..	146	ADD: Increase in Expenditure as a result of revisionary actions, rectifications etc. ..		0.3
2. By way of or in respect of any gift, donation, or settlement on trust or otherwise for the benefit of any other person [Section 5(j)] ..	293	DEDUCT: Decrease in Expenditure tax as a result of revisionary actions, rectifications etc. ..		9.3
3. In the purchase or maintenance of live-stock [Section 5(i)] ..	149	NET ..		39.6
4. By an assessee out of income or capital accrued or realised outside India and exempt under Section 5(o) (ii) ..	50	Cases Assessed u/s 20 Of The Expenditure Tax Act ..		55.9
5. On items mentioned in Section 5(q) ..	50			
6. On any other items specified in section 5 but not including items 1 to 5 ..	561			
7. Total ..	1249			

ANALYSIS OF EXPENDITURE TAX DEMAND FOR THE YEAR 1961-62

(According to the range of taxable expenditure and class of assesseees)

Range of Expenditure	INDIVIDUAL			Not a Citizen of India			Consolidated		
	Citizen of India			Not a Citizen of India			Consolidated		
	No. of Asses- sees	Total Taxable Expen- diture Rs.	Expenditure Tax Rs.	No. of Asses- sees	Total Taxable Expen- diture Rs.	Expenditure Tax Rs.	No. of Asses- sees	Total Taxable Expen- diture Rs.	Expen- diture Tax Rs.
1 — 10,000 ..	273	12,71,624	1,27,124	88	3,38,959	34,042	361	16,10,583	1,61,166
10,001 — 20,000 ..	153	22,38,674	2,97,659	31	4,35,930	55,934	184	26,74,604	3,53,593
20,001 — 30,000 ..	76	18,47,398	3,57,726	6	1,36,183	24,476	82	19,83,581	3,82,202
30,001 — 40,000 ..	39	13,32,761	3,75,336	1	34,560	9,736	40	13,67,321	3,85,072
40,001 — 50,000 ..	32	14,60,945	5,44,931	1	41,305	14,043	33	15,02,250	5,58,974
50,001 — 1,00,000 ..	20	15,40,910	9,60,911	1	54,467	25,467	21	15,95,377	9,86,378
1,00,001 — 2,00,000 ..	6	7,68,631	5,94,630	..	..	..	66	7,68,631	5,94,630
2,00,001 — 3,00,000 ..	3	7,59,780	6,72,780	..	..	..	3	7,59,780	6,72,780
3,00,001 — 5,00,000 ..	..	..	..	..	..	..	..	..	..
Above 5,00,000 ..	..	..	..	..	..	..	..	..	..
TOTAL ..	602	1,12,20,723	39,31,097	128	10,41,404	1,63,698	730	1,22,62,127	40,94,795
ADD: Increase in Expenditure tax as a result of revisionary actions, rectifications etc. ..									27,618
DEDUCT: Decrease in Expenditure tax as a result of revisionary actions, rectifications etc. ..									5,63,567

ANALYSIS OF EXPENDITURE TAX DEMAND FOR THE YEAR 1961-62 (Contd.)

(According to the range of taxable expenditure and class of assesseees)

Range of Expenditure	Hindu Undivided Family			All Classes of Assesseees		
	No. of Assesseees	Total Taxable Expenditure Rs.	Expenditure Tax Rs.	No. of Assesseees	Total Taxable Expenditure Rs.	Expenditure Tax Rs.
	No. of Assesseees	Total Taxable Expenditure Rs.	Expenditure Tax Rs.	No. of Assesseees	Total Taxable Expenditure Rs.	Expenditure Tax Rs.
1 — 10,000 ..	27	1,26,869	12,670	388	17,37,452	1,73,836
10,001 — 20,000 ..	15	2,34,596	31,716	199	29,09,200	3,85,309
20,001 — 30,000 ..	16	4,02,397	80,957	98	23,85,978	4,63,159
30,001 — 40,000 ..	3	1,05,438	27,422	43	14,72,759	4,12,494
40,001 — 50,000 ..	6	2,76,389	1,07,111	39	17,78,639	6,66,085
50,001 — 1,00,000 ..	7	5,31,197	3,28,197	28	21,26,574	13,14,575
1,00,001 — 2,00,000 ..	3	3,30,179	2,43,179	9	10,93,810	8,37,809
2,00,001 — 3,00,000 ..	..	..	..	3	7,59,780	6,72,780
TOTAL ..	77	20,07,065	8,31,252	807	1,42,69,192	49,26,047
ADD: Increase in Expenditure tax as a result of revisionary actions, rectifications etc. ..			4,000			31,618
DEDUCT: Decrease in Expenditure tax as a result of revisionary actions, rectifications etc. ..			3,69,923			9,33,490
Cases assessed u/s 20 of the Expenditure Tax Act ..						55,91,334

Estate Duty : 1961-62
ANALYSIS OF THE NET DEMAND OF ESTATE DUTY FOR 1961-62
 (According to the class of property assessed)

Classification	No. of Estates in each category	Value of Property			Estate Duty
		Joint Hindu Family	Other Kind	Total	
A—DEMAND					
(a) Immovable Property in India		Rs.	Rs.	Rs.	Rs.
(i) Agricultural Property	1415	1,11,64,060	5,55,22,555	6,66,86,615	28,39,410
(ii) Non-Agricultural Property	2533	1,60,82,616	14,27,95,081	15,88,77,697	1,16,27,699
(b) Movable Property in India	10798	2,30,61,656	29,90,00,002	32,20,61,658	2,94,57,735
(c) Movable Property outside India	111	1,27,209	2,08,30,793	2,09,58,002	59,51,395
(d) Demand made u/s 20(A) of the Estate Duty Act as amended	105	...	28,06,230	28,06,230	2,02,972
(e) Net value of Interest of all lineal descendants in joint family property	252	1,57,38,229	...	1,57,38,229	9,48,190
Total Demand	15214	6,61,73,770	52,09,54,661	58,71,28,431	5,10,27,401
B—DEDUCTIONS					
(i) Funeral expenses S.44	2752	3,26,329	28,90,877	32,17,206	...
(ii) Bonafide debts and encumbrances S.44	1185	35,08,764	2,68,56,564	3,03,65,328	...
(iii) Power Debts S.44	29	2,37,428	1,79,251	4,16,679	...
(iv) Cost of administering or realising foreign property S.48	7	...	1,31,243	1,31,243	...
(v) Duty paid in a non-reciprocating country S.49	4	...	1,33,480	1,33,480	...
Total Deductions	4728	40,72,521	3,01,91,415	3,42,63,936	...
PRINCIPLE VALUE OF ESTATE (A—B)	15214	6,21,01,249	49,07,63,246	55,28,64,495	5,10,27,401
C—REBATES & ALLOWANCES					
(i) Rebates					
(a) Gifts for public charitable purposes S.33(1)(a)	62	13,578	91,065	1,04,643	6,737
(b) Gifts for any other purpose S.33(1)(b)	484	64,449	6,53,654	7,18,148	35,624
(c) Money payable under Insurance policy for paying estate duty S.33(1)(f)	46	50,388	5,08,176	5,58,564	72,356
(d) Moneys deposited with Government for paying estate duty S.33(1)(g)	29	927	1,38,759	1,39,686	6,146
(e) Proceeds of Insurance Policy on life of the deceased S. 33 (1) (h)	732	1,71,267	31,93,875	33,65,142	1,26,521
(f) Money earmarked for the marriage of female relatives S.33(1)(k)	40	5,000	4,39,595	4,44,595	18,648
(g) Agricultural lands in non-scheduled States S.34(2)(ii)	80	2,68,218	34,68,645	37,36,863	3,06,844
(h) Interests of all lineal descendants in joint family property S.34(2)(iii)	252	1,57,38,229	...	1,57,38,229	9,48,190
(i) Interest in expectancy (DEMAND deferred under S.38)	3	2,46,883	21,544	2,68,427	14,380
TOTAL	1728	1,65,58,984	85,15,313	2,50,74,297	15,35,446
(ii) Allowances					
(a) Estate Duty paid in a receprocating country S.30	4	...	...	...	...
(b) Allowance for quick succession S.31	16	...	...	...	...
(c) Rebate on agricultural land S.35(3)	998	...	...	...	33,30,114
(d) Allowance for sum paid for obtaining probate etc. S.50	396	...	...	...	6,564
(e) Gift-tax already paid in respect of property included in the Estate S.50.A	56	...	...	...	2,32,855
TOTAL	1470	...	...	...	33,38,351
Total Rebates and Allowances	...	...	...	...	2,91,273
Duty payable (A—C)	...	...	...	...	71,99,157
D—PAYMENTS ALREADY MADE					
(a) On provisional assessment u/s 57	1166	...	...	...	87,34,603
(b) Secured under policy of insurance u/s 33(1) (f)	1	...	...	...	4,22,92,798
(c) Money deposited with Government u/s 33(1)(g)	1	...	...	...	1,65,22,669
(d) Other payments	25	...	...	...	31,918
DEDUCT: Total Payments already made	...	...	...	...	8,732
Net Demand	...	...	...	...	96,891
Total Net Demand*	...	...	...	...	1,66,60,210
*After making adjustments for rectifications, refunds etc.	...	...	...	...	2,56,32,588
					2,32,36,062

ESTATE DUTY PAYABLE DURING 1961-62

(According to the grade of total value of property and all classes of Estates)

Grade of total value of property	Estates Entirely Joint Family			Property Partly Joint Family & Partly Other Kind		
	No. of Estates	Total Value of Property	Estate Duty	No. of Estates	Value of Property	
					Joint Family	Other Kind
					(Rs. lakhs)	(Rs. lakhs)
Up to 50,000	59	11.1	0.2	3	0.6	0.4
50,001 — 1,00,000	186	121.9	1.2	222	66.1	93.0
1,00,001 — 1,50,000	55	66.9	1.5	114	43.7	91.9
1,50,001 — 2,00,000	23	40.9	1.2	46	26.6	53.5
2,00,001 — 3,00,000	12	29.3	1.5	58	45.8	96.7
3,00,001 — 5,00,000	11	37.9	2.2	32	56.8	61.0
5,00,001 — 10,00,000	1	5.8	0.2	17	49.4	66.6
10,00,001 — 20,00,000	...	...	...	2	18.1	11.7
20,00,001 — 30,00,000	...	...	...	...	...	...
30,00,001 — 50,00,000	...	...	...	...	...	...
50,00,001 — 75,00,000	...	...	...	...	...	...
75,00,001 — 1,00,00,000	...	...	...	...	...	...
1,00,00,001 and over	...	...	...	...	...	...
TOTAL	347	3,13.9	7.9	494	3,07.2	4,74.7
Increase in demand on account of appeals, rectifications, etc.			0.05	...	...	0.2
Decrease in demand or refund on account of appeals, rectifications, etc.			5.1	...	...	2.9
Grade of total value of property	Estates Entirely Other Kind			Demand Made Under Sec. 20(A) of the E.D. Act as Amended		
	No. of Estate	Total Value of Property (Rs. Lakh)	Estate Duty (Rs. Lakhs)	No. of Estates	Total Value of Property (Rs. Lakhs)	Estate Duty (Rs. Lakhs)
Up to 50,000	2	0.7	0.01	97	12.1	0.9
50,001 — 1,00,000	592	4,17.7	4.3	1	0.7	0.05
1,00,001 — 1,50,000	709	8,36.0	12.0	4	5.0	0.3
1,50,001 — 2,00,000	276	4,74.2	15.6	...	...	...
2,00,001 — 3,00,000	247	5,98.5	33.4	1	2.8	0.2
3,00,001 — 5,00,000	170	6,39.6	50.0	2	7.5	0.6
5,00,001 — 10,00,000	74	5,09.3	61.5	...	...	...
10,00,001 — 20,00,000	11	1,39.6	21.6	...	...	...
20,00,001 — 30,00,000	7	1,61.5	30.2	...	...	...
30,00,001 — 50,00,000	7	2,49.2	53.2	...	...	...
50,00,001 — 75,00,000	1	61.3	17.3	...	...	...
75,00,001 — 1,00,00,000	...	...	...	...	...	...
1,00,00,001 and over	2	3,17.1	75.5	...	...	...
TOTAL	2098	44,04.9	3,74.6	105	28.1	2.0
Increase in demand on account of appeals, rectifications, etc.			3.0	...	...	3.2
Decrease in demand or refund on account of appeals, rectifications			19.2	...	...	27.2

MOVABLE PROPERTY ASSESSED TO ESTATE DUTY DURING 1961-62

(Rs. crores)

Classification	In India					Outside India					Consolidated				
	No. of	Value of Property			Estate	No. of	Value of property			Estate	No. of	Joint	other	Total	Estate
	estates in each cate- gory	Joint Hindu Family	other Hindu kind	Total	Duty	estates in each category	Joint Hindu Family	other Hindu kind	Total	Duty	estates in each category	Hindu Family	kind in each Family		Duty
1. Govt. Securities	604	0.05	1.4	1.4	0.1	4	...	0.01	0.01	Neg	608	0.05	1.4	1.4	0.1
2. Stocks, Shares & Debentures	1495	0.2	6.7	6.9	0.8	31	Neg	0.3	0.3	0.05	1526	0.2	7.0	7.2	0.9
3. Cash incl. fixed deposits	2277	0.3	4.4	4.7	0.4	29	Neg	0.1	0.1	0.03	2306	0.3	4.6	4.9	0.4
4. Life Insurance proceeds	929	0.05	2.0	2.0	0.1	4	...	0.007	0.007	Neg	933	0.05	2.0	2.0	0.1
5. Business Assets *	1141	0.9	7.4	8.2	0.5	17	0.006	0.1	0.1	0.005	1158	0.9	7.5	8.4	0.5
6. Precious stones, jewellery & Works of Art	1329	0.07	0.7	0.7	0.05	3	...	0.1	0.1	0.03	1332	0.07	0.8	0.9	0.09
7. Household goods, vehicles furniture etc.	995	0.03	0.4	0.4	0.03	3	...	0.003	0.003	Neg	998	0.03	0.4	0.4	0.03
8. Slice of the assets of controlled companies	54	0.01	1.4	1.4	0.4	1	...	0.03	0.03	0.002	55	0.01	1.4	1.4	0.4
9. Others	2079	0.7	6.0	6.7	0.5	19	0.004	1.3	1.3	0.5	2098	0.7	7.3	8.0	1.0
Total	10903	2.3	30.2	32.5	3.0	111	0.01	2.1	2.1	0.6	11014	2.3	32.3	34.6	3.6

* Including share in partnership and goodwill.

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay			Delhi	Bengal	U.P.	Bombay	Madhya Pradesh	Madras	E.P.	All India
	Bombay	Bombay	Ahmedabad	Delhi†	Calcutta	Kanpur	Nagpur	Jabalpur†	Madras June 1936=100	Ludhiana†	
		June 1934=100	July 1927=100								
1955	322	338	218	130	334	371	364	133	321	134	132
1956	336	352	244	142	347	424	397	151	356	152	145
1957	352	368	269	150	364	448	422	162	375	157	152
1958	376	394	274	150	384	468	447	165	401	157	161
1959	393	412	308	158	384	469	498	163	429	166	168
1960	401	420	296	158	397	476	512	165	467	167	171
1961	412	431	300	167	406	486	495	168	478	172	173
1962*	423	444	302	172	420	511	502	198	484	182	179
1962 March	418	439	299	170	403	503	493	198	480	179	175
April	418	439	300	170	410	491	492	198	480	182	177
May	422	443	303	167	417	491	496	199	480	180	178
June	426	447	307	171	417	505	497	201	484	182	179
July	427	448	309	175	420	515	501	202	487	185	182
August	433	454	308	177	431	530	510	204	488	187	184
September	429	450	310	176	434	525	506	204	488	187	182
October	425	446	306	173	445	522	513	204	487	187	185
November	424	445	300	173	437	518	516	201	487	185	184
December	419	440	290	169	424	504	511	199	488	180	181
1963 January	417	438	285	171	417	499	508	199	484	180	179
February	416	437	282	171	427	497	492	199	484	184	178
March	417	438	285	171	431	498	485	201	480	189	179
April*	416	437	290	174	441	498	497	201	483	190	181
May*	419	440	293	174	448	501	500	201	483	187	182
June*	425	446	297	174	448	509	522	202	485	189	185
July*	427	448	—	175	—	530	540	204	487	192	186
August*	428	449	—	177	—	—	541	—	490	—	—

* Provisional.

† Base: 1944 = 100.

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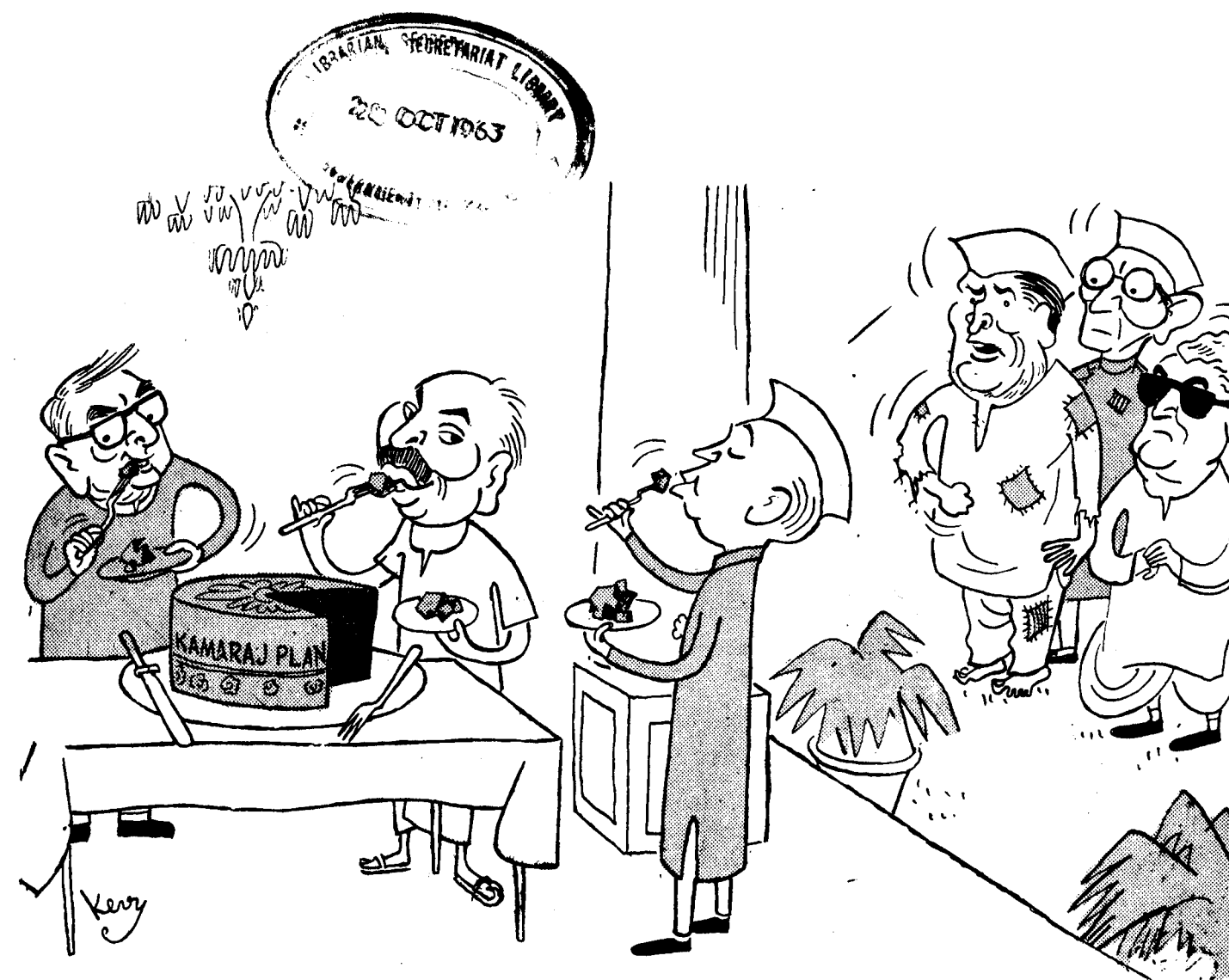
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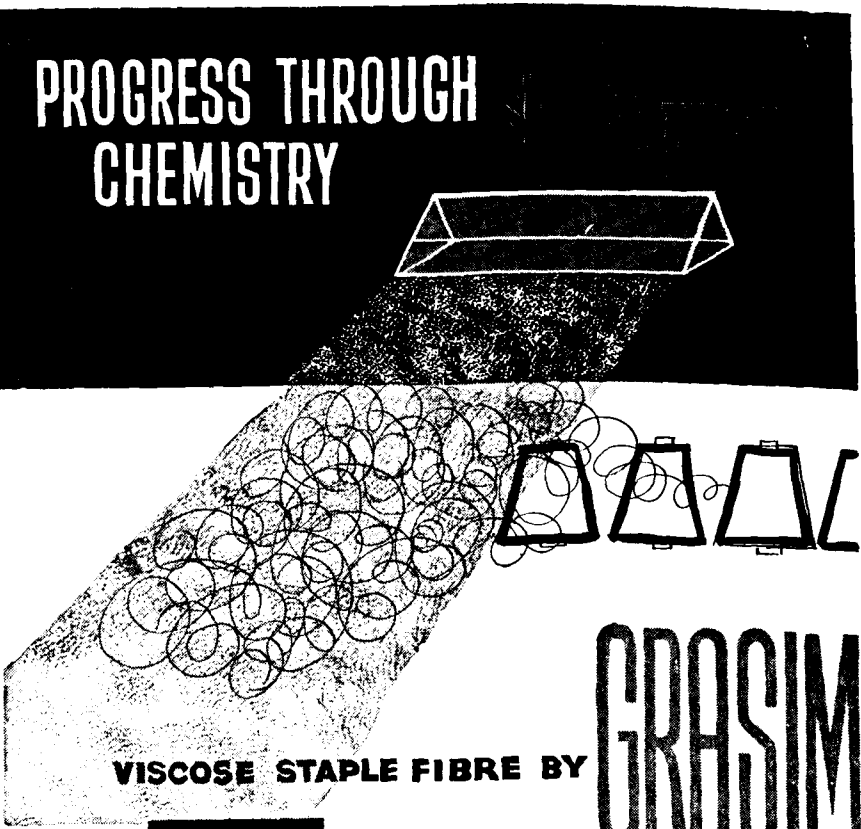
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Lest We Forget

FOR A NEWLY independent nation we seem to be accumulating National Days rather fast. October 20, however, must be, in a rare sense, a Day of Dedication for all of us. On this day last year, the Chinese communists taught us the very valuable lesson that freedom was not less easy to keep than to win. This week the nation celebrated on Sunday its first National Solidarity Day in demonstration that this lesson has been well learnt. The Prime Minister has spoken of the shattering of many illusions. Some, however, still seem to linger. That we as a people value our independence and the territorial integrity of our nation has been affirmed clearly enough in the agonizing months following the Chinese invasion, but it still remains to be proved equally clearly that we are going about this job of the defence of our values and ourselves in the most effective manner possible.

It is true that, as Mr. Nehru said, we have been building up our defence strength steadily over the past year, but, as the Defence Minister realistically pointed out not very long ago, there is still a great deal to be done before our country may be deemed to be militarily capable of dealing effectively with a major offensive on the part of a powerful country as fully geared to the purposes of war as China has been for a long time now. That our Jawans, as individuals, are cool of head and brave of heart on the battle front, is happily wholly true. But it is also true that in the encounters of last October and November they were poorly equipped and armed, inadequately trained and, by and large, incompetently led. There was considerable — and very useful — discussion in the last session of Parliament of what was being done to remedy these weaknesses discovered at such great cost to our national prestige and national morale. The assurances which have been forthcoming from the Government on this point have been, on the whole, encouraging, but as Mr. Chavan himself would only too readily admit, how well in fact our defence preparedness is being pursued can in the last resort be shown only through the dread arbitrament of war. While we must surely hope that means will be found for the restoration of an honourable and enduring peace along our country's ravaged frontiers, October 20 must always remain a hard reminder to us not to be complacent or too trusting, and above all, not to entertain again the particular illusion that our own desire for friendship and peaceful co-existence should necessarily be reciprocated by our neighbours whose inner compulsions might be quite different.

In describing October 20 as National Solidarity Day, the idea evidently has been to emphasise the important fact that it is in our national unity more than anywhere else must be found the most trustworthy guarantee of our national security. In the wake of the Chinese invasion there has been heart-warming upsurge of oneness in the hearts and thoughts of our people. But it would be unsafe to ignore the fact that there is a very considerable element of mass emotion in this response. The task for statesmanship consequently has been to give a concrete character to this emotive reaction and to release its energies into constructive channels which would feed our national will and capacity to resist aggression and persevere in the pursuit of our way of life. That this task has been earnestly and valiantly attempted none in the wide world may properly question. But how much has been actually accomplished is a matter which undoubtedly needs to be anxiously considered.

In certain directions the progress of course has been commendable. The numerical strength of our Armed Forces, in the officer and other ranks, is being steadily built up. The Defence Minister has given us his word that the bitter lessons of the NEFA campaign are being kept in mind and that the training of the troops is being planned and executed on the lines

which have been indicated as necessary. He has also said that the higher echelons of command are being toughened up and that every care is being taken to ensure the highest level of competence in the areas of strategic studies and planning. We may, therefore, reasonably assume that, along with quantity, the quality aspect of the military build-up is also being taken care of.

Elsewhere too there has clearly been progress. The organisation of Supplies is getting into stride and the provisioning and equipment of the Armed Forces are being undertaken in satisfactory compliance with current demands as well as in careful anticipation of future requirements. The resources of military transport are similarly being expanded and even in the critical areas of small arms and ammunition, programmes of manufacture have apparently been organised to overcome the tragic deficiencies disclosed last October. Thanks to the co-operation of friendly foreign countries, the manufacture of high-speed military aircraft as well as the training of IAF personnel in strategic manoeuvres and the handling of advanced types of aircraft are proceeding apace. All this shows that the country's will to defend itself is being backed in a very tangible manner by specific programmes instituted in those areas of Defence preparedness which are directly relevant to possible threats to the nation's security, particularly in the immediate future, but also in the long period

It should be obvious, however, that direct Defence preparedness is only a part of a more comprehensive national preparedness for roughing it out in this deceptive and dangerous world. As has been promptly recognised by the Prime Minister and other leaders of the Government after the Chinese invasion of last October, the capacity of this country to defend itself will be determined in a very critical sense by the larger capacity of its economy, particularly the industrial part of it. This is true not merely in the narrow context that most of the materials for Defence in terms of modern warfare will necessarily have to come out of factories, particularly sophisticated industrial plants. Even more important is the fact that, unless in a poor country such as ours, the economy is visibly expanding, steadily providing more employment and a better livelihood to the impoverished millions, it will not be possible really to create and sustain a psychology of national confidence, national enthusiasm and national dedication to national interests. While it is certainly necessary to coin slogans to crystallise, capture and propagate essential national moods, it must be admitted that national solidarity so vital to national security cannot be achieved through political speeches or propaganda. On the contrary, democratic politics being what they are, especially in a country such as ours which is new to the manners and morals of Parliamentary government, sooner or later there is bound to arise a temptation in the hearts of politicians and political

parties to agitate against one another even in the very name of national solidarity.

That this is so has become quite evident through recent trends in our political and public affairs. The Congress no doubt has been making a commendable bid to put its house in order, but some of the actions perpetrated in the name of this cleansing process have themselves come to be criticised as sheer opportunism. As for other political parties, the P.S.P. has evidently given up all pretensions to serious political activity. Angered by the desertion of its leadership, humiliated by the cavalier treatment meted out to it by the Lohia Socialists, and rendered witless by the disappearance from the Government of easy targets, such as Mr. V. K. Krishna Menon and Mr. K. D. Malaviya, the P.S.P. has now been reduced to an annoying distraction on the political stage. The Swatantra Party, on the contrary, has lately been showing much activity, but rather epileptic in character. In its almost insane hatred of the present leadership of the Congress, it now seems to have reached a mental state where it would evidently be prepared to bury the country with the Congress. How else are we to interpret its unashamed support and sympathy, in the present circumstances of the country, to disruptionist agitations such as the one which the DMK is contemplating? As for the Communists, the Gopalan episode cannot really hide the brute fact that

Eastern Economist 20 Years Ago
OCTOBER 22, 1943

With a view to studying the conditions of poverty in the City of Madras, a survey was started in 1937 and completed in about a year's time. As the whole of the City could not be surveyed, one municipal division, namely, Purasawalkam, was taken up and about 2,500 families were studied. The method of enquiry was that adopted by Mr. Rowntree in his study of New York: that is a house-to-house enquiry of all families whose income was less than Rs. 50

The following table gives the total income of each of the six groups as well as the total number of families and the total number of persons.

Income Groups	Total Income Rs. a. p.	Number of families.	Number of persons.
1. (Rs. 10 and below 10)	4,387 2 0		
2. (Rs. 10-15)	6,134 9 0	803	2,975
3. (Rs. 15-20)	7,352 15 0	445	1,889
4. (Rs. 20-25)	6,843 6 8	393	1,766
5. (Rs. 25-30)	7,028 8 0	289	1,359
6. (Rs. 30 and above)	12,060 8 9	244	1,261
		298	1,663

The total income of 803 families in the lowest income group (or about 33 per cent of the families investigated) consisting of 946 men, 1,019 women and 1,010 children is as seen in table above Rs. 4,387-2-0. This works out rightly at Rs. 1-12-5 per adult per month or a little over 11 pies a day. (A child is taken as half an adult). One wonders whether it is possible for anyone to subsist on such income. Perhaps, it is not as incredible as it sounds.

their party is as eager and alert as ever to find its opportunities in the nation's difficulties.

In such a context it may be unsafe to depend unduly on intelligent political management to preserve the psychology of national solidarity. It has therefore become all the more necessary to release an alternative, purposeful and positive influence among the people in order that the national will to national security may be safeguarded and strengthened. This alternative means will necessarily have to be found in the economic sphere through a dynamic programme of vigorous economic expansion. In this way it is possible not only to speed up the building of our Defence effort but also to create a clear and firm impression in the minds of our people that this country, worth defending always, is becoming more and more a country worthy of its people's sweat, toil and tears in its defence. Every unemployed person who gets employment, every man, woman or child who had hitherto to make do with one meal a day, but may hereafter hope to get two meals, is worth more than all our pledges of national solidarity.

It is true that the immediate past has not been very encouraging; industrial activity has not been expanding as fast as it had done in the earlier years; industrial

Erosion of Wealth

A CRUCIAL sentence in the Finance Minister's broadcast to the nation on October 11 was: "To me, socialism far from curbing the individual, seeks to stimulate and reward individual initiative and enterprise". The practical effect of such direct taxes as wealth tax, gift tax, expenditure tax, etc., which he levied in 1957-58 was to punish, rather than reward, individual initiative. This is brought out by the latest statistics in regard to these taxes which were published in *Eastern Economist* last week on pages 819-826. It may be stated that the expenditure tax was discontinued in April 1962 and the wealth tax on companies in April 1960; hence they do not form a part of this analysis.

Table I below gives the yield from wealth tax from 1957-58 to 1963-64 (budget) which totalled Rs. 63.23 crores for all these years; the maximum wealth tax realised in any single year was Rs. 12.11 crores in 1959-60. The anticipated rise of Rs. 40 lakhs in revenue from

TABLE I
YIELD FROM WEALTH-TAX

	(Rs. Crores)
1957-58 (Accounts)	7.04
1958-59 (Accounts)	9.67
1959-60 (Accounts)	12.11
1960-61 (Accounts)	8.15
1961-62 (Accounts)	8.26
1962-63 (Revised)	9.00
1963-64 (Budget)	9.00 (+0.40*)
	63.23 (+0.40*)

* Effect of Budget proposals.

expansion has apparently become halting and uncertain; important industrial programmes are not being pursued or fulfilled according to schedule. All this is no doubt disquieting. But, as the Finance Minister explained a few days ago, it is not as if the position cannot be retrieved. Basically our economy has great potentialities and it is not impossible to persuade it to recapture its elan. Much of our current disappointments and difficulties is a product of Man's mistakes. They must consequently be capable of being corrected by Man's wisdom. Some time ago there was a hot dispute about the extent of poverty that is prevalent in our country, but it has not been, nor can it be, disputed that our people, undoubtedly poor now, need not continue to be poor. There is today in every section of the community a desire for economic progress. This surely must be a powerful catalyst. The ingredients are there — a large potential in natural and human resources. Sixteen years ago in the first flush of its independence, this country made to itself a promise that it would use those resources well and wisely. This promise, unfortunately, has not been always fully kept. But even through the lapses both knowledge and experience have been gained. On this occasion, on the first anniversary of Red China's open challenge to our existence as an independent nation, it is proper that we should recall that promise and resolve to carry it out better.

wealth tax in 1963-64 is due to the withdrawal of the exemption limit upto Rs. 25,000 allowed for jewellery in Section 5 of the Wealth Tax Act for the purpose of computing the net wealth of assessees. In his budget speech, the Finance Minister had justified this measure in these words: "At a time when we have launched on a new gold policy to reduce the glamour for gold, an exemption for jewellery in wealth would be inappropriate".

Table II (p.834) sets out the demands from individual assessees in 1960-61 and 1961-62. It shows that the bulk of the assessments in 1960-61 at 94.2 per cent and in 1961-62 at 94.1 per cent, to be precise, were in the net wealth brackets of Rs. 2 to 12 lakhs. Nearly 40 per cent of the assessees were in the lowest range of Rs. 2 to 3 lakhs. The assessees with net wealth of more than Rs. 12 lakhs were hardly 6 per cent of the total number of assessees.

The wealth tax demands at Rs. 7.3 crores in 1960-61 and Rs. 7.5 crores in 1961-62 had the maximum impact on assessees commanding net wealth at more than Rs. 12 lakhs. In 1960-61, the percentage of the number of such assessees to the total was only 5.8 but the percentage of wealth tax demanded of them was 52.0 of the total. Similarly, in 1961-62, the assessees having net wealth above Rs. 12 lakhs were 5.9 per cent of the total but the tax demanded of them was 46.7 per cent of the total. Special attention is invited to the top three classes of assessees having net wealth above Rs. 50 lakhs; in all the groups, the number of assessees has declined. Their

collective strength has dropped from 105 in 1960-61 to 91 in 1961-62. They constituted only 0.5 per cent of the total number of assesseees in 1960-61 and only 0.4 per cent of the total number of assesseees in 1961-62. The wealth tax demanded of them at Rs. 1.7 crores in 1960-61 was 23.3 per cent of the total; in 1961-62, the wealth tax demanded of them was Rs. 1.1 crores at 14.7 per cent of the total. This is a clear pointer to the fact that the wealth tax is fast reducing the number of wealth-tax assesseees in the group above Rs. 50 lakhs and that very soon this class of assesseees is likely to vanish. Moreover, the additional surcharge rising progressively from 4 per cent to 10 per cent on the incomes after tax in the last budget coupled with the wealth tax is hastening the erosion of wealth in this country.

Table III below illustrates this point. It shows that there is no incentive to work if one has net wealth of Rs. 25 lakhs and an annual income of Rs. 1,00,000. The assumption of 4 per cent return on taxable net wealth is justified on the ground that all the companies (in which capital might be invested) do not pay dividend every year and a part of the wealth must be locked up in buildings and jewellery. With net wealth of Rs. 50 lakhs, there is positive disincentive of Rs. 53,575 which rises to Rs. 1,54,675 at the Rs. 100 lakhs level of net wealth.

TABLE III

Net Wealth	Assumed Income*	Income-tax **	Wealth Tax	Total Tax
(1)	(2)	(3)	(4)	5=(3)+(4)
25 lakhs	1,00,000	64,815	38,000	1,02,815
50 lakhs	2,00,000	1,53,075	1,00,500	2,53,575
75 lakhs	3,00,000	2,41,375	1,63,000	4,04,375
100 lakhs	4,00,000	3,29,675	2,25,000	5,54,675

* 4 per cent rate of return.

** Including surcharge.

The total wealth tax demands on Hindu undivided families in 1960-61 were valued at Rs. 94.5 lakhs which increased to Rs. 115.30 lakhs in 1961-62. The number of assessments under this category rose from 2,138 in 1960-61 to 2,345 in 1961-62 because of the "persistent tendency" of the Hindu undivided families to increase from year to year. Even in the case of the income-

tax paying Hindu undivided families there has been an increase due to certain tax advantages to be derived in breaking one undivided Hindu family into several Hindu undivided families.

The total tax demands relating to gift tax in 1961-62 were not more than Rs. 1.15 crores from individuals, Hindu undivided families, firms and other associations of persons. The largest category of the assesseees was "individuals"; the others were relatively few in number (see page 821 of *Eastern Economist* dated October 18, 1963). At the time when this tax was levied, it was thought that people might avoid payment of wealth tax by making free gifts to relations and friends. The figures of gifts and gift tax show that there is no attempt on the part of the people to distribute their wealth through gifts in a liberal manner and where-ever people feel the urge to give gifts, they do so irrespective of the tax. The largest number of donors, amongst the "individuals", were in the lowest range of taxable gifts i.e. Rs. 50,000 and below. There were, in fact, no taxable gifts in 1961-62 (with the exception of a solitary company) which were in value more than Rs. 20,00,000. The burden of the tax, as indicated above, fell mostly on individuals. Like the Hindu undivided families in the case of the wealth-tax, the total number of assesseees under the gift tax has been on the increase; as against 5,608 cases in 1960-61, the number rose in 1961-62 to 6,648 (and the tax demands increased from Rs. 99.9 lakhs to Rs. 115.5 lakhs).

The estate duty demands also recorded a rise in 1961-62 over 1960-61. As against the total estate duty demanded in 1960-61 at Rs. 2.82 crores, it was Rs. 4.23 crores in 1961-62 because of the yield from two cases (in the highest value of property class at more than a crore of rupees) amounting to Rs. 75.5 lakhs. The largest number of cases at 1001 out of a total of 3044 in 1961-62 was in the property range between Rs. 50,000 and Rs. 1,00,000. The number of cases with the property value below Rs. 50,000 was as small as 161 in 1961-62 as against 452 in 1960-61. The sizable rise in revenue demands was because of the two stray cases in the highest property value class indicated above.

TABLE II

Range of Net Wealth (Rs. Lakhs)	No. of Assessments	1960-61		1961-62	
		Total Value of Wealth (Rs. Crores)	Wealth Tax (Rs. Crores)	Total Value of Wealth (Rs. Crores)	Wealth Tax (Rs. Crores)
2 — 3	..	8,416(39.9)	2,08.4(18.6)	9,588(40.3)	2,35.8(19.3)
3 — 4	..	4,614(21.9)	1,59.0(14.2)	5,116(21.5)	1,76.3(14.4)
4 — 5	..	2,470(11.7)	1,10.0(9.8)	2,836(11.9)	1,26.3(10.3)
5 — 12	..	4,376(20.7)	3,15.2(28.1)	4,867(20.4)	3,49.6(28.6)
Total 2 — 12	..	19,876(94.2)	7,92.6(70.6)	22,407(94.1)	8,88.0(72.5)
12 — 50	..	1,115(5.3)	2,16.6(19.3)	1,317(5.5)	2,53.9(20.7)
50 — 75	..	49(0.2)	29.8(2.7)	46(0.2)	27.7(2.3)
75 — 100	..	24(0.1)	21.1(1.9)	17(0.1)	14.2(1.2)
Above 100	..	32(0.2)	62.6(5.5)	28(0.1)	40.4(3.3)
Total for all Groups	..	21,096(100.0)	11,22.7(100.0)	23,815(100.0)	12,24.1(100.0)

NOTE: Figures in brackets are percentages to total.

Highlights of the Week

TRANSPORT IN THIRD PLAN

THE TOTAL cost of implementing the third Plan transport and communication programmes is now expected to go up to Rs. 2,070 crores from Rs. 1,486 crores provided in the Plan and Rs. 1,630 crores, the original estimate of this cost. The increase, however, has been mainly occasioned by a number of additions made to the original development proposals. The more important among these are the strengthening of the transport and communication systems in the border and mining areas. The cost of transport schemes is expected to go up from the original estimate of Rs. 1,475.5 crores, against which a provision had been made to the tune of Rs. 1,351 crores, to Rs. 1,907 crores. The cost of communication programmes is likely to increase from the original estimate of Rs 154.4 crores and the Plan provision of Rs. 135 crores to Rs 163 crores.

The whole of Rs 2,070 crores estimated outlay, however, is not expected to be incurred during the third Plan period. The maximum expenditure anticipated is around Rs. 1,997 crores. This should suggest that some of third Plan transport and communication development schemes will have to spill over to the fourth Plan. The two sectors which are expected to fully incur the revised costs of their programmes are railways (Rs. 1,196 crores—excluding the expenditure met from the Depreciation Reserve Fund of the railways and the expenditure of inventories) and posts and telegraphs (Rs. 85.4 crores). Expenditure on the development of ports (Rs. 131.2 crores) may also be nearly 100 per cent of the revised estimated cost (Rs. 131.8 crores). Significant shortfalls in expenditure are anticipated in respect of roads, tourism and civil aviation development plans. Against the Rs. 470.8 crores, Rs. 7.7 crores and Rs. 55.8 crores revised costs of these programmes, the actual expenditure anticipated is Rs. 424.1 crores, Rs. 4.8 crores and Rs. 47.5 crores, respectively.

The present development programmes of the railways provide for creation of a capacity adequate for carrying 260 million tons of originating traffic as against 245 million tons estimated earlier. Owing to shortfalls anticipated in the production of steel, coal and cement industries, the originating traffic in the last year of the Plan, however, is not likely to be more than 241 million tons. The railways, thus, will start the fourth Plan with a certain amount of advantage. The revised rolling stock programme provides for acquisition of 2,070 locomotives and 150,464 wagons (in terms of four-wheelers), as against 1948 locomotives and 117,144 wagons originally provided for. The electrification programme is also being speeded up; about 2,400 route kilometres are now proposed to be electrified as against the original proposals of electrifying 1,760 kilometres. The programme of doubling the lines has been stepped up from the 2,560 kilometres target to 3,548 kilometres. The plan for laying new lines now includes the construction of a broad-gauge link to Assam. Otherwise, no major changes have been made in the original provision of laying 2,400 kilometres of new lines, including 320 kilometres of lines connected with coal development and 632 kilometres with movement of iron ore.

As regards development of roads, the original target of increasing, under the third Plan, road kilometrage from about 230,400 to 270,400 is to be stepped up by about 1,140 kilometres mainly on account of developing the main arterial routes. The number of new bridges to be constructed under the Central Plan has also increased from 60 to 85. Missing links have to be provided on an additional 480 kilometres. The other additions in the road transport development programmes have been for improving the existing facilities. The Centre is envisaged to play a greater role in this respect in view of the need

to develop roads in the border areas.

As regards shipping, with the third Plan original target of increasing the total tonnage from 857,000 GRT by a gross addition of 375,000 GRT or a net addition of 181,000 GRT after allowing for replacements, having been practically achieved during the very first year of the Plan, the gross five-year target has now been increased. Ships aggregating 607,000 GRT have already been acquired or ordered. It has now been decided that further offers for acquisition of ships on suitable terms may be considered on merits, bearing in mind, of course, the need to keep commitments for future repayment of foreign exchange within reasonable limits.

The ports development programme, which originally envisaged increasing the capacity of the major Indian ports from 37 million tons in 1960-61 to 49 million tons in 1965-66 through completion of the works initiated in the second Plan period and starting of work on three new all-weather ports at Haldia, Tuticorin and Mangalore, has now been expanded to include the development of Paradip Port. There has been no major change in the development programmes for civil aviation. As regards development of communications, it is now expected that as many as 320,000 new telephone connections might be made available during the current Plan, as against the original estimate of 300,000 connections. Opening of new exchanges may also go up from the initial estimate of 1,200 to 1,290. Provision has also now been made for increasing the capacity to manufacture tele-communication cables and cross-bar equipment.

MORE FUNDS FOR AGRICULTURE

THE UNION MINISTRY of Food and Agriculture has decided to make additional allocations of funds to the States for stepping up farm output during the current financial year. The total amount sanctioned is Rs. 19.15 crores. Though belated—already half of the year is out—the step is welcome in view of the lag in agricultural production witnessed during 1961-62 and 1962-63. These allocations are partly to be made available as additional Central assistance and partly as accelerated aid. The latter will be adjusted against assistance to be given by the Centre during the terminal two years of the Plan.

As could be expected, the new allocations are to be utilized for measures yielding quick results—minor irrigation programmes, intensive agricultural production schemes and soil conservation. Over three-fourths of this expenditure—Rs 14.86 crores—has been earmarked for minor irrigation. A sum of Rs. 2.56 crores will be spent on intensive agricultural production programmes and the remainder Rs. 1.73 crores on soil conservation schemes.

In selecting new minor irrigation programmes, the States have been asked to give preference to schemes which can be undertaken and completed expeditiously. These include boring and deepening of the existing wells, installation of pump sets and restoration of tanks. It may be recalled in this connection that a decision was taken recently by the Union Government to make available adequate quantities of steel and cement for agricultural purposes and at appropriate times. The State Governments have also been advised to expedite the utilization of the irrigation potential already created. Particular attention is to be paid in this regard to areas selected for intensive cultivation of various cash and food crops.

Under the agricultural production programmes, the additional allocations are to be used for meeting in a fuller manner the requirements of the districts selected for intensive cultivation of rice, millets, pulses, cotton, oilseeds, sugarcane, fruits and vegetables, poultry and cattle development, the latter

particularly in areas around dairy projects. They can also be utilized for plant protection measures. For starting any new soil conservation schemes also, the stress is to be on the selected intensive cultivation areas.

The Union Ministry has done well in making the additional assistance conditional on the full utilization of the outlay already sanctioned for agricultural development. There should also not be any diversion of these funds for any other purpose—a complaint often heard in the recent past. If the level of outlay now arrived at is not reached in a particular State, the assistance drawn by that State from the Centre would correspondingly diminish. The State-wise break-up of the new allocations is: Andhra Pradesh Rs. 3.23 crores; Bihar Rs. 2.20 crores; Kerala Rs. 0.65 crores; Madhya Pradesh Rs. 3.00 crores; Madras Rs. 0.9 crore; Maharashtra Rs. 1.00 crore; Mysore Rs. 2.50 crores; Orissa Rs. 1.15 crores; Punjab Rs. 0.90 crore; Rajasthan Rs. 1.40 crores; Uttar Pradesh Rs. 1.00 crore; and West Bengal Rs. 1.22 crores. No additional funds have been made available to Jammu and Kashmir, Gujarat and Assam.

EEC TARIFF CUTS

THE EUROPEAN Economic Community has decided to unilaterally suspend, with effect from January 1, 1964, in whole or in part, tariffs on various commodities imported by it from India. The commodities on which tariffs have been completely withdrawn are cashewnuts, chillies and chillies powder, unground cardamum, unground coriander, ginger, tobacco-seed oil, bleached shellac, mango chutney, ginger preserved and conserved, curry paste and powder, and cricket and polo requisites. A seven per cent suspension has been announced in tariff on castor oil. Tariffs on handloom textiles, reports from Brussels suggest, may also be withdrawn provided a new tariff position can be opened which satisfactorily distinguishes them from mill-made cloth. The tariff withdrawals or cuts announced are for a period of two years.

Coming soon after the suspension of the EEC tariff on tea, the new concessions have been welcomed in Delhi. The Government of India, it is learnt, considers these as marking the beginning of a favourable treatment that needs to be accorded by the European Economic Community to exports of less developed countries of both primary products and manufactured goods. India has been stressing for larger outlets for the less developed countries in the expanding Community of the Six. She is of the view that a new form of international division of labour is necessary in the changing circumstances of the world. Under this, simple manufactures from the developing countries should have greater access to the markets of the developed ones by virtue of the latter concentrating on sophisticated manufactures.

The satisfaction in New Delhi over the tariff concessions announced, of course, cannot be said to be complete as no cuts have been offered in tariffs in certain other important commodities for which slight relaxations had been proposed during Britain's negotiations with the EEC last year. These commodities include kips, coir mats and matings and heavy jute goods. It is also not yet clear whether the national tariffs will also be suspended on the new commodities simultaneously with the withdrawal of the Community tariffs on them.

REGIONAL CO-OPERATION

THE NORTHERN Zonal Council, at its two-day meeting at Chandigarh last week, took two important decisions which, if implemented, should open new vistas for regional co-operation. The first decision was in respect of introducing uniform rates of sales tax in the States comprising the Northern Zone. A Committee was appointed to go into this question and report before March next. Diversity in the rates of sales taxes in different States has been one of the major complaints of the business community and it has been urged that sales taxes

should be substituted by additional excise duties on as many commodities as possible. But this proposal has not found favour with the State Governments for the reason that it would have taken out from their sphere a very flexible source of revenue. Introduction of uniform rates of sales taxes on regional basis should be a via-media between the two extremes.

The second important decision taken was the introduction of common training programmes for various administrative services in these States. It was decided to set up three common institutions for revenue, police and accountancy training. The revenue training institution is to be located in Rajasthan, the police training institution in Punjab and the accountancy training institution in Jammu & Kashmir. A similar step in regard to post-graduate training and research in various fields of education, particularly in medicine and engineering, was also favoured. The Chairman of the University Grants Commission, Dr. D. S. Kothari, is to be requested to assist in the suitable distribution of such institutions in various parts of this zone.

The economic development of the Northern Zone States on a co-ordinated basis is proposed to be taken a step further by the development of fisheries in the Gobindsagar Reservoir at Bhakra as a joint venture of the Dam authorities and the Himachal Pradesh Government.

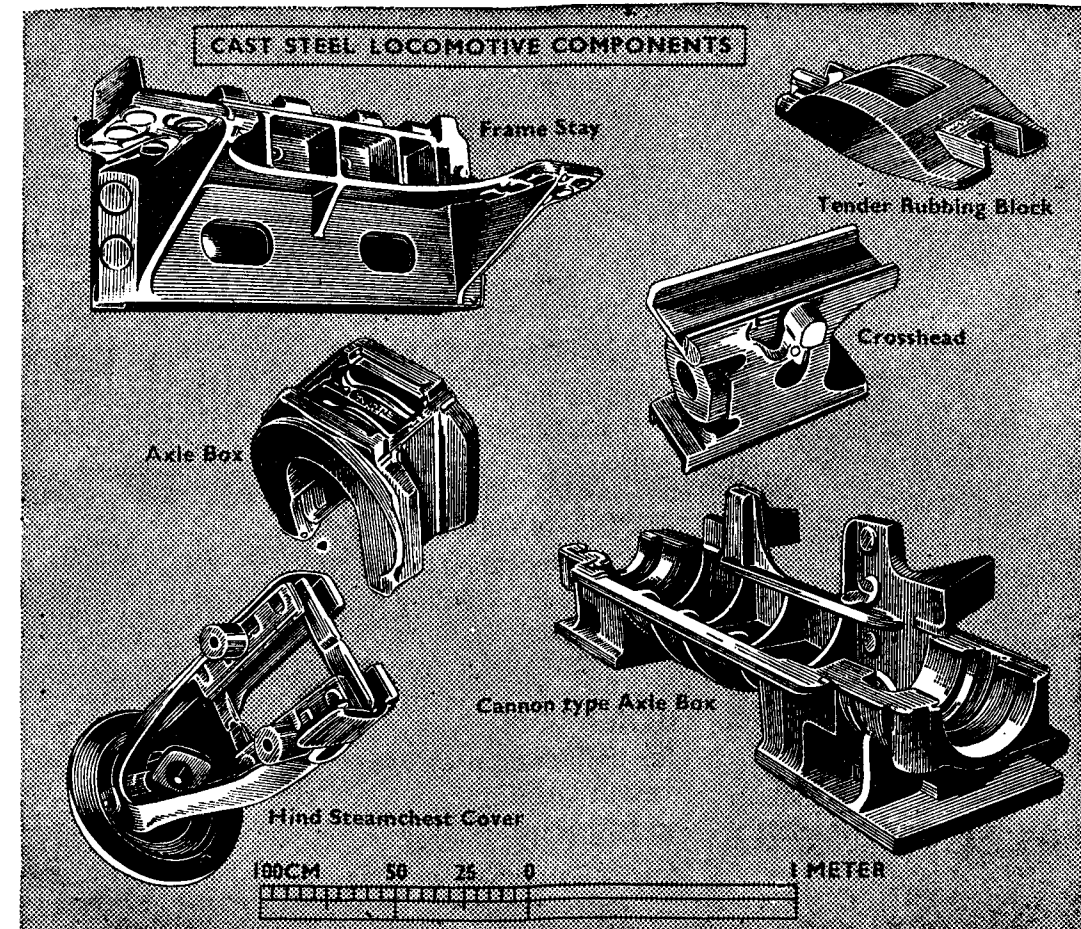
TOURISM

PROBABLY, the most important effect of the last week's Nainital Conference of the Tourist Development Council will be to accelerate the growth of the hotel industry in this country. The Conference pointed out that in order to increase the hotel-bed capacity, new hotels will have to be built both in the public and the private sectors and that positive incentives need to be given to private hoteliers. Particular importance was attached by the Conference to increasing hotel accommodation in the four metropolitan cities—Delhi, Bombay, Madras and Calcutta.

The Conference recommended to the State Governments to earmark suitable plots of land at reasonable prices for hotel construction. The Central Ministries concerned were urged to make available adequate quotas of cement and other building materials. Special attention was advocated to be paid to proper designing of new hotels. To this end, it was suggested that the Department of Tourism should be consulted by the loan-giving agencies of the State Governments, such as the State Finance Corporations, in the same manner in which the Industrial Finance Corporation at the Centre was already doing. The Conference endorsed the recommendations of the Hotel Classification Committee and felt that adequate machinery should be set up for reviewing classification periodically.

The recommendations of the Jha Committee on Tourism were also considered at the Conference, though not in any great detail. This was presumably due to the fact that the State Governments wanted more time to study these proposals. It was agreed that both the State and Central Governments should simultaneously give careful thought to the Jha Committee's suggestions so that decisions could be taken on them within the next three months.

The Council felt that the air-conditioned tourist coaches, introduced recently in some States, whether on inter-State routes or for city sight-seeing, should be exclusively earmarked for use by tourists. The need to foster home tourism was also stressed. Concern was expressed at the slow utilization of the funds allocated under the third Plan for development of tourism. As against a total provision of Rs. 7.7 crores for this purpose, the expenditure likely to be incurred in the first three years will be not more than Rs. 2.2 crores. Another Rs. 2.6 crores are anticipated to be spent in 1964-65 and 1965-66. The shortfall, therefore, may be to the tune of Rs. 2.9 crores. The Tourist Department can hardly congratulate itself on this performance.



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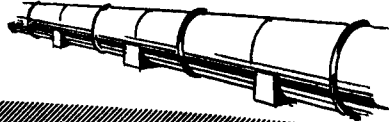
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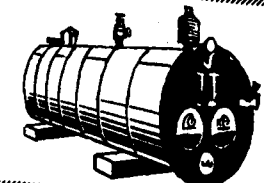
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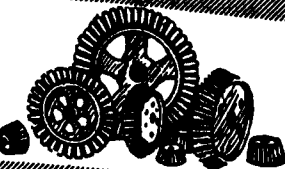
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The Money Talks

By PAUL BAREAU

"LIQUIDITY" HAS been the most widely used but also a much abused word in the discussions at the I.M.F. meeting in Washington. The Chancellor of the Exchequer felt it incumbent on him to dispel some of the misunderstandings. Discussion of liquidity did not, he said, concern the means of financing international trade. That is done through commercial channels and it is probable that no genuine commercial transaction undertaken between solvent partners has ever been stopped in its tracks for lack of commercial credit. What has been discussed in Washington has been the adequacy of reserves. These do not finance trade but they have a direct link with the volume of world trade and the movements of capital between one country and another, because the greater these transactions the more likely is it that balances of payments will get temporarily out of the equilibrium.

Mr. Maudling expounded the expansionist case for increasing international liquidity but he also recognised the dangers into which this might lead. The primary purpose of a more generous supply of reserves is to give time for individual countries to make adjustments in their balance of payments without sharp changes in the volume of their imports or in the growth of domestic demand. There were nods of approval at this argument; but the nods became far more widespread and assertive when he went on to argue that the availability of liquid resources should not be such as to promote or encourage countries to tolerate the continuance of basically unsound domestic policies and unbalanced external positions.

"The basic dilemma is clear. If adequate resources are not available, automatically or nearly automatically, their usefulness in times of trouble, may be problematic; but to the extent to which they are automatically available may represent a temptation to refrain from the necessary corrections of policy. This, I believe, lies at the core of our problems."

Balanced Compromise

Indeed, it does, and this juxtaposition summarises the basic conflict of views in the great debate on this subject. The debate was not concluded. In the best tradition of these discussions, the matter has been remitted to a committee—in fact to two committees—one set up by the International Monetary Fund, the other consisting of the deputy finance ministers of the ten countries in the so-called "Paris Club." The latter will be the really effective working party. The chairman will be Mr. Roosa of the U.S. Treasury but the place of meeting will be Paris—a nicely balanced compromise in the continuing contest between the Anglo-Saxons and the Europeans, of which there have been many other echoes during the Washington meeting.

There has been a strange and impressive transformation since last year. The Anglo-Saxons now stand firmly together. The United States have swung completely round to the view that effective action will have to be taken to improve the international monetary system, particularly as they are determined to right the balance of payments deficit and thus to staunch the flow of dollars which over the past decade has helped to build up the reserves of the rest of the world.

There is, however, one thing that has remained completely unchanged in the American attitude towards the problem of liquidity. It is the intolerance, verging on contempt, that meets any suggestion that the problem be solved by increasing the price of gold. This was made more abundantly clear than ever when President Kennedy opened the annual meetings of the Bank and Fund. "We are determined" he said, "to do whatever

must be done to protect the dollar as a convertible currency at its present fixed rate. We are determined—in your interest as well as ours—to maintain the firm relationship of gold and the dollar at the present price of \$35 an ounce; and I assure you that we will." That last sentence uttered with all the emphasis of the President's flat Bostonian accent, could not have carried more conviction.

It is particularly unfortunate for the higher gold price school that Soviet Russia should have been compelled to choose this very juncture to sell gold in the world markets on a larger scale than ever before. This and the reasons for it have caused another debate in Washington, whose acrimony has deafened the comparatively mild tones of the speeches delivered at the Bank and Fund meetings. This is the debate on Capitol Hill about the pros and cons of selling wheat, and government wheat at that, to the communists. The outcome is a foregone conclusion. The wheat will be sold and the deal will yield considerable mutual benefits. It will reduce a deteriorating stockpile of grain in the United States; it will get more gold into international circulation.

Quest for Solution

These operations promise a momentous addition to world liquidity. They are not, however, a permanent solution of that problem. That solution remains the quest of the two study groups and, in particular, of that which will be meeting in Paris. Very few people expect this particular committee to have a smooth run and to have reached ready made solutions by the time the Fund governors meet again in Tokyo a year hence. It will, however, be prodded into quick action. Mr. Maudling urged in his speech that the problem should be studied as a matter of urgency. He trotted out again his own runner, the "mutual currency account" which was so effectively nobbled by the United States last year. There are other possibilities, including increases of Fund quotas, an enlargement of the borrowing scheme and more flexibility in the use of the Fund's resources.

What may help the labours of this committee is the prospect of an appreciable improvement in the dollar position over the next twelve months. The measures being taken to stem the flow of capital from the United States are likely to take effect. Congress is in earnest about cutting unnecessary or marginal aid. Some measure of inflation in Europe will bring uncovenanted benefits to the United States. Sales of Russian gold which may well continue for a time will also stem the loss of gold from U.S. reserves and may even reverse this movement. Twelve months from now it may be the European countries and not the United States that will need the help of increased liquidity. That possibility may make the course of the Paris committee run rather more smoothly than the somewhat grudging attitude of some of the delegates in Washington would suggest.

Scarcely less important than the talks about the future of the international monetary system were the indications given by Mr. George Woods, the new President of the World Bank, of the need for new vistas for that institution. The World Bank is not running out of funds, but it is running out of borrowers who can afford the commercial terms on which it insists. The Bank, said Mr Woods, will now have to be much more ready than before to venture on less familiar terrain, and he specified agriculture, secondary industries and education as objectives which the substantial resources of the Bank might be called upon to serve. If, however, this link with new types of projects is to be established the terms will have to be made easier.

October 25, 1963

Proposals have already been made for a longer period of grace before interest payments begin and an increase in the length of loans beyond the present normal maximum of 25 years. Progress on these lines will inevitably erase the frontier between the sphere of activity of the World Bank and that of its youngest affiliate, the International Development Association. IDA, in contrast to its parent, is running out of funds and not of borrowers or "recipients" as they should perhaps be called. It has been argued here that the Bank should not invade IDA's territory but divert some of its spare cash to its affiliate. A step in this direction may have been taken with the announcement that the World Bank's net income will no longer be put

automatically into its reserves but be treated as part of the Bank's resources available for lending.

This extension of the Bank's activities fits into the main theme of the IMF meeting: the contraction and ultimate disappearance of the US deficit and the consequent need to amend the international machinery for providing international reserves. The more the burden of foreign aid and investment in the less developed countries can be shifted to these international institutions and therefore placed on truly collective shoulders, the better the prospect of easing the U.S. balance of payments.



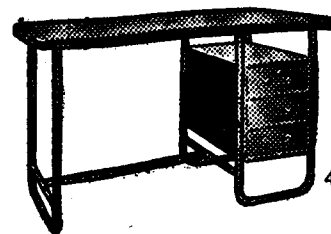
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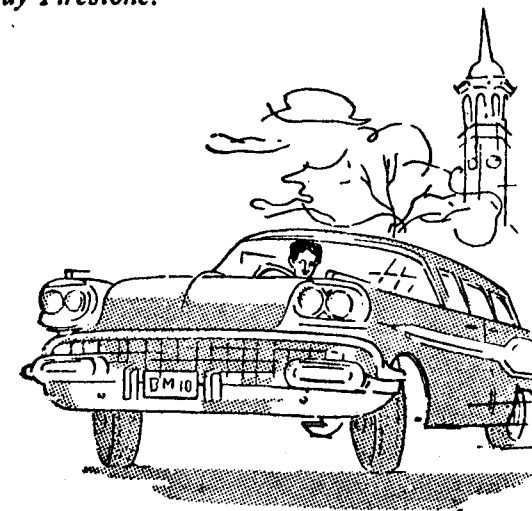
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WINDOW ON THE WORLD

Lower Taxes Mean Greater Revenue

By R. V. MURTHY

WASHINGTON :

THE 100th Anniversary of the National Currency Act, observed by the American Bankers' Association (A.B.A.) last week, was the occasion for a solemn reiteration of the desire of both the administration and the banking industry in America—that is the term rightly used to describe banking here—for a vigorous and growing economy to ensure continued national growth and stability. Contrary to the view held about commercial banking in our country which frequently leads to the demand for nationalization of banking in certain quarters, President Kennedy feels that commercial banks benefit the American people and the Government in numerous ways—as “multi-functional lenders serving the needs of many and diverse borrowers despite the shifting demands placed upon money and credit by the nature of our economy. Of equal importance is the role of commercial banks as the primary force through which the impact of credit and monetary policies are transmitted to the economy.” I suggest that it is eminently worthwhile for some of our slogan-happy politicians to read and re-read these words.

Identical Stand

It is significant that the 100th Anniversary of the National Currency Act was celebrated by the banking industry which availed itself of the occasion of the 89th Annual Convention of the A.B.A. for the purpose. Notably, to mark the official opening, the A.B.A. sponsored a symposium on economic growth. No less significant was the association of officialdom with the event. No only did President Kennedy send his greetings but Secretary Dillon attended and addressed the Convention. But the most striking thing to me was the almost identical stand taken by both the spokesmen of the banking industry and the American government on the presently much-debated question here of tax reduction and economy in government expenditure. Recognizing the need for tax reduction, the A.B.A. had adopted a resolution a year before itself in which it had stated that tax reduction would foster incentive and job-producing investment. But in advancing this thesis, the A.B.A. pleaded for four safeguards, viz. 1) “that the cut be tailored to provide for sustained economic expansion, rather than simply provide a one-shot boost to the economy; in other words, that the reduction should be both substantial and permanent; 2) that the reductions should be implemented within the bounds of fiscal prudence, in other words, government spending over a protracted period should be strictly controlled; 3) that the shift to lower taxes should be spread over more than one year; and 4) that the implementation of the programme must be accompanied by a willingness to employ maximum flexibility in the use of debt management and monetary policy, including a willingness to reply on market forces for the determination of long-term rates of interest.”

This stand was also reiterated by a spokesman of the A.B.A.—Dr. Walker—before the House Ways and Means Committee in March last. Later events seem to demonstrate that the Association's efforts in influencing public economic policy have been bearing fruit. How far has this gone should be obvious from the remarks made by Douglas Dillon, Secretary of the U.S. Treasury, at the Convention. This apart, Mr. Dillon's remarks are of especial interest to us in India, where to advo-

cate tax reduction as a means to raise revenues and augment employment would be to invite immediate scorn. For having urged tax reduction, Mr. Dillon did not take the bankers to task, but gratefully acknowledged their services to the nation and complimented them on having endorsed tax cut as one of the prime prerequisites for reaching balance in international payments. Describing Mr. Kennedy's tax proposals as “the most important domestic economic measure in fifteen years,” Mr. Dillon noted that tax reduction had the enthusiastic support of labour as well. It is a tribute to the pragmatism of the American people that all sections recognize that “only by revising our outmoded tax structure and relaxing its grip upon incentives and growth, can we move decisively towards both internal and external strengthening of our economy.”

Secretary Dillon touched on the question of the initial impact of tax reduction at a time when the country is experiencing larger budget deficits and to remove the anxiety arising therefrom in certain quarters, chose to deal with the subject at some length. I am reproducing the relevant extracts of this part of his speech by reason of its relevance to the Indian economy today. By generating greater economic activity, he said, the tax cut would increase Government revenues and to drive home his point recalled what happened after the sharp tax cuts in 1954 and in 1924. Within two years of the cut in 1954, the U.S. Secretary said, revenues exceeded pre-tax cut levels; so it was in 1924, when, to quote the then Treasury Secretary Andrew Mellon, “in spite of the very sweeping reductions...we will collect in 1925 more money at lower rates than we collected in 1923 at higher rates.” In short, after a brief transitional period, lower taxes mean greater revenue not less. It was the experience in the twenties and it was so in the fifties too. “And it will be so after we adopt this year's tax bill,” added Mr. Dillon.

Expenditure Control

The most remarkable feature of U.S. tax policy is not this reduction in tax rates alone, but also the intensified programme of expenditure control, which happens in fact to be an integral part of the tax bill. So it has been said that “the tax bill represents a major decision to rely upon greater ‘private’ spending rather than greater ‘government’ spending as the prime factor in our economic growth.”

One other noteworthy point that Mr. Dillon made and one that applies to us in India also is that “deficits need not be inflationary when there is persistent unemployment and excess capacity.” Both these features exist in our country too and it is perhaps worthwhile for our Government, if only because of so many similarities in the situation, to bring out the Kennedy tax programme boldly in India also and watch the results. How heartening would many an Indian feel if the Union Finance Minister perorated as follows:

“We cannot, therefore, let anything restrain us from adopting the tax reduction bill this year. We cannot burden down with restrictions the very measure that will free our economy from the burdens of a restrictive tax system—we cannot dally until it is too late over a measure that we urgently need now. Our productive potential is unparalleled. The tax bill will give us the expanding economy and heightened incentives that will enable us to capitalize on that potential and

achieve the still greater gains in output and productivity that we can—and must—have. With its enactment, and only with its enactment, can we look forward with confidence to solving our problems of unemployment, unutilized capacity, and budgetary and balance of payments deficits."

This requires courage and imagination, qualities that the new Finance Minister certainly does not lack.

★★

There is nothing unusual if, as has been reported in the American Press, the more serious business of the Sheraton-Park sessions of the World Bank and the I. M. F. was transacted off-stage rather than at the formal sessions. Nor is it any new discovery that the proceedings were "a striking blend of politics and economics". This is bound to be so, especially as the world's problems today are more economic than political. But to read more politics than economics into the proposed study of the monetary system by the non-socialist world's ten industrial nations is clearly to overstrain one's imagination. And yet, strangely enough, one comes across more than one instance of such exercise. The staff reporter of "The Washington Post", for example, has sought to establish such a thesis. According to him, the very fact that the ten are making their own study rather than leaving it to the I. M. F. reflects an implicit political decision. While the wisdom of letting any decision that will eventually affect all the members of the Bretton Woods institutions to only a small number is questionable, it is to say the least uncharitable to remark that "the world's wealthy nations do not want the less affluent countries to have a voice in their deliberations, ... that they do not intend that the poor should have a free access to any new arrangements that the rich pose" and

Ravages of Rent Control

From Our Special Correspondent

PARIS:

SINCE THE devaluation of 1958, the retail price index in this city has risen 24 per cent. If the country's export prices had risen by anything like that amount, all the effects of the devaluation would have been wiped out and the franc would be back where it was. In fact, wholesale prices have risen 15.5 per cent, which is already considerable, but this coincided with notable, though smaller, price-rises elsewhere in the Common Market (which now buys almost half French exports). So the franc has retained a diminishing margin of advantage, enough to explain the constant increase in exports—which is dogged, however, by an even faster increase in imports, with the result that the trade surplus has all but vanished. This fortunate period is obviously drawing to a close, and if French prices continue to outpace other European prices, there is white water ahead. The London "Times" recently wondered wishfully whether the French economic expansion, which it described as the main single political factor in European affairs in recent years, had not passed its peak. There is no sign of that anywhere except in the retail price index: industry is booming, employment full, business confidence intact and the nation's accounts, both internal and external, are in rigid balance. But the persistence of an apparently ineradicable pressure on prices certainly entitles one to wonder whether there is not some secret fault under these symptoms of prosperity that must inevitably break the main-spring of expansion.

Hence various attempts to "X-ray" the price index, to discover the origins of a price-inflation that is not due, as was the inflation of the 1950's, to budget deficits and tariff protec-

so on. It is somewhat surprising that such a view should emanate from the Press in the rich countries and not from that in the poorer countries. There have been rumours that the spokesman of one of the poor countries did express such a view, in very broad terms. By and large, from what one could gather from Press briefings, it would seem, the poorer countries have not reacted to the proposed study by the ten in this way.

Although the ten have yet to make this study, it is becoming already apparent that decisions will be anything but unanimous. Here the reasoning of "The Washington Post" corresponds is unassailable. Probably it is here too that decisions will be influenced more by political considerations than by purely economic considerations. But that is more because of the political differences between France and America and because the French leaders are determined to miss no opportunity of twitting the Americans.

★★

It is hard to find a parallel to the silent tributes paid to the memory of the Father of the Nation in America on October 2, 1963. On that day, Emperor Haile Salasie placed a pure silver wreath at the pedestal of Abraham Lincoln at the Lincoln Memorial. Nothing could be more touching than this tribute by a representative of the people of Africa to the great American President who fought so valiantly to abolish slavery on the birthday anniversary of Mahatma Gandhi who fought so gallantly to do away with untouchability. It might all have been a fortuitous coincidence, but I have reasons to believe that Emperor Haile Salasie deliberately chose October 2 for laying the wreath at the Lincoln Memorial.

tion. A number of factors have been isolated by different analysts: the payments surplus, price supports for agriculture (which raise the cost of food) and self-financing of ambitious industrial expansion (which prevents companies lowering the prices of manufactures as much as higher productivity would permit). While admitting the relevance of these, and other factors, one can still highlight a development that is quite peculiar to the French price index and explains a good part of the effort to repair the ravages of half a century of absurd rent controls by means of a gradual return to a free market in housing. To the extent that this can be shown to be a major element in the rise in the prices index, one can argue that the soaring cost of living is not due to some persistent vice but is part of the costs of the restoration of liberalism that began in December 1958.

Rents indeed stand out in any breakdown of the price index: they have spiralled no less than 82 per cent since the monetary reform; the nearest approach to that rate of increase "weightage" in the price index, rents are thus immediately responsible for a rise of almost 1 per cent a year. Since the are geared to it by a fixed differential) depends on the price index, the rise in rents has indirect repercussions on many other prices: in the first instance, on the prices of services which consist almost wholly of wage-costs. It is probably true in the increased cost of living.

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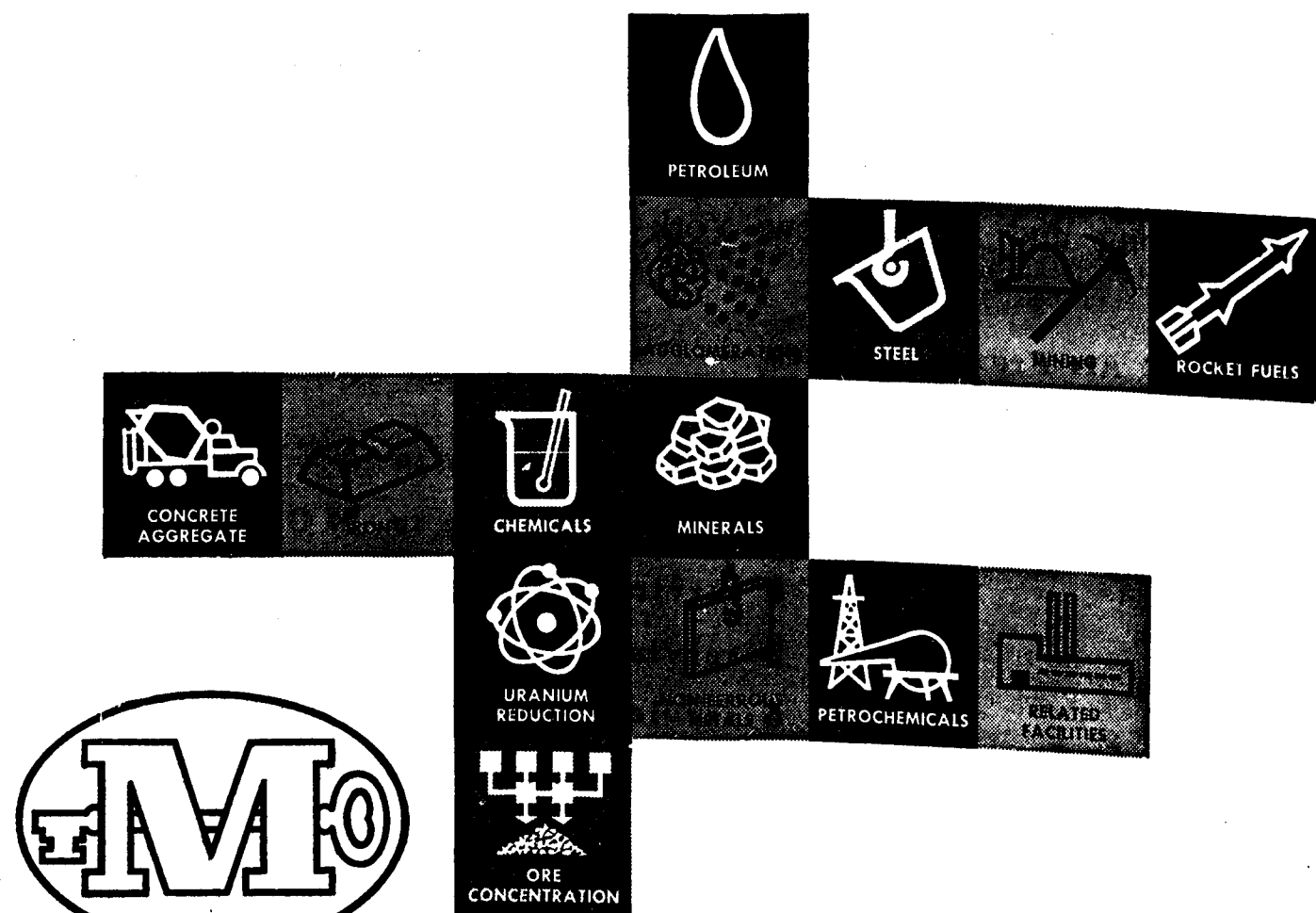
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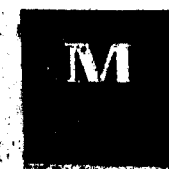


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years? This was no accident but a matter of deliberate policy. Rent controls had been in force in France since August 1914 when rents were frozen to protect soldiers and evacuees. The freeze was said to be "for three months," but it was renewed every quarter until 1918 and then hardened into regular law. By that time the French people were well launched on one of the most incredible stories of organised folly that economic history can offer. Briefly, they turned themselves into a nation of slum dwellers by wiping out the landlords and prohibiting new building. For, as the franc depreciated, the 1914 money-rents (periodically increased by ludicrously small percentages) became worth less and less, so that not only would no one build but no one could even afford to maintain existing accommodation which soon began to fall into ruins.

By 1948, landlords (of course, almost none existed by then: there were just working people who clung on to inherited real estate) were receiving only one-fifth of the income, in terms of buying power, that landlords had been getting in 1913. Whereas the bourgeois used to pay, between 1860 and 1913, from 15 to 20 percent of their income in rent, by 1950's Parisians were paying only 2 percent. The national average was a mere 5 per cent of income for rent, by far the lowest in the Western world. Everyone knew that this was madness, because the results were too plain to miss: the index for new housing starts in Paris fell from 100 in 1913 to just five in 1946, and loss of old housing more than counterbalanced these feeble additions. Meanwhile another war came to flatten more housing; in the two struggles on French soil in this century 2.25 million dwellings out of a total of around 12 million were destroyed or battered. A rising population (and especially a rising urban population, as the drift to the cities got under way) had to subdivide this contracting pool of accommodation, with consequences in terms of squalor that are easily imagined. But the rent-control demagogues (who include every government without the courage to face the outcry of irresponsible politicians) seemed determined to take France right to the end of line and demonstrate for all time the absurdity of price-controlling supplies right out of existence.

Nefarious Controls

This was the inheritance of the monetary reformers in 1958. There was a housing shortage of several million dwellings, and the prospect of a shortage of several million more accumulating in the coming 20 years. Two million apartments were officially classified as grossly overcrowded; 35 percent of rural buildings and 20 percent of urban dwellings were fit to be bulldozed at once; out of 1.2 million lodgings in Paris 84 percent dated from before 1914 (that is, from before the introduction of rent controls), 270,000 had no running water, 70,000 no electricity, almost a million neither bath nor shower and 620,000 had no individual toilet. In short, the nefariousness of controls had been conclusively proven and the question was how to get back to a free market in housing where it would be worthwhile building to meet demand.

A first move had been made in 1948, when it was ruled that housing constructed after that date would be uncontrolled. As landlords began to re-appear, there were thus two housing markets: a controlled one constituted by pre-1948 (largely pre-1914 in fact) accommodation, and a free one of new (and naturally in large part luxury) flats. The aim was then to decree gradual rises in controlled prices until they came into line with the free prices; they would never equal them, given the difference in age of the constructions, but they would come into relation with them so that a unified market was restored. This process of increasing controlled rents began in earnest just over four years ago; hence the 82 percent jump in the "rent" entry in the cost of living index number.

It was, needless to say, impossible to restore free rents at

one swoop, as was done in various other fields where subsidies were abolished, because almost 50 years of rent control had created a situation where cruel hardship would have resulted from a massive dose of liberalism. Some estimate that it will require 20 years of solid building effort, under the regime of free prices for new housing, before there is near enough to go around, so that controls may be scrapped entirely. Such guesses are hazardous because it is a regular consequence of controls that they artificially disguise the real volume of supply; i.e. goods, in this case houses, are held off the market (e.g. under-occupied) because it is not profitable to offer them to users. As rents become more reasonable, supply could increase faster than now seems plausible. The Government's objective is to coax tenants into parting with more than five per cent of their revenues for rent, until they approach the 15 percent that is now the West European average. This should be somewhat easier in a period of rising incomes: between now and 1980 French revenues per head should double so rents could be multiplied by six and thus come into line with other European rents. (Instead of paying five francs out of 100 francs for rent, the tenant would pay 30 francs out of 200.)

This is eminently reasonable policy and looks to be the only way to undo the damage of a generation of controls which had led to the scandalous paradox of Europe's most prosperous nation being its worst housed. Yet as rent becomes a more



"Rs. 15 crores more will be spent by the Union Food Ministry in the States on minor irrigation."

significant item in the family budget, increases in rent will have more evident effects on the cost of living index and hence, indirectly, on many other prices and on the value of the franc. This is one form of price-inflation that the French will have to bear with, while seeking to limit its effects on the value

Battle Over Profits in the UK

By JOSSLEYN HENNESSY

LONDON:

PARTY CONFERENCES come amidst a fanfare of polemics and party leaders go leaving a cloud of speculation, but the hard facts of the economy go on for ever.

A new poll shows that business confidence has returned to the boom height of mid-1959, exports have attained record levels, and the economy is achieving Neddy's 4 percent growth rate. As European wages and costs rise, the U.K. is reaping the harvest of the unfortunate Mr Selwyn Lloyd's pay pause. The Stock Exchange index is also at a record high because profits are soaring. And, curiously enough, this is the fly in the ointment. A prominent trades union leader recently declared that the workers would not accept sacrifices in pay in order to fill the pockets of employers. So whatever party wins the elections, wages trouble probably lies ahead, especially as the terms of reference of the National Incomes Commission lay it down that NIC is required to have regard to the Government's pledge that if any undue growth in the aggregate of profits should result from restraint in earned incomes, that growth should itself be restrained by fiscal or other means.

Uncertain Profits

In a widely publicised memorandum to the Government, the Federation of British Industries points out that whereas wages are costs of production, profits are that—if anything—which remains after all costs have been paid. Wages are paid by contract, which must be honoured whatever the profit or loss, and they are, incidentally, extremely resistant to any reduction. Once agreed, wages and salaries are fixed at a given minimum. Profits, alas, have no minimum—they are uncertain. In an efficient economy the points of economic growth or shrinkage are first shown by changes in profits, and only subsequently by changes in other incomes. Above all, profits in most instances—the nationalized industries being the most conspicuous exceptions—are earned in competitive conditions. Wages are settled by bargaining. It is, indeed, because trade unions have succeeded in limiting competition in the labour market that it is possible for wages to run ahead of productivity; against this, profits cannot for long exceed the measure of the risk-taking and the value to the economy of the enterprise of which they are the reward.

The F.B.I. stresses that if, therefore, direct restraining action on wages, but not normally on profits, may often be justified, this is not because in their view a national incomes policy is a medicine for workers but not for investors.

On the contrary, the F.B.I. insists that indirect measures producing an economic climate in which profits can be high only where efficiency is high are likely to restrain aggregate profits far more than any practicable direct measures can restrain wages. The F.B.I. therefore urges that the aim of government policy should be to favour high wage-earnings based on competitive wage rates, and high profits based on competitive profit margins. High profits, earned by efficiency, are the foundation of high wages and job security.

The F.B.I. challenges NIC's directive that dividend restraint is needed on the grounds that profits in the hands of shareholders are inflationary, but that ploughed back, or

of the currency, as for example by encouraging lower prices for manufactures as far as increased productivity allows. It is, at all events, worth drawing attention to a case of persistent and apparently insidious price rises actually due to sound economic policy.

skimmed off in taxes, they are not. Even if this were true, there are still two objections to dividend restriction.

First, the share of dividends in the total of personal incomes is far smaller than that of wages. In 1961, wages (adjusted for stock appreciation and capital conservation) were £2,521 m. or 17.1 percent of wages and salaries. Dividends and interest payments totalled £1,316 m. or 8.9 percent of wages and salaries.

Secondly, dividend limitation harms the economy by thwarting the function of the capital market, which is to prize; it is inequitable between companies because it does not allow a desirable reward when new capital produces good results or when companies fight their way out of difficult control of current expenditure; it weakens the penalties for between good and mediocre companies weakens the investor's incentive to promote expansion by investing with care. Profits and dividends must be high enough to attract funds from investors if the economy is to prosper. This applies not only to domestic but to foreign capital. If the U.K. wants level of profits cannot be determined by what may be thought cult to decide how far any rise in aggregate profits is due to wage restraint.

Cost-Plus Pricing

The chief methods of limiting aggregate profits have hitherto been: control of prices, control of profit margins, and manipulation of profits tax, either by a general increase, or by a special increase on profits which exceed some given "norm".

The control of prices and profit margins means either cost-plus pricing, which puts a premium on inefficiency, or it prevents the accumulation or attraction of capital for expansion or improvement.

A general increase in profits reduces profits after tax, but hits all firms alike, whether efficient or inefficient, whether their markets are relatively sheltered or not, and whether their profits have risen from wage restraint or not. A discriminatory increase against profits above some norm not only has the same defects but also raises difficulties in deciding what norm is equitable.

In short, the F.B.I. believes that profits should be controlled by the economic climate created by anti-inflationary fiscal and monetary policies, in combination with international competition in exports, and with liberal imports.

So far NIC has one victory to its credit. The impact of its reports on public opinion ended last month in a three-year agreement to hold pay increases within 3½ percent annually. Neddy and NIC are too young to warrant judgement on their contributions to growth, but by promoting of cost-push inflation. The real battle will come next year if, as is likely under the present favourable economic trend, profits continue to soar.

LISTENING POSTS

Ministries in Motion

By Our Special Correspondent

NEW DELHI:

WHILE IT is generally believed that Mr. M. C. Chagla will be given the portfolio of Education, it is rumoured that his own preference was more in the direction of responsibilities relating to Commerce and Industry. The Prime Minister, it is believed, found it difficult however to accommodate him in this matter. As for Mr. Sanjivayya, it is highly likely, but not yet quite certain, that his portfolio would be Labour and Employment. It appears that Mr. G. L. Nanda, who is credited with the desire to retain some kind of overlordship in that area, is not quite pleased at the prospect of a full-fledged Cabinet Minister being put in charge of it. At the present time, Mr. Jaisukhlal Hathi, as a Minister of State, has care of Labour and Employment, an arrangement which is probably more to the liking of the Home Minister. Mr. Hathi, however, seems to be a much wanted man. It is being said, for instance, that Mr. T. T. Krishnamachari would like to have him in the Finance Ministry. Another possibility named in this connection is Mr. R. M. Hajarnavis, Minister of State in the Ministry of Home Affairs.

It is true, of course, that these and other prospective movements of ministerial personnel would be determined to a considerable extent by the recasting of portfolios which the Prime Minister is considering. One readjustment has already been made with the abolition of the Department of Company Law Administration in the Ministry of Industry and the transfer of its responsibilities to the Department of Revenue in the Ministry of Finance. Mr. D. L. Mazumdar, who had been presiding over that now defunct department as its Secretary has gone on leave and will presumably have to be accommodated in some other suitable position when he rejoins duty. It is also possible that the Department of Supply and Technical Development, which is presently under Mr. Hathi, may lose its identity in a larger Ministry when the re-patterning of portfolios is effected.

★★

The Minister of Shipping is making an all out effort to build a second Shipyard at Cochin. Following his visit to Japan, a Japanese consortium, including Mitsubishi and Company has submitted a comprehensive proposal for technical and financial collaboration in the setting up of the project. The Japanese proposal, it is believed, envisages a total outlay of Rs. 22 crores with a foreign exchange component of about Rs. 4.5 crores.

While the Government of India would reportedly like this project to be commissioned by 1966, a year earlier than is suggested by the Japanese collaborators, some criticism is heard of the enthusiasm which is being shown for this relatively low priority project in the face of over-capacities, lack of orders and fierce competition, which are plaguing the European shipyard.

Last year, German shipyards obtained new orders for not more than 200,000 GRT. Orders for another 144,000 GRT were cancelled during the same period for a variety of reasons. The Danish company Burmeister and Wain AS, of Copenhagen, one of Europe's largest shipyards and machine building firms, has said it had not been able to book a single order for new buildings in 1962. Even if new orders could be obtained this year, some of its 8,000 workers may have to be dismissed, the management announced. In Sweden, it is generally admitted that a large part of the shipbuilding orders received in recent months were won only at prices entailing

losses for the yards involved. In the U.K. about 25 shipyards reported earlier this year that they had no orders on hand for the construction of new vessels.

Japan is the only country, which has increased tonnage built and has recorded an export boom. The success of the Japanese is explained by a number of factors. Above all, they offer new ships at prices considerably below world market levels. According to a French shipbuilding journal, spokesmen of the Japanese shipyard Hamesaki and Co., of Osaka, freely admitted that their yard had booked new orders at prices below production costs—at the expense, evidently, of their subsidy-granting Government.

Next to low prices, the Japanese lay claim to high quality. Their emphasis is on up-to-date technical innovations and, as of late, on automation. One Japanese shipyard, for instance, has built a 10,000 ton freighter so extensively equipped with electronic gear that it will require a crew of not more than 20. Normally, between 40 and 50 officers and men crew a conventional ship of that size.

An engineer of the Mitsubishi Shipbuilding Company explained: "The 10,000-ton automatic freighter will cost about \$4.2 million, as against a price of \$3.3 million for a non-automatic vessel of that category. Operational costs for the more modern vessel, however, will be substantially lower and, in time, make up the price difference."

Such serious competition coming from the Far East has already affected European shipbuilders to the extent that workers have had to be dismissed, work shifts reduced and dividends cut or suspended.

★★

The mid-term appraisal of the implementation of the third Plan health programmes has revealed that the outlay of Rs. 342 crores provided in the Plan for this purpose may not be actually spent. The expenditure in 1961-62 amounted to Rs. 57.98 crores and in 1962-63 Rs. 71.45 crores. The budget provision for the current financial year is Rs. 64.74 crores. The expenditure likely to be incurred during the two terminal years of the Plan is estimated at Rs. 140.83 crores. Actual expenditure during the five years to 1965-66, therefore, is expected to fall short of the Plan outlay by about Rs. 7.00 crores.

This, however, does not imply that the physical targets in respect of some important health schemes will not be achieved. In the case of three crucial programmes—new medical colleges to be opened, the number of doctors and nurses to be trained and the number of hospital beds to be provided—the targets are expected to be even exceeded.

The number of medical colleges is stated to have gone up from 57 in 1960-61 to 71 in 1962-63. Against the Plan target of having 75 medical colleges in the country at the end of 1965-66, the number of such colleges in now expected to go up to 80. The Plan target of providing 2,45,100 beds in hospitals is likely to be exceeded by a small margin. By 1962-63, as many as 2,01,860 beds had been provided. The number of doctors available at the end of 1965-66 is now estimated to be 85,000 as against 81,000 envisaged in the Plan. As against 32,200 trained nurses at the end of the second Plan, the number of nurses at the end of the current Plan is expected to go up to 45,000.

In regard to family planning, the progress, however, has not been satisfying. It is likely that more funds will be made available for this purpose in 1964-65 and 1965-66.

The progress in the sphere of water supply and drainage

also is not considered to be adequate. This is attributed to serious short supply of drilling equipment, cement, pipes and other materials. The Central Government has sponsored a scheme for investigation of rural water supply position in each State. A Drinking Water Supply Board had also been set up to accelerate the implementation of water supply plans.

Two important proposals are understood to be under the consideration of the Government of India in regard to technical education. The first is to set up a Central pool of technical teachers from which critical shortages of such teachers in various State engineering colleges and polytechnics would be met. The need for establishing such a pool arises due to the fact that some States have found it difficult to implement the scheme of revision of salaries of technical teachers recommended by the All-India Council of Technical Education. In many State engineering institutions, the shortage of qualified teachers is said to be extremely acute; only 40 to 50 per cent of the teachers employed are qualified.

The second proposal envisages setting up of another Central agency for arranging ready supplies of indigenous technical equipment and for investigating the possibilities of procuring items of equipment with foreign exchange component from East European countries and Japan. The need for establishing this agency has arisen owing to the meagre allotment of foreign exchange that has been possible in the recent past for import of technical equipment. As against an estimate of Rs. 14 crores foreign exchange spending for this purpose, including Rs. 3.5 crores to be received under foreign aid, during the five years to 1965-66, the actual allocation in 1961-62 and 1962-63 has been only of the order of about Rs. 1.00 crore. This naturally has created many difficulties for the engineering institutions.

The setting up of these two agencies should go some way in helping to raise the falling standards of technical education in this country.

Due to the current emergency, facilities for technical education are proposed to be expanded so as to increase the number of annual admissions for diploma and degree courses from the original third Plan targets of 37,391 and 19,137 to 47,546 and 23,130, respectively.

Screening for practical training in engineering abroad of seventy-five persons, recently done in New Delhi, disclosed some glaring shortcomings of Indian candidates. There were as many as eight hundred applications from which three hundred were selected for interview. The broad intake was thirty from amongst private sector factory workers, fifteen from public sector factory workers and thirty from teachers already engaged in teaching in India's technical institutions. As could be expected, the general standard of education and general knowledge of factory workers was below expectations. The teachers in many cases were drafted straight from the Universities and had had no practical training or experience. What would they do in a highly sophisticated factory in Europe could easily be imagined. This aspect of the problem of training needs reappraisal by the Government.

The Union Health Ministry's second mile-stone is a proposal for a public sector factory for rubber contraceptives, the first one being the proposed amendment to Patents Law. It is explained that family planning was not going well, largely because of inadequate supply of contraceptives or their below the standard quality.

There are at least seven applications in the field, not only to manufacture rubber contraceptives but also other pharmaceutical items. There may be a surplus capacity for this item in the country. Why a public sector project is suggested is not easily explained. Opposition is gaining strength.

So far as the amending Bill to Patents Law is concerned, in addition to the Federation of Indian Chambers of Commerce, the Governments of the U.S.A., the U.K., Germany,

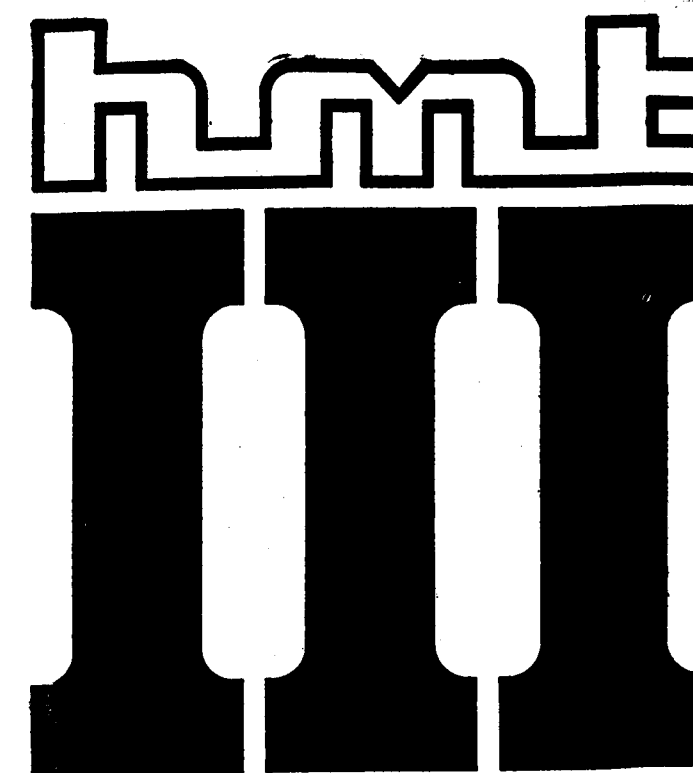
Denmark and Switzerland have lodged strong protests against the proposal.

World Bank assistance is envisaged here in developing automobile industry and its components, industrial equipment and construction equipment. Loans of the order of thirty million dollars each are under negotiations. They will, of course be subject to proper appraisal of these three sectors of industrial development by the World Bank teams.

A team is shortly going to Austria to negotiate terms of collaboration with Voist, which has indicated the possibility of financial participation in the Heavy Structural project. The revised thinking, so far as vessel plate project is concerned, is to have more than one unit. This is largely due to the increased demand for its products required for fertilizer plants, chemical and petro-chemical industries. Meanwhile, according to reports, the Davy Ashmore power-gas group of Britain will collaborate with Fertilizers and Chemi-



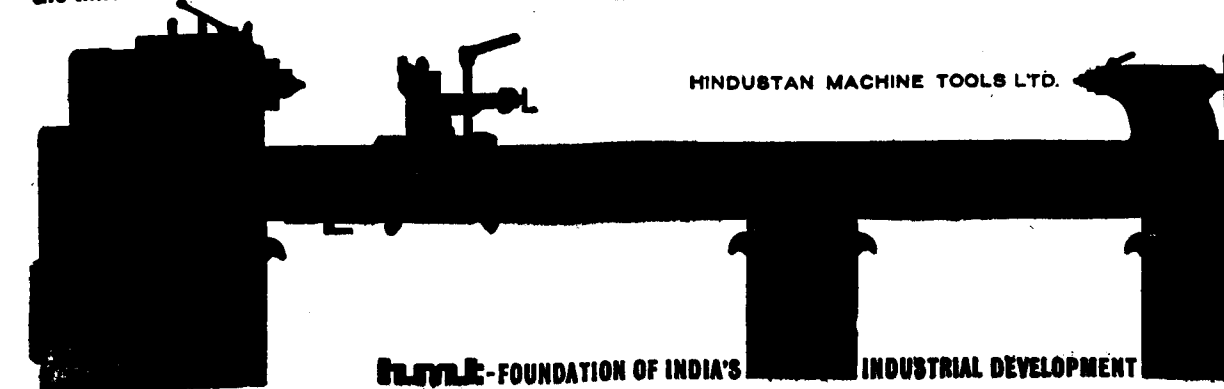
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AT PINJORE -A MONUMENT TO VISION, COURAGE AND DYNAMISM

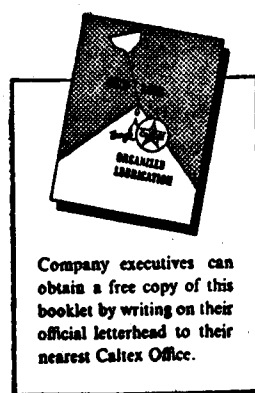
VISION—of the Government of India to plan for the manufacture of machine tools in the Public Sector to meet the industrial needs for "Machines that make machines". **COURAGE**—to go into the manufacture of machine tools against the opinion of experts who considered the project economically unsound and doubted the ability of the Indian worker to acquire the necessary skill. **DYNAMISM**—of the workers and management of HMT whose resolution and hard work made such an unparalleled success of the two machine tool factories and the high precision watch factory at Jalahalli, and their continued determination to gift the nation a new factory every year.

On the 23rd October 1963 the Prime Minister opened another HMT Factory, a Public Sector project at Pinjore, the third in a series of ten machine tool factories planned as a part of the HMT complex to be completed by 1970.





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SAVE FOR SECURITY

cals, Travancore Ltd. (FACT) in the fabrication of specialized, equipment needed for the petroleum, petro-chemical and fertilizer industries. Among the items to be produced are mild steel and stainless steel pressure vessels, heat exchangers, tanks, pipework and valves. A fabrication workshop close to the FACT chemical complex, in the Alwaye area, will be established at an initial cost of Rs. 15 crores by a new Indian company to be formed with foreign collaboration. On a single-shift working, the FACT-Davy Ashmore undertaking hopes

to produce in one year 450 tons of grade three stainless steel, with an ultimate capacity of 1,440 tons of simple stainless steel and 720 tons of complex stainless steel.

★ ★
A bill has been drafted by the Reserve Bank of India to incorporate a unit trust in this country. An American expert has been invited to examine the draft and make his comments upon it. The Bill is likely to be introduced in Parliament during the November Session.

Good News for the Homeless

From Our Correspondent

BOMBAY :

NEARLY 40 PER CENT of the married working population of Bombay City are forced to remain as bachelors due to shortage of housing accommodation. The Maharashtra Government appears to be seriously bent at last upon solving the acute housing shortage in the City. According to an announcement made by the Chief Minister, Mr. Kannamwar, 'after 15 years from now, no one would live on the pavement nor would there be any slum-dwellers.' This would be a veritable Noah's Ark to the homeless. In order to make the fond dream a reality, the Chief Minister has appealed to the public to 'make a determined effort' to help accomplish the 'houses for the millions' scheme. He assured the public that the suggestions would be taken into consideration before implementing the schemes for housing the city's millions. It is relevant to recall that Bombay's population was increasing by leaps and bounds. Twenty years hence, it was expected to exceed the five million mark. In Bombay, the heart of Maharashtra, an estimated three lakhs of people lived in the slums. Hundreds of slums are raising ugly heads every day in new areas. A number of middle class and lower middle class people are leading a very miserable life. Unless a 'careful phasing' was done now, 'things are going to be difficult at a later stage.' A beginning in this direction was made on October 9 when the Mayor of Bombay accompanied by the Ministers for Revenue and Housing, the Municipal Commissioner etc. inspected the lands in Greater Bombay on both sides of the Western highway available for undertaking the construction programme. The places proposed for intensive development were Ghatkopar, Mulund, Bhandup, Bandra, Oshivara, Kandivli, Marole and the Aerodrome fringe. At all these places, 280 acres of land was proposed to be developed at a cost of about Rs. 12 million which would provide plots for 7,000 families to start with. The scheme envisaged provision for developed plots with requisite common water and sanitary arrangements. Each plot would measure 25 feet by 40 feet. The work of development would be executed by the Maharashtra Housing Board. The ancillary services like roads, street lights etc. would be provided by the Corporation 'if possible.' The Chief Minister would not leave anything to be desired for executing the project. It was also proposed to build night shelters for pavement dwellers and for those who come to the city from the mofussil areas to market their produce such as vegetables. They would be provided with accommodation for overnight stay at nominal fee. If the grand schemes envisaged in respect of housing fructify, there is no doubt that the housing shortage in the city would totally disappear. Among the various State Governments, the Maharashtra Housing Board has a proud record. The problem could be solved provided there is mutual co-operation and sympathy of all concerned—the Union and State Governments, the Bombay Municipal Corporation, industrialists and the general public.

★ ★
The Commissioner of Income-tax, West Bengal, Mr F. H. Wallibhoy, came to Bombay on a short visit. He took the opportunity to address the Rotary Club of Bombay. According to him, the residents of Bombay and Calcutta the two most industrialised cities of India, paid nearly two-thirds of the

Rs. 395 crores collected as income-tax last year. Among the other interesting facts disclosed by him were that the average annual income of doctors and lawyers was Rs. 10,000 as compared with the income of Rs. 40,000 to Rs. 50,000 of film artistes. The tax evasion was not confined to those in the high-income bracket. It was equally widespread among petty shopkeepers and merchants. The new Finance Minister, Mr. Krishnamachari, can be expected to check the serious problem of tax evasion. It is a herculean task to plug the leakages in the case of small shop-keepers; many of them do not maintain any account books and there is no way of knowing their actual income.

★ ★
Mr. Anil K. Chanda, the former Comptroller and Auditor General, came all the way to Bombay to address a meeting of the Forum of Free Enterprise. He chose the appropriate, subject 'Economy in Public Expenditure'. He revealed that the Planning Commission which was originally conceived to be 'a technical advisory board' has developed into another government. It had an annual budget of Rs. 1 crore, 500 officers and departments which corresponded to the Ministries. It had been encroaching on all Government departments and had disturbed the Federal-State relations. He deplored, in particular, the wastage of public funds by Ministers, the frequent break-up of Ministries, the subsequent amalgamation for the convenience of the appointees and the growth rate of the posts of secretaries which was higher than the phenomenal growth of the population of India. He criticised the wrong priority given to prohibition over the policy of free and compulsory education and the wastage of funds in the propagation of 'khadi'. As a panacea he advocated the reversion of the role of Planning Commission into a compact 'technical advisory body' and retrenchment of the present mushroom growth. Every project of public importance should be carefully conceived, properly planned and economically executed. It is interesting to note that the Prime Minister himself expressed sorrow at the way the Planning Commission was working. Is not the Prime Minister, who is the Chairman of the Commission incidentally, responsible for the present state of affairs? It is to be hoped that the injection of new blood into the Commission would make that Body more useful and less fussy than before.

★ ★
A scheme for the training of sailors to be employed in the saloon section of Indian ships is under contemplation. Indian saloon crews are rated very high all over the world. But the authorities feel that proper education and instruction in modern cuisine and service could improve their efficiency and bearing. In the West, only trained hands are recruited for the saloon service. India is yet to ratify the International Maritime Convention relating to the training of saloon department seamen. As an experimental measure, the scheme will be in operation for three years. The training ship, the "Dufferin" has been chosen for the training of galley and non-galley saloon crews from January next. Twelve from the first and 16 from the second categories would be trained annually. The galley class includes chefs and cooks and the non-galley class comprises cabin and stable stewards. So far, there have been no training faci-

lities for saloon seamen. Both the deck and engine crewmen are covered by the training of ship personnel. The Government of India is keen on extending the training scheme to cover all Indian saloon crewmen in due course.

★★

In spite of the earlier statement of the Chief Minister, Mr. Kannamwar, that there was no likelihood of a reduction in the State Cabinet, knowledgeable circles believe that the Maharashtra Government has to fall in line with the cabinets in the rest of the States. Mr. Kannamwar's earlier statement rested on the belief that the pruning under the 'Kamaraj Plan' applied only to those States which elected new leaders. The belief proved short-lived when he was summoned to Delhi to discuss with the Congress High Command the reduction in the strength of the Cabinet. Since important leaders were away from the Capital, Mr. Kannamwar had to utilise his visit not for discussing the subject of future strength of Maharashtra Cabinet but other pressing matters like the border dispute with Mysore. The question of establishing a separate press advisory council, it was revealed,

Nigger in the Coal Pile

From Our Correspondent

CALCUTTA :

IT IS HARDLY surprising that the fact that coal production in the country is progressing at the anticipated level has not evoked much enthusiasm either from the producers or the consumers. For producers are worried over the accumulation of pithead stocks while consumers complain they have often to accept lower quality coal paying the price for good quality. For a casual observer of the coal situation, however, everything may appear to be quite satisfactory. Unlike in some basic sectors of the national economy, coal production is progressing apace according to schedule. Output in April-August, 1963 has totalled 27.73 million tonnes as compared to 24.79 million tonnes during the corresponding period of the previous year. It is quite on the cards therefore that the production target fixed for 1963-64 will be reached in time. In marked contrast to the frequent complaints about coal shortage one used to hear only a year ago, all consumers today appear to be well satisfied with their coal stock position.

There has also been considerable improvement in the transport situation in that the Railways have lifted a total of 60.2 million tons in 1962-63 as compared with only 49.7 million tons carried in the previous year. It would appear that the railways are poised for carrying even bigger loads of coal in the current and subsequent years considering the very satisfactory progress of their development programmes and the increased allotment they have got for capital outlay. But the fact of the matter is that there is something radically wrong with the coal situation as it obtains today. Producers apprehend that the demand for coal will not come to the level assumed in the third Plan but will be considerably less. Consequently some of them argue that there is need for revising the coal production target downward. Equally strongly it is argued by some others that it will be an extremely foolish step to interfere with the present tempo of production because any slackening now will result in shortage if not in the next one or two years, definitely in the early years of the fourth Plan. The truth however seems to lie between these two contentions when a grade-wise analysis of coal production is made. Such an examination will show that the rise in production has been solely ac-

was discussed with the Centre and also the subject of allocating an additional newsprint quota to the State.

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The new Samvat year 2020 bids fair to open on a brighter note than the previous one for the Stock Exchanges in India. There has been a marked rise in prices over the year, 2019, which has enabled the investors to recoup a sizeable part of the losses suffered in the previous year. The share prices during the year, for instance, recorded a rise of nearly 5 per cent in refreshing contrast to the decline of 12 per cent in the year 2018. The rise in prices from the year's low was around 13 per cent. It is true that the Emergency is still on. But the chances of a major Chinese aggression seem to have faded in the context of fresh developments on the international front. This factor coupled with official assurances that every effort would be made to increase the pace of growth of economy has infused confidence among the investors. It is with this type of optimism that 'Dalal Street' has been entering the new year. All the major industrial shares in the year's gains although the engineering section has been most prominent.

counted for by lower grade coal while the production of high grade coal has even declined.

The situation has been aptly put by Mr. D. C. Driver, in his presidential address to the eighteenth annual general meeting of the Coal Consumers Association of India, at Calcutta last week. There has been no doubt an improvement in overall output but the same cannot be said of quality. We have the anomaly that "there is more low grade coal than we can use and less good quality coal than we need." Mr. Driver has pointed out that while for the year ended March 1963 the output of coal totalled 64 million tonnes as compared with previous year's figure of 55 million tonnes, there is serious imbalance in regard to quality. While low grade coal has surpassed its target, there has been a serious decline in good coal, the production of which for Selected A has declined from 7.6 million tonnes in 1960 to 6.9 million tonnes in 1962 and that for Selected B has come down from 10 million tonnes in 1960 to 7.8 million tonnes in 1962. According to Mr. Driver, washing of low grade coal into high grade by-product of the washing process, are hard to sell. Already coming into being, the quantity will further increase. If the washing of ordinary non-coking coal is also undertaken, the supply of middlings will reach unmanageable proportions. The result of unchecked output of low quality coal and their washing will not only pose a serious problem of the disposal of middlings but will go to inflate the cost of fuel of industries having to buy the washed coal because there will be no chance for offsetting the cost of washing by the profitable disposal of middlings.

Mr. Driver has also shown that a reduction in the output of low grade coal also seems to be indicated by the diminishing trend of demand for this category of coal from the industry. In the first place, the rate of increase in new industrial units has relatively declined in recent years. In recent years, mainly on account of the uncertainty in regard to coal supply during earlier years, many industries have changed over at least partially to oil. The offtake of coal by the railways will be progressively lowered owing to the plans

for dieselisation and electrification. The problem of raising the production of good coal cannot, therefore, be ignored for long without bringing about serious dislocation to industries using such coal. In the coming years the demand for coking coal will increase with the expansion of the steel industry. It has been contended that the present pricing policy of Government has been a serious obstacle in the way of expansion of quality coal output. Under the present dispensation, producers have little incentive to place emphasis on quality because the price differential between low grade coal and good coal is so little that it is not profitable to undertake costly deep mining for good quality coal. Another drawback of the present price formula is that even consumers who can use low and medium coal are inclined to indent for good quality coal because of the almost negligible price difference, thereby increasing the already heavy pressure on the limited supply of good quality coal. The remedy it is pointed out lies in widening the price gap between low and good quality coals so that only consumers who actually cannot do without good coal indent for it. A higher price for good coal will also give an incentive for producers to invest in deep mining machinery in the assurance that their increased efforts and investments will be suitably rewarded.

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Equity prices on Lyons Range are depicting a firm trend notwithstanding the proximity of the long Puja vacation. The fact that there are fewer uncertainties in the investment situation now than a few months ago has greatly contributed to the strengthening of the bullish fervour. Initially marketmen especially in Calcutta appeared to be a little disturbed over certain passages in Mr. Krishnamachari's recent broadcast but sentiment soon revived in sympathy with Dalal Street where the speech has been generally well received. Liberalisation of credit is believed to be the next step that the Finance Minister will finalise in the course of the next few weeks. It is not however any particular point in the speech

but the general tone and tenor of it that seems to have impressed operators.

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Despite the elaborate arrangements made by the authorities, the raw jute market has tended to be somewhat weak. In contrast to the steadiness till a few days ago, there are now reports of sellers selling their stocks even below the minimum prices. Perhaps those who have concluded such sales are exceptionally needy people but this does not alter the fact that there is no agency offering them the minimum price. Storage space appears to be the main difficulty everywhere, in country centres as well in the mills. Although mills have been given a fairly big quota for the current month, their offtake has remained so far rather poor. That arrivals have been proved to be larger than anticipated is shown by the announcement of a quota of 1.5 lakh bales by the Jute Commissioner to be absorbed by the Jute Buffer Stock Association. It would appear that in view of the unusually heavy arrivals this month, the rate of absorption of jute by other agencies operating in the field will have to be considerably increased if the objective of ensuring a reasonable return to the grower is to be realised.

Meantime, conditions in the jute goods market have considerably quietened largely because of a sharp decline in the price of sackings. The fact that stocks at the end of September have increased despite a fall in production during the month may be one of the reasons. Orders have been below expectations, especially from the Government of India. Another bearish influence appears to be the loss of a Sudanese order to Pakistan. At a time when the trade was under the impression that Pakistan would not be entering world markets for some time to come especially in view of its contract with China to execute a large order for sacking, this had come as a surprise. The industry and trade is rather concerned over the continued indifference of the Government of India to the growing Pakistani competition to our sacking markets.

Dearer Rice in Southern States

From Our Correspondent

MADRAS :

THE CRISIS in the rice situation in West Bengal is having its effects felt in the Southern Zone. Thanks to a fairly large harvest, prices in Andhra Pradesh, Madras and the other two neighbouring States remained stable until recently. Indeed, till June this year, it was complained in Madras particularly that prices were ruling even below the levels that prevailed during the corresponding period last year and that the policy of procurement by the State Government was operating adversely against the interests of growers. As the millers were asked to surrender stipulated quantities at the prices fixed for procurement purposes and there would be a loss to the miller when large purchases were made at higher prices, the policy of regulated buying by the middlemen kept down prices especially as the yield of the crop in the different parts of the State was satisfactory. The position in Andhra also was encouraging and prices did not rise until a few weeks back the Chief Minister of the State agreed to allow exports of rice to West Bengal and Maharashtra against quotas on the understanding that an equal quantity of rice was surrendered to the State Government at the procurement prices. In the Tanjore District in Madras State, it was even complained for a time that prices for the Kuruvai crop were low and uneconomic because of the absence of any large off-take from Kerala dealers, the requirements of Karala being satisfied by Andhra to a great

extent. Also, after the merger of Goa there has been a decline in smuggling to Pakistan, and in the past two years prices have been remarkably steady.

When there is an acute shortage in one part of the country, it cannot be insisted that the consumers in other regions should be protected against an undue rise in prices. But right from the beginning the shortage of rice in West Bengal has been underestimated and there was a sense of complacency on account of the comfortable position in the Southern States. It was also felt that the situation could be easily managed with the issue of stocks by the Centre and large sales of wheat. But the calculations of the authorities have gone wrong though there was ample warning in the shape of the crop failure in Orissa and the large diversion of acreage for jute cultivation in West Bengal. This diversion of acreage by itself could not be said to have created a difficult situation in West Bengal as the new crop rice, which will come into the markets in the next few weeks, will be more than generally expected and it was the ban imposed by the Orissa Government that has complicated the situation. When adequate supplies are not available in the Zone, prices cannot be kept in check without larger imports from abroad or arrivals from the neighbouring areas. As there is a net deficit in regard to the cereal in the whole country and as considerable saving in foreign exchange had been effected on account of growing of a large jute crop,

it should have been decided by the Government to import larger quantities of rice from abroad or at least quicken the shipments that would have been brought in at a later date.

The failure of the Central and State Governments to assess the situation correctly has led to a needless rise in prices in Andhra, Madras and elsewhere and consumers in this region are also being obliged to pay atleast 12½ per cent more than what they did sometime back. It was argued by the Andhra Pradesh Government that there was no justification for an increase in prices of the qualities consumed in Andhra, Madras or Mysore. The exports to West Bengal consisted only of inferior varieties of rice, particularly boiled categories, which are not used by consumers in Madras particularly. With the remunerative sales to West Bengal, however, prices for boiled rice in Andhra shot up which had a sympathetic effect on other varieties as well. At the same time, the millers found it advantageous to convert existing paddy into boiled rice and realise higher prices. This has resulted in a fall in despatches of raw rice to Madras as Maharashtra also purchased finer qualities of raw rice to some extent. The opportunity to push up prices was exploited by the rice dealers.

With the lifting of the ban by the Orissa Government on despatches of rice to West Bengal and the diversion of ships carrying rice from South Vietnam and Thailand to West Bengal, it is expected that the situation will improve especially as retail prices have also been fixed at Rs. 35 per maund. Large hoarded stocks have come into the open market and the situation in West Bengal is getting under control. It is not expected, however, that there will be a decline in prices in the Southern Zone for sometime as the new crop is just being marketed and high price at the time of harvest does not augur well for the consumer in the coming months. If the situation is to be controlled, it is emphasised that the State Governments should effect sales of rice at controlled prices through fair price shops so that prices can be pushed back to the old levels. When there is an unexpected shortfall in the yield and the production of the cash crops at the same time has been satisfactory it would not be incorrect to import larger quantities of rice especially when corresponding adjustments in shipments of wheat can always be effected.

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Some concern has been expressed over the recommendation of the Development Council for Paper, Pulp and Allied Industries recently that the Government should not grant licences for paper mills which undertake to manufacture paper and boards based principally on bagasse as raw material. Though this decision may not have any adverse effects on units which have already been licensed and which are also operating on the basis of bagasse as raw material and only during the week a fresh letter of intent has been granted by the Central Government to an Andhra industrialist for starting a paper mill in Bodhan area in Andhra Pradesh, it is felt that the ban on issue of fresh licences may affect the progress of the industry in this part of the country. The Development Council would seem to be worried about the delay in the completion of projects based on bagasse on account of the difficulties experienced by the sugar mills in releasing supplies of bagasse in absence of proper arrangements for supply of coal or fuel oil. The boilers firing bagasse as fuel have also to be changed in order to use coal or fuel oil as the case may be. But this is a procedural change-over which is to be carried out efficiently if the paper industry is to be enabled to progress rapidly in this part of the country. Actually in the case of Seshasayee Paper and Boards Limited it is expected that the oil-

fired boilers will be functioning shortly at Pugalur and the sugar mill at this place belonging to the Parry Group will start supplying bagasse to the paper mill at Erode for conversion into pulp. The Mandya National Paper Mills in Mysore is operating satisfactorily on bagasse supplied by the Mysore Sugar Co. and this new unit has a programme of doubling its capacity. A few days back a loan of Rs. 40 lakhs was granted out of the Cooley funds for carrying out this expansion. This mill is operating in co-operation with American interests and after the completion of the expansion schemes it is estimated that the output will be 70 tons daily. The new paper mill at Bodhan will derive its supplies of bagasse from the two large sugar mills in the same area and it is expected that coal will be utilised in place of bagasse and there may not be any serious problem as supplies could be derived from Singareni. This project has been in contemplation for a long time and the licence could not probably be refused especially as the State Government was anxious to have a large paper plant promoted by Andhra industrialists.

There are some more schemes under contemplation in this part of the country and it is understood that the Central Government is worried about the use of large foreign exchange for imports of fuel oil in place of a raw material which is entirely a by-product. But in the absence of bamboo supplies, the use of bagasse on a large scale for the manufacture of paper not to speak of newsprint, cannot be avoided and a formula will have to be devised for the alternative fuels to be made available to the sugar mills on the lines of the cement industry. The coal situation is very much easier and the problem relates only to transport. The new paper mills may be located in areas which can be reached more easily by the sea-cum-rail route for purposes of coal despatch.

A few days back, the Development Council had a meeting at Bellagola for considering the schemes to be implemented during the fourth Plan. It is apprehended that there would be a considerable shortfall in production at the end of the Plan period and a huge effort would have to be made in the next few years if a serious shortage of paper and boards is to be avoided. Even though licences have been granted on a large scale and the capacity would be as much as 11 lakh tons, after all the schemes fructified, it is not expected that the actual production will be more than 5.8 lakh tons in 1965-66 against the target of 7 lakh tons and an installed capacity of 8 lakh tons. The target for the fourth Plan has been fixed at 1.2 million tons which may mean that there will have to be a virtual doubling of capacity in a short period.

As even with the use of bagasse a serious shortage of raw material is apprehended, the Development Council is reported to have recommended the cultivation of fast growing trees on a plantation scale in order to have adequate supplies for pulp manufacture. Besides raw material shortage, there is also the question of securing plant and machinery in time and in adequate volume.

The arrangements for the manufacture of paper-making machinery within the country have no doubt been helpful, but it has been emphasised that larger allotment in foreign exchange should be made in order to import such machinery as cannot be had from indigenous sources. While the indication that a sum of Rs. 2 crores has been allotted for this purpose is to be welcomed, there should be no hesitation in issuing import licences where it is clear that the earlier start of a mill would result in the displacement of costly imports of paper and boards which would otherwise have to be effected. A significant increase in output in a short period can obviously be brought about only with the expansion of

the capacity of the existing mills. These schemes will cost less and yield quicker results. The whole situation will have, therefore, to be carefully watched and the necessary facilities provided.

It has also been pointed out that the stagnation in the industry is partly due to the price and taxation policy adopted by the Government and the new units particularly have been operating on an unremunerative basis. It has been complained that while a premium is charged for certain varieties by the trade, the mills themselves do not derive any tangible benefit. It is understood that representations have been made to the Government for a fresh revision of fair selling prices. It is expected that there will be an increase in prices for lighter varieties of paper while a further increase in selling prices for other varieties might be granted after consultations with expert bodies. The consumer will naturally be penalised in the bargain, but the industry may be given relief in the shape of a revision in indirect taxes on intermediate products if the authorities do not want any increase as such in selling prices.

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The Stock Market in Madras has been fairly active following encouraging advices from Calcutta and Bombay. Business has been restricted owing to the paucity of sellers. It must be said, however, that prices have not risen to the same extent as in other two centres. There is a desire to await fresh developments. It is generally expected that after the meeting of the Central Board of Directors of the Reserve Bank, there will be an early announcement relating to the rationalization of interest rates. The presence of the Union Finance Minister in the City during this period is considered significant.

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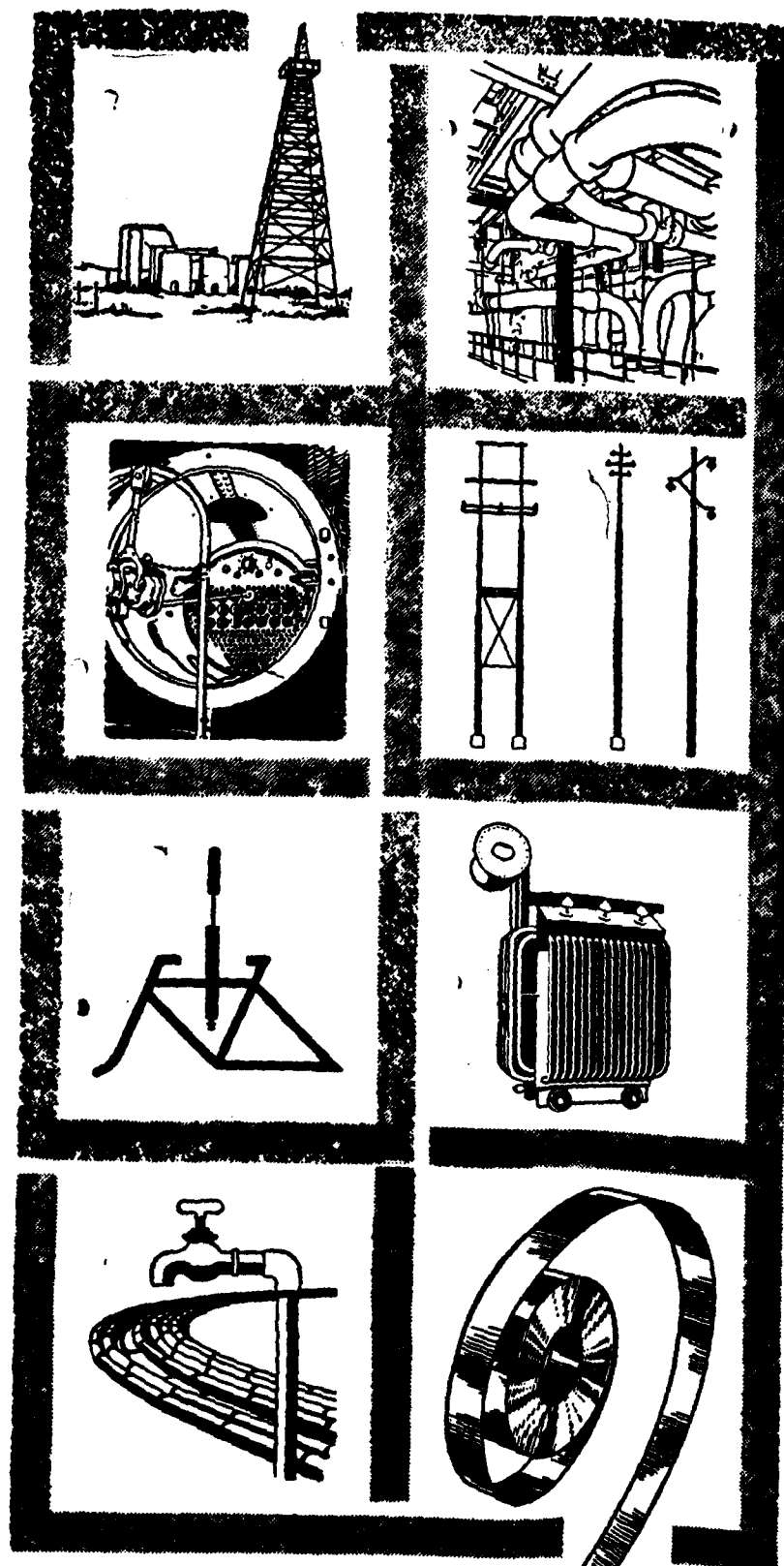
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NOTIFICATION

It is hereby notified that the Prospectus dated the 25th September, 1963 issued by the Company in connection with the above Public Issue be read as amended to the following effect :

- Mr. Aftab Rai, a Director of the Company has resigned with effect from 25th September, 1963.
- The right of Managing Agents to appoint upto two Directors of the Board of Directors of the Company is conferred under the Articles of Association of the Company and not under the Managing Agency Agreement (as mentioned under the heading "Directors' Qualifications & Remunerations").

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The moving fingerprints

THE PRIME MINISTER broadcast on October 19, calling upon our people to celebrate the National Solidarity Day which fell on the 20th. It was Mr. Nehru again who, on the following day, administered the National Solidarity Day pledge to a mass gathering at the Willingdon Pavilion. The broadcast to the Armed Forces that evening was also made by him. I am disposed to agree broadly with such of us as might feel that we cannot have too much of Mr. Nehru on occasions like this. Nevertheless, I cannot help asking the question whether it would not have been more proper had the President been asked to make the broadcasts. Mr. Nehru, when all is said and done, is a leader of a political party which happens for the time being to be the ruling party. Since the very essence of national solidarity is that this concept should be rescued from the exigencies and expediencies of party politics, I for one find it rather inappropriate that a particular political leader—however eminent and however widely admired and respected he may be—should virtually have been made the sole symbol of a national celebration of this kind. Incidentally, it may be pointed out that it is the President who is the Supreme Commander of the Armed Forces and to whom certainly should have gone the right and privilege of making the National Solidarity Day broadcast to the Defence Services.

Most of last week I was in Andhra Pradesh visiting some of the industrial centres and plants in that part of the country. This State is, in terms both absolute and relative, definitely underdeveloped industrially. Such industrial progress as it has made in recent years has been due principally to the fact that some important industrial undertakings, which were being run under State auspices but were not being run too well, had been handed over to private enterprise. The experiment has been brilliantly successful and the result is that industrial undertakings which were more or less at a dead end have acquired not only a new lease of life but have become vigorous enterprises making good use of installed capacities as well as planning boldly and imaginatively for their modernisation and expansion.

Nevertheless, it still remains true that Andhra Pradesh has yet to tap in any significant manner its vast industrial potential. I understand that the State Government is becoming increasingly aware of its obligations in this respect and I gather that the State's five-year plans will hereafter attend more and more to the requirements of industrialisation of this region. Currently, much of the resources, Central or State, which are being poured into development in this area, are being absorbed in river projects and agricultural programmes. While it is certainly true that Andhra's agriculture should not by any means be neglected there is a growing feeling in the State that the region cannot achieve a satisfactory rate of economic growth if industry is not provided with more nourishment than it has been receiving. Perhaps a satisfactory solution of the problems presented here could be found through the State Government adopting a more positive policy for attracting capital and enterprise to Andhra Pradesh. By these means the State Government should be able to reduce its own direct financial commitments for the industrialization of the region.

Sydenham College, Bombay, which completed its fifty years on October 22, and is celebrating its Golden Jubilee, is certainly a landmark in the progress of higher education in the nation. Launched as a modest commerce college with an honorary principal, four part-time lecturers and about a

hundred students, it has now grown into a veritable university of commercial education with fifty eminent teachers and about 1,300 students on its rolls. Among its other distinctions, it is the only educational institution in the country which has been teaching Actuarial Science for the last 35 years. The College at present provides instructions up to Ph.D. degree and the authorities have decided to start a research centre for research in the Humanities, Commerce and Economics.

The Ashoka Hotel is in the news, what with the resignation of its popular Managing Director, Brig. Raj Sarin (who, by any reckoning, has done a fine job), a threatened strike on the part of a section of its staff and an acrimonious conflict between two rival unions which divide the allegiance of the Hotel employees. A local newspaper has rightly complained that, as a result, the Hotel's patrons are having rather a rough deal. With the tourist season around the corner, it is to be hoped that peace and decorum will soon be restored in the Hotel and its surroundings. The institution itself deserves no less, and here I recall with great pleasure a recent incident which demonstrated the high standards of character and conduct which have been inculcated among its staff. My host who had paid for the lunch with the aid of Diners' Club credit card had also left a ten-rupee note on the plate as a tip, but the bearer would not take it protesting that tips were not allowed. It is not often that one comes across self-denial of this kind although in most hotels tipping is formally prohibited as a result of an understanding between managements and staff.

V.B.



PORTRAIT OF A SCOTTISH ARISTOCRAT, BUTLER AND FAMILY PET.

Trade Winds

DOLLARS FOR DEVELOPMENT

BY THE middle of October, the total U.S. economic assistance to this country had risen to \$5,023.1 million (Rs. 2,391.9 crores). During the last two and a half months, the increase in assistance was of the order of \$50 million. A foreign exchange loan of \$27 million was announced from U.S. Export-Import Bank to Coromandel Fertilizers Ltd., Visakhapatnam—one of the largest fertilizer factories. It will also receive a loan in rupees of Rs. 10.76 crores from the Cooley Fund. To meet the needs of the Indian starch industry, a supplemental P.L. 480 agreement for 110,000 tons of maize valued at Rs. 3.7 crores was also recently announced. Under title III of P.L. 480, an increase of \$10 million in the value of milk and other foods was also made known; these supplies are used largely in providing free lunches to about 7 million school children.

Agreements covering U.S. Government credits totalling Rs. 5.56 crores to five Indian firms were signed recently. These enterprises, all of which have American participation, will help in increasing the production of paper, chemicals, diesel engines, gears and poultry products. The five firms to receive the latest loans are Union Carbide of India Ltd. (Rs. 2.16 crores), Mandya National Paper Mills Ltd. (Rs. 1.5 crores), Kirloskar Cummins Ltd. (Rs. 1.25 crores), Napco Bevel Gear of India Ltd. (Rs. 40 lakhs) and Arbor Acres Farm India (Private) Ltd. Rs. 25 lakhs.

Union Carbide of India will utilise the rupee credit and a U.S. Export-Import Bank dollar loan of \$7.6 million (Rs. 3.6 crores) to expand its polyethylene and chemical plants at Trombay, Calcutta and Madras. The expansion will enable the firm to double its output for sale of butyl alcohol, butyl acetate and ethyl acetate, begin producing plasticisers, increase its high pressure polyethylene output 3.5 times, and produce benzene, propylene and ethylene. These chemicals are in great demand in India and the firm's expansion programme will help to reduce import of these items.

The Mandya National Paper Mills is located at Belagula, Mysore State. Parsons & Whittemore, Inc., of New York, a large manufacturer of paper equipment, is collaborating in this enterprise. The credit will help to expand the production of paper at the plant from 35 tons to 70 tons per day.

The factory under construction at Poona of Kirloskar-Cummins Ltd., will produce 2,500 heavy duty general purpose diesel engines annually. These engines, ranging from 150 to 800 horse power, will be used in construction equipment of all types, power generators and large trucks. They will be fitted to shovels, drag lines, crawler tractors, air compressors and other such units requiring large power sources. At the present time diesel engines of this capacity are imported, but the firm hopes to export some of its products in the near future. Cummins Engine Co. Inc., of Columbus, Indiana, is collaborating in this venture.

Napco Bevel Gear of India is erecting a factory at Faridabad, Punjab, to manufacture precision gears, universal joints and other parts for automobiles, machine tools, agricultural machinery, etc.

'KIPPING' LOAN TO INDIA

An agreement for a loan of £4 million (Rs. 5.33 crores) to the Government of India from the British Government was signed at New Delhi on October 16 by Sir Paul Gore Booth, British High Commissioner, and Shri P. Govindan Nair, Additional Secretary, Ministry of Finance, Department of Economic Affairs. This loan is part of the offer made by the British Government at recent meetings of the Aid India Consortium in Paris and Washington of further aid amounting to £30 million (Rs. 40 crores) to be committed in 1963-64 as part of their contribution towards the foreign exchange costs of economic development under India's third Five-Year Plan. The

loan is for a period of 25 years, but repayments of principal will not begin until after the seventh year. In view of India's special circumstances, and in accordance with the undertaking given by the Secretary of State for Commonwealth Relations in Britain in Parliament on July 17, 1963, the interest that would otherwise be due during the first seven years of the loan will also be waived. This loan is to be used to improve the operating efficiency of manufacturers in India who traditionally look to Britain for their supplies and who are experiencing difficulties because of India's tight foreign exchange situation. The need to make funds available for this purpose was emphasized to the British and Indian authorities by Sir Norman Kipping, Director General of the Federation of British Industries, who visited India earlier this year.

PRODUCTIVITY IN CABLE INDUSTRY

Some interesting recommendations have been made in the report submitted by an Indian Productivity Team which visited the United States and Japan some time ago. This Team led by Mr. V. G. G. Nayar, Chairman of The Aluminium Industries, was sponsored by the National Productivity Council last year to study the working of the cable industry in these countries. It made a thorough study of the organisation of the industry in both the countries and has drawn conclusions for possible application in India. One of its recommendations is that the Indian cable industry should follow the Japanese pattern of dispersal of factories all over the country not only to bestow the benefits of industrialisation evenly but also to prevent possible dislocation in the event of a major calamity. It has also made some interesting findings on the system of organisation which is followed in American management. It states, for instance, that the proper sources of authority and their relationship to the rest of establishment should be defined by organisation charts. It has made a study of the delegation of authority and responsibility as it exists in American management.

A significant finding of the report is about the definition of 'productivity' which does not merely mean labour-productivity. In both the countries—Japan and the U.S.A.—the concept is also a measure of economy of other means such as materials, machinery, capital and management. Higher productivity, so far as items other than labour are concerned, is achieved through controls on stores and inventory and costing methods which enable realistic and competitive price fixation.

Commenting on the metals used for cables, the report states that better availability and price consistency of aluminium as compared with copper, along with the lightness in Japan and the U.S. to consider the use of aluminium for most types of insulated wires and cables. Such choice has, however, been based purely on economic and technical advantages. Aluminium is considered ideal for all bare and lated cables involving big volumes of insulation. The report has estimated that at least 10 per cent progressive additional demand every year and another 10 per cent for replenishing obsolescent equipment. In other words, it has recommended that the Government should encourage and sponsor the establishment of a sufficient number of units for the manufacture of cable-making equipment in the country.

DESIGN CELL FOR KOYALI REFINERY

An Indo-Soviet Cell has been set up to design and engineer certain jobs of the Koyali refinery near Baroda. About 30 Indian and 7 Soviet engineers are associated with the Cell. The Soviets have joined the Cell recently. The Indian engineers have already completed about 40 per cent of the designing work. Some of these engineers were earlier associated



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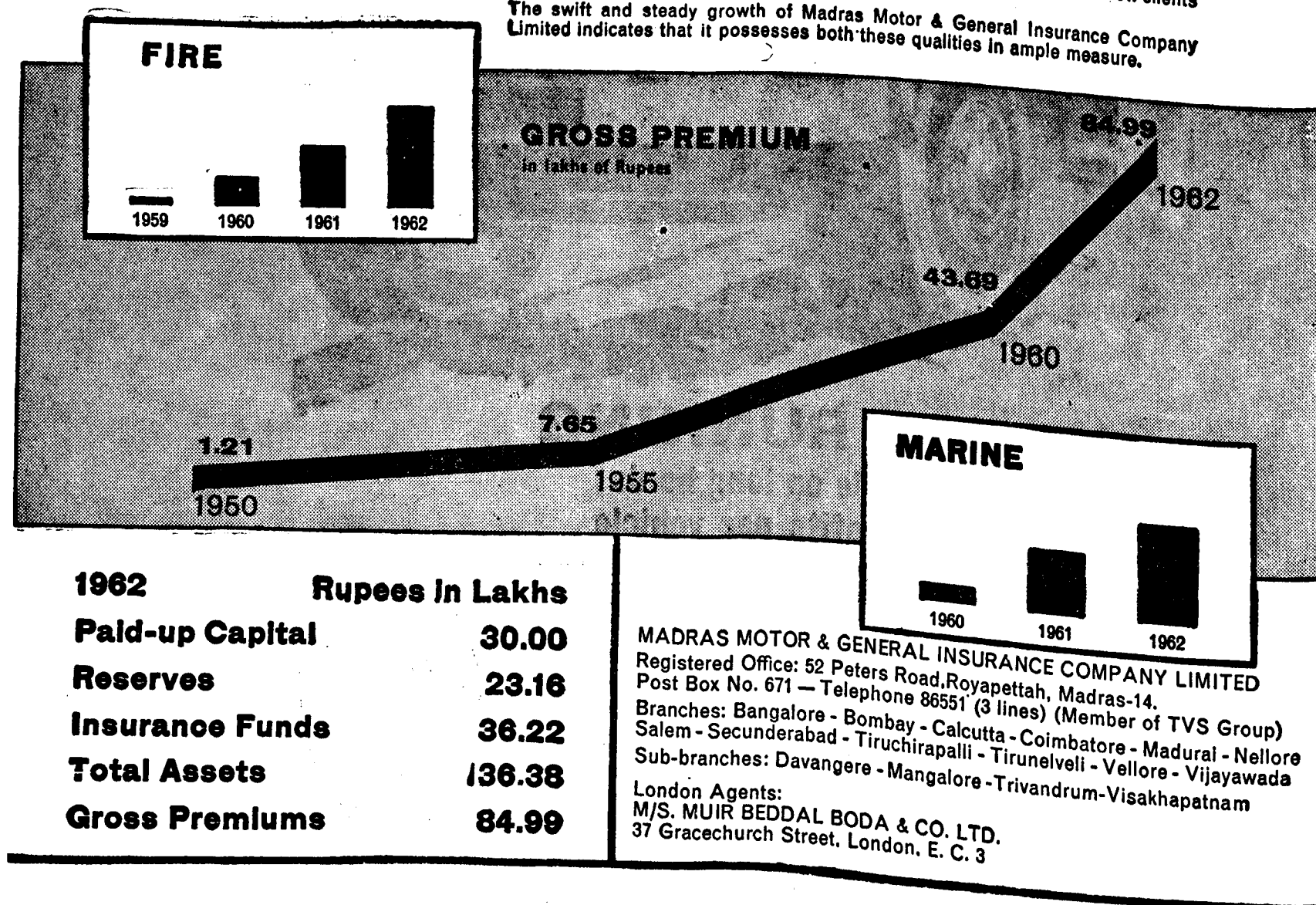
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with the Soviet Design Organisation in Moscow during 1962 when the main project report of the refinery was being prepared. The refinery, which is being set up in the Public Sector with the technical and financial assistance of the Soviet Union, is being designed to process two million tons of crude per annum. Its capacity will ultimately be increased to 3 million tons per annum. The first stage of the refinery is likely to go on stream by the end of 1964. The detailed project report of the refinery has already been received, examined and completed with the help of the Soviet experts. The equipment for the refinery has already started arriving from the Soviet Union. Estimated to cost about Rs. 27.78 crores, the refinery will employ about 1,000 personnel and produce a variety of products including liquid petroleum, gas, motor-gasoline, solvents, kerosene, high speed diesel-oil and fuel oil.

NAHORKATIYA PLANT AT FULL CAPACITY

The Nahorkatiya crude conditioning plant, first of its kind in the world, which was completed last year and ran successfully on 25 per cent of its capacity during the previous winter season is now ready to operate on full throughput. Static pressure testing has been carried out on the individual fluid circuits and the cooling water circuits have been run. The unit will now stand by till the pumping programme for the next cold season is finalized. The Nahorkatiya crude conditioning plant forms part of the 720 mile Oil India Pipeline in North East India. The first stage of this pipeline system connecting the oilfields in Nahorkatiya with the Gauhati Re-

finery was commissioned in March, 1962 and is since supplying crude oil to the Gauhati Refinery. The second sector of 470 mile pipeline, Gauhati-Barauni, was completed in February, 1963.

NEWSPRINT POLICY

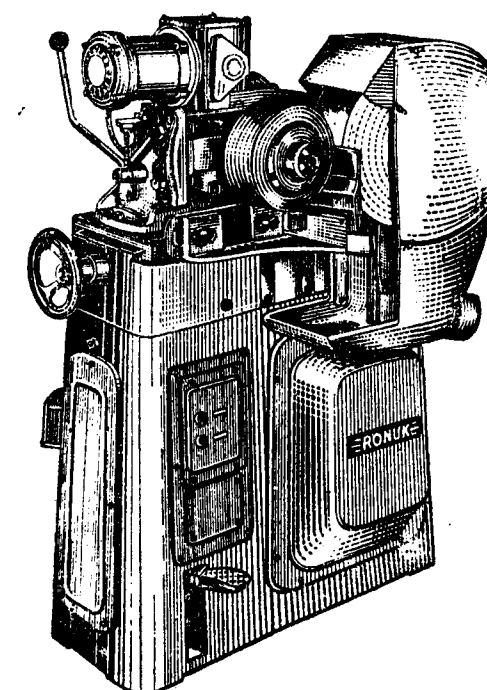
The page cuts imposed on daily newspapers (including Sunday editions) at the commencement of the current licensing year have been discontinued with effect from October 1, 1963. Daily newspapers (including Sunday editions) having a circulation between 10,000 and 50,000 copies will be allowed to increase their circulation of 1961-62 by 20% during October 1963 - March, 1964, but subject to a maximum of 50,000 copies. Newspaper establishments eligible for additional newsprint quota should submit their applications to the Registrar of Newspapers for India by November 30, 1963.

INCENTIVES FOR D. MARK ABROAD

The Government of the Federal Republic of Germany has submitted to Parliament the draft of a law on tax privileges to promote private investment in developing countries. In its new law the West German Government proposes to improve the taxation of reserves and to admit a valuation allowance. In future, German investors are to be permitted to deduct a 15-per cent valuation allowance from the fixed assets invested in a developing country. This alleviation is intended to be a compensation for the permanent risk which investors in developing

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countries have to bear. The reserve items, which can be deducted from the profits before taxation, are to be increased to fifty per cent of the costs of the investments which are already reduced by the valuation allowance. They are to be dissolved after a period of six business years after which at least a sixth of their value will be fully taxed. The new law also provides that hidden reserves may not be taxed if the investor delivers machines or other production equipment to the developing countries. West German private investment in developing countries, in terms of per cent of the gross national product, amounts to about half of what has been invested by France, Britain and Italy. The new tax law is intended to be an incentive to promote German investments in developing countries. So far only political risks have been covered for a certain period.

TRUCKS FOR ARMY

Out of the 10,000 components that go into the making of a Shaktiman truck for the Indian Army, almost 75 per cent are now indigenous. When production started in 1959 at the Defence Ministry's Gun Carriage Factory at Jabalpur, only 35 per cent of the components were indigenous. Some of the major components like the engine and the axle are also made indigenously, at the Small Arms Factory. Over 3,700 Shaktimans have been produced so far, and the target for 1963-64 is 2,000 trucks. Produced in collaboration with a West German firm, it is a multi-fuel engine which can run on kerosene, diesel oil, petrol or, if need be, even on its own lubricating oil. This greatly increases the vehicle's flexibility and manoeuvrability.

LAND MORTGAGE BANK DEBENTURES

The National Co-operative Development Corporation decided at a recent meeting in New Delhi to purchase debentures floated by Central Land Mortgage Banks up to an overall limit of 25 per cent of its surplus funds. This will, however, be subject to the condition that such purchases should be limited to the extent of the shortfall, if any, but not exceeding 5 per cent of any individual issue by a Central Land Mortgage Bank. If there is no shortfall in subscription from other sources in respect of any issue, it has been decided that the Corporation should not step in. Subscription to the debentures will be confined as far as possible to States where land mortgage banking has comparatively not been well developed.

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LTD.

The Sixty-sixth Annual General Meeting was held on October 24th at Victoria House, Bloomsbury Square, London, W.C.1., Sir William Lamond, the Chairman presiding.

The Report of the Directors was adopted and payment was sanctioned of a Final Ordinary Dividend of 4 per cent (actual) for the year ended 31st March, 1963. Sir William Lamond, Mr. J. W. Gauntlett and Sir Walter Michelmores were re-elected Directors. The remuneration of the Auditors was fixed.

The above statement is not a report of the proceedings of the Annual General Meeting referred to.

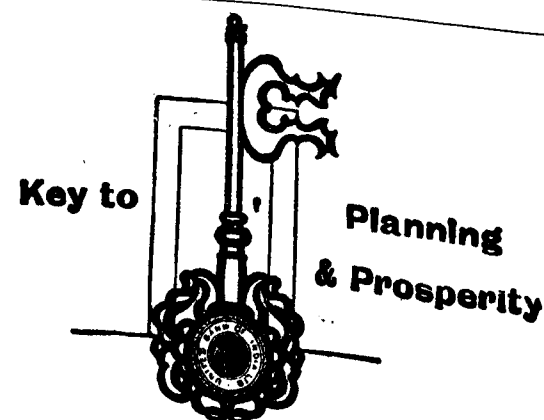
Another decision taken by the Corporation is that financial assistance be given to national and inter-State co-operative institutions registered under the Multi-unit Co-operative Assistance Act for schemes relating to credit, marketing, processing and storage. Such assistance should be in the form of share capital loan and subsidy for construction of godowns and subsidy for managerial staff. The reason for providing assistance to such institutions is that being national or inter-State institutions, no particular State Government might be interested in giving assistance to them. The Corporation has also decided that funds may be utilised for promoting other co-operative schemes and schemes not covered already by the Central Government on the merits of each case.

QANTAS' GOOD YEAR

Qantas Airways Australia, Pool Partner of B.O.A.C. and Air-India, announced record revenue and profit for the year ended March 31, 1963. Revenue exceeded £A14 million for first time and nett profit of £A1.46 million after taxation was highest ever and compares with the profit for the previous year of £A480,000. Number of passengers carried totalled 240,032—an increase of 52,000 on the previous year—and passenger miles performed totalled over 978 million compared with nearly 752 million for the year 1961-62. The overall production increased 20.2 per cent and the basic reason for the successful year was original choice of Boeing 707/138 aircraft for mainline fleet and subsequent conversion to Turbofan Powered 707/138B VJet model. Another reason for the successful year was careful cost control.

EVEREADY TORCH CONTEST

The Delhi Branch of Union Carbide India Limited have recently announced a mammoth sales promotion and advertising campaign for promoting the use of Eveready torches. This is the biggest single advertising and sales promotion campaign ever undertaken by Eveready in India. The campaign is designed to motivate the non-users to purchase and use Eveready flashlights. This contest runs from August 15th to November 5th. Rs. 35,000/- in prizes are to be won by 2,003 consumers and retailers. The entrant has to list 9 out of the 12 reasons given on the entry form for choosing an Eveready torch, in order of importance along with a cash memo for the purchase of an Eveready torch.



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Company Affairs

OMEGA CABLE ISSUE

OMEGA INSULATED COMPANY (INDIA) LTD. is entering the capital market with an issue of Rs. 70 lakhs made up of 70,000 equity shares of Rs. 100 each, out of which Rs. 30 lakhs have been subscribed by the sponsors and their friends, and the balance of Rs. 40 lakhs is being offered to the public. The subscription list opens on November 4, 1963 and will close on November 20, 1963 or earlier but not before November 11, 1963. The entire issue is underwritten by financial institutions including the IFC, ICICI, MIIC, LIC, Canara Bank and Somaya-julu and Co. The authorised capital of the company is Rs. 3 crores. The total capital outlay of the first phase of the project is Rs. 115 lakhs out of which a sum of Rs. 70 lakhs is being raised by this issue and the remaining Rs. 45 lakhs through loan capital.

In the first phase, the company will produce 30 million core yards of PVC and VIR cables. The technical collaborators for the first phase are Kelsey Engineering Ltd. of Canada. The entire plant is expected to be completed in November, while production is scheduled to commence in March, 1964. Purchase of Rs. 33 lakhs worth of machinery from Canada and the United States has been finalised and is scheduled to arrive by December. The factory is to be located at Ambattur. All preliminary arrangements have been made for acquiring the raw materials such as aluminium, rubber and chemicals.

Negotiations are also in progress in England and France for the second phase of the programme, namely, 280 miles per annum of paper insulated lead-covered power cables, for which the company has already been granted a licence. The directors have also finalised negotiations with American concerns for technical and financial participation for the manufacture of cable accessories and also for the production of 3,000 tons of ACSR and all-aluminium conductors every year. An application to the Government for ACSR licence has been made.

The company obviously has an elaborate programme of manufacturing various types of cables and wires which include flexible cards, cotton and silk braided conduit wires and cables, low and high tension power cables, telegraph and telephone cables, marine power cables etc. The demand for these cables and wires has been rapidly rising in line with the growing tempo of industrialisation and electrification in the country. The new issue, therefore, stands bright chances of being well accepted in the market.

HIND LEVER'S DIVIDEND

The directors of Hindustan Lever Ltd. have declared an interim dividend of 60 nP. per share (taxable) for the year ending December 31, 1963. The dividend is payable on November 12 to shareholders registered in the books of the company on November 5. The Directors have expressed the hope that the dividend of Rs. 1.20 per share (taxable) paid in 1962 can be maintained this year despite the heavy incidence of super-profits tax on the company.

UNION CARBIDE

The Union Carbide India Ltd. has declared an interim dividend of 75 nP. a share, less tax, for 1963, payable on or after November 25. Transfer books will remain closed from October 28 to November 3.

DELHI CLOTH MILLS

The directors of the Delhi Cloth and General Mills Ltd. have finalised the basis of allotment of the recent issue of Rs. 2,00,000 (9 per cent) fifth redeemable cumulative preference shares of Rs. 25 each at par in consultation with the

authorities of the Delhi Stock Exchange. Applicants for 10 to 80 shares have been allotted in full. The percentage of allotment for the remaining brackets is: 90 to 130 shares—80; 150 to 200 shares—70; 240 to 400 shares—60; 420 to 3,000 shares—50 and 4,000 to 10,000 shares—44.65.

MADRAS RUBBER SUBSCRIPTION

In response to the issue of 6,25,000 shares of Rs. 10 each of Madras Rubber Factory Limited, the company received 13,637 applications for a total of 6,08,745 right shares and 6,442 applications for a total of 3,58,326 additional shares. The directors have allotted 6,08,745 right shares. As far as 16,255 surplus shares available for applicants for additional shares are concerned, it has decided, with the approval of Controller of Capital Issues, to allow 1 share each to the holders of 1 to 20 shares, 2 shares each to holders of 21 to 50 shares, 4 shares each to holders of 51 to 100 shares, 10 shares each to holders of 101 to 200 shares, 20 shares each to holders of 201 to 500 shares, 45 shares each to holders of 501 to 1000 shares and 65 shares each to holders of 1001 and more shares.

POLYSTYRENE PROJECT

A Rs. 6-crore project for the manufacture of polystyrene and copolymers is being set up by Shri Ram Mills Ltd. of Bombay. The name of the new company is to be Hindustan Polymers Ltd. The plant is located at Visakhapatnam with an annual capacity of 7,500 tons each. The raw material to be utilised will be alcohol from molasses. A refinery having an annual capacity of 1.5 million gallons is proposed to be set up for this purpose. The company has secured technical collaboration of Distillers Company Ltd. of the U.K. Technical assistance will be provided by Universal Oil Products Company Inc. of U.S.A., while Power Gas Corporation of the U.K. will supply plant and equipment on a turn-key basis. The foreign exchange outlay on this project is estimated at Rs. 2.36 crores. The factory is expected to be ready for operation by the end of 1965.

WIRE ROPE PROJECT

Bombay Wire Ropes Ltd. will shortly enter the capital market with a public issue of Rs. 27.50 lakhs. The company is setting up a wire rope manufacturing project in Maharashtra in collaboration with Ashahi Wire Rope Manufacturing Co. Ltd. and Kobe Steelworks Ltd. of Japan. The capital outlay of the project is estimated at Rs. 106 lakhs. The authorised capital of the company is Rs. 2 crores. The issued capital is Rs. 55 lakhs in 5,50,000 shares of Rs. 10 each. Of this, the directors, promoters and their friends have taken up shares worth Rs. 10.03 lakhs. They have also agreed to take up further capital of Rs. 17.47 lakhs including the firm allotment of Rs. five lakhs to the LIC. The entire public issue is underwritten. The factory will be situated at Kolshet near Thana, Bombay. The licensed capacity is 3,000 tons a year of wire ropes. The company has obtained an import licence for the machinery from Japan for Rs. 38.36 lakhs. The balance of machinery will be ordered from indigenous sources.

USHA RECTIFIER

A factory for the manufacture of rectifiers, elements, photo voltaic cells and diodes which are of vital importance to defence, is being set up at Badarpur near Delhi by Usha Rectifier Corporation (India) Limited. It has arranged foreign collaboration with International Rectifier Corporation of California on a 50-50 basis which will supply the entire foreign exchange requirements of the plant. It will have an annual capacity of 48,000 sq. m. of rectifier cells. It is expected to go

into production by the second half of 1964. The construction of the factory building has already started. The company is likely to enter the market during its expansion stage.

ROHTAS INDUSTRIES

The directors of Rohtas Industries Ltd., have stated in their annual report for the year ended March 31, 1963, that the production of company's various units, except sugar, improved considerably. Paper showed a marked increase in production from 46,565 tonnes to 52,243 tonnes with a large availability of imported pulp. The position regarding the supply of bamboo for paper improved but at a considerably increased cost. Since the rates of royalty charged by the State Governments continued to be high, and weighed heavily, the delivery cost of bamboo to the company's factory was considered high despite its proximity to the raw material source. The bamboo pulp mill is now producing a larger percentage of bleached pulp. Certain new equipment are under installation. Under the scheme recommended by the Development Council for Pulp and Allied Industries, the company will be able to increase the production by about 10,000 tonnes, if foreign exchange of Rs. 30 lakhs is made available. The production of vulcanized fibre unit was affected owing to inadequacy of imported base paper. It is trying to manufacture paper base on a commercial scale. The directors have pointed out that despite the recognition that paper production cannot reach the target envisaged under the third Plan, no remedial action has been taken so far, and feel that the widening gap between production and demand can be bridged only if necessary incentives to the industry are provided through satisfactory revision of prices. They hope that the Government would take an early decision on the memorandum submitted by the joint committee of the paper industry. Its cement production increased from 2.68 lakh tonnes to 3.20 lakh tonnes during the year. The production of clinker went up from 2.86 lakhs to 2.91 lakh tonnes, and of asbestos cement from 17,700 tonnes to 19,092 tonnes. The production of sugar was lower at 5,713 tonnes against 11,611 tonnes mainly because of the short duration of the crushing season. The short season was largely due to the shortage of cane. It attained an all-time record in the production of vanaspati at 11,270 tonnes against 9,795 tonnes in the previous year.

The production of caustic soda also moved up from 5,575 tonnes to 5,643 tonnes.

SCINDIA STEAM

The Scindia Steam Navigation Company Ltd. has recorded impressive results for the year ended June 30, 1963. Its gross profit for the year increased to Rs. 3.31 crores as against last year's Rs. 2.46 crores. Consequently, the directors have decided to step up the equity dividend to a rupee per share (gross) as against 60 nP. (gross) last year. This favourable turn in the company's fortunes has followed a rise in its gross earnings from Rs. 17.01 crores to Rs. 18.21 crores, the freight income adding up to Rs. 17.68 crores against Rs. 16.49 crores in the previous year. The directors have proposed a provision of Rs. 1.92 crores for depreciation, Rs. 68 lakhs for taxation and Rs. 9 lakhs for statutory development rebate reserve. The equity dividend absorbed Rs. 56.23 lakhs as against Rs. 33.79 lakhs last year. While the company has had to provide a much larger amount for taxation, the burden of absence of any fresh addition to company's fleet. It is pointed out that the company was obliged to draw as much as Rs. 48 lakhs from general reserve last year in order to pay the dividend and provide for development rebate reserve.

MADRAS FORGINGS

Madras Forgings and Allied Industries Ltd. will enter the capital market on October 31, with a public issue of 11,000 equity shares of Rs. 100 each. The subscription list will close on November 13 or earlier but not before November 1. The issued capital is Rs. 15 lakhs of which the directors and their friends have taken up Rs. 4 lakhs. The company will set up a plant for the manufacture of forgings and castings with a capacity of 6,000 tons per annum at Coimbatore. The plant is expected to go into production in the second quarter of 1964.

MODI SPINNING

The working of Modi Spinning and Weaving Mills Company Limited for the year ended April 30, 1963 has resulted in a lower net profit of Rs. 10.59 lakhs as compared to Rs. 20.77

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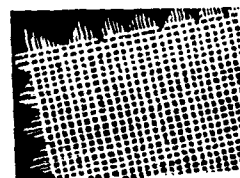
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lakhs in the previous year. The directors have proposed a dividend at 9 per cent on old shares and proportionately on new shares to be paid from dividend reserve to which a transfer of Rs. 10.65 lakhs has been made. The dividend had absorbed Rs. 18.46 lakhs in the previous year. Allocations include depreciation Rs. 25.73 lakhs, development rebate reserve Rs. 2.51 lakhs and taxation Rs. 13.10 lakhs.

The directors have pointed out that they have decided to lay more emphasis on the production of fine and super-fine qualities of cloth. They have already installed mercerizing plant and the sanforizing range will begin functioning at the beginning of 1964. The drafting system of the composite mill is also being converted to spin better quality yarn. The company added 6,400 spindles in February, making a total of 56,200 spindles. The new project comprising 25,000 spindles and 500 looms is being implemented as per schedule. The spinning plant is expected to start functioning during the current year. The company has received Rs. 45 lakhs out of the sanctioned loan of Rs. 98 lakhs from the Industrial Finance Corporation of India. In addition, the company has already installed a saw-gin and cottonseed delinting plant at a cost of Rs. 14.50 lakhs at Abohor in Punjab. This plant went into production in December, 1962. The rupees 30-lakh distillery factory at Yamunanagar is expected to go into production by the end of 1963.

METAL BOX'S PAPER PLANT

The Metal Box Company of India Ltd., have added paper to their metal and plastic packaging services. Its paper group will be located in Bombay. A manufacturing licence was granted to Metal Box last year for the manufacture of treated and laminated papers and boards and containers made therefrom. By providing in India paper packaging to international standards, it will assist exporters of consumer goods. Metal Box will also introduce specialised paper packaging systems designed to balance mass production of consumer products. This new packaging concept will assist many industries serving home and export demand, including food products (particularly frozen foods), pharmaceuticals, toilet products and confectionery. Another important facility from the Metal Box Paper group will be tamperproof paper cartons.

GOODYEAR TIRE FACTORY

The Goodyear Tire and Rubber Company will build a new tyre factory in southern Italy which will give Goodyear 67 manufacturing units all over the world out of which 8 are in Europe and in neighbouring areas. The Italian plant will be operated by Goodyear Italiana S.P.A., Goodyear's Italian subsidiary. Passenger and truck tyres and tubes will be produced by the factory for sale in Italy and for export to European and near east countries.

TWA'S OPERATIONS

Trans World Airlines carried 650,468 passengers and 728 million revenue passenger miles during the month of August this year, which is an all-time record. According to preliminary figures, it was the eighth consecutive month that T.W.A. reported a higher percentage of improvement in domestic passenger miles over the previous year.

TEXTOL COMPANY

The working of Textool Company Ltd. for the year ended April 30, 1963, has resulted in a lower net profit of Rs. 12.39 lakhs as compared to Rs. 14.52 lakhs for the previous year. The directors have proposed an equity dividend at 12 per cent on old shares and proportionate dividend on new shares. Dividend will absorb Rs. 6.24 lakhs. Other allocations include depreciation to the extent of Rs. 5.76 lakhs, taxation Rs. 9.20 lakhs and development rebate reserve Rs. 2 lakhs. It is indicated that the company's new branch factory at Singanallur for manufacturing fly frames has not yet gone into full production. The directors point out that the acute shortage of raw materials

such as pig iron and tin sheets has affected the company's production programme. The cone winders under manufacture in collaboration with Messrs. Kamitsu Seisakusho Ltd. of Japan, will be marketed shortly.

CAPITAL ISSUES

Eight companies have been authorised to raise capital aggregating more than Rs. 2.85 crores. The consent of the Controller of Capital Issues is valid for 12 months.

Somasundaram Paper Mill Ltd., has been given consent to the issue of capital of Rs. 25 lakhs divided into 2,00,000 equity shares of Rs. 10 each for cash at par and 50,000 9.5 per cent cumulative preference shares of Rs. 10 each free of company's tax but subject to tax at source at the prescribed rate, for cash at par. This is inclusive of shares of the value of Rs. 66,430 already subscribed and paid-up.

Rehabilitation Industries Corporation Ltd., is to issue capital of Rs. 50 lakhs, divided into 5,000 equity shares of Rs. 1,000 each. The shares will be issued for cash and will be subscribed by the President of India.

Indian Oil Company Limited, a Government of India undertaking is raising further capital of Rs. 65,45,000 divided into 6,545 equity shares of Rs. 1,000 each to be issued privately for cash at par.

Standard Motor Products of India Limited, Madras, is issuing capital of Rs. 25 lakhs in equity shares of Rs. 10 each for cash at par. Out of this, shares of the value of Rs. 9,21,840 will be offered as rights to Standard Triumph International Ltd., U.K. and Rs. 12 lakhs will be issued to the public simultaneously with the rights offer.

Ossoor Estates Limited, Mangalore, is issuing bonus capital of Rs. 3.25 lakhs by capitalizing the company's general reserves to a like extent. The bonus shares will be issued in the ratio of one share for every two existing shares.

P. S. Ball Bearing Co Ltd., Delhi, is raising capital of Rs. 60 lakhs divided into 5,00,000 equity shares of Rs. 10 each and 10,000 preference shares of Rs. 100 each to be issued for cash at par. Of this 2,50,000 equity shares will be offered for public subscription by prospectus.

Bombay Malleable Iron Castings and Allied Industries Limited, Bombay will raise Rs. 50 lakhs capital in 50,000 equity shares of Rs. 100 each to be issued for cash at par. Of this, shares of Rs. 20 lakhs will be subscribed privately and the balance of Rs. 30 lakhs will be offered to the public by prospectus.

The Gauhati Bank Limited, Gauhati is issuing capital of Rs. 6,43,000 divided into 1,28,600 shares of Rs. 5 each for allotment to depositors on adjustment for the conversion of their 30 per cent deposits in closed fund account.

LICENCES ISSUED

The following licences have been issued under the industries (Development and Regulation) Act, 1951—During the week ending 12th October, 1963. The list contains the name and address of the licensee, the articles of manufacture and the annual installed capacity:

COAL

Shri Om Prakash Agarwalla, Bera Colliery Co., P.O. Jharia, Distt. Dhanbad (Bihar)—Coal 80,677 tonnes.

BOILERS AND STEAM GENERATING PLANT

Nestler Boilers Private Ltd., Love Lane, Cross Lane, By-culla, Bombay-27. Proposed name: M/s. Nestler—NU Way Private Ltd. (Maharashtra)—Industrial Commercial and domestic range of various sizes of oil burners: Rs. 15 lakhs worth.

ELECTRICAL EQUIPMENT

Shri C. R. Gandhi, Poly Profile Corporation, 54, Tardeo Road, Bombay-7. Proposed name: M/s. Hindusthan Radiator

Corporation (Borivli, Maharashtra)—Steel Radiators for H.T. Transformers and such other equipment 624 tons. Shri N. S. Sethuraman, C/o Sethuram Thiagrajan and Co., 272/273, Angappa Naicken Street, Madras-1. Proposed name: Chilton Electric Products India Ltd. (Madras — Madras). 1. (a) Deion Miniature Circuit breakers—15,000 Nos. (b) (i) Panel boards and special enclosures—8,000 ft. (ii) Bus ducts—5,000 ft. 2. Earth leakage circuit breakers—1,200 Nos. 3. Rotary switches—1,200 Nos. Hind Rectifiers Ltd., Lake Road, Bhandup, Bombay-78 (Maharashtra)—Silicon Diodes 42,000 Nos.

TEXTILE MACHINERY

Ahmedabad Victoria Iron Works Co. Ltd., Dudeswar Road, Ahmedabad-1 (Gujarat)—All types of Flyers and pressers used for speed frames of cotton textiles, Worsted and waste silk 18,000 pieces.

HAND TOOLS

Deepak Industries Ltd., 16, Hare Street, Calcutta-1 (West Bengal)—Gear teeth generating tools (viz. Blade type-cutters)—2,400 Nos.

FINE CHEMICALS

Kesar Sugar Works Ltd., 45-47, Apollo Street, Fort, Bombay-1 (Maharashtra)—Capacity per annum after expansion in tonnes: 1. Sodium Thiosulphate—720; 2. Sodium Metabisulphite 56; 3. Sodium sulphite 720; 4. Chromic Acid/Chrome Salts 175; 5. Sodium Bisulphite 530; 6. Pot Metabisulphite 2.

SYNTHETIC RESINS AND PLASTICS

Caprihans (India) Private Ltd., Post Box No. 1443, Janmabhoomi Chambers, Fort Street, Ballard Estate, Bombay-1 (Kurla, Bombay, Maharashtra)—Phenolic Resin Varnishes 180 tonnes.

COTTON TEXTILES

Shri G. Daniel, Vice President, Kanya Kumari District Co-operative Central Bank, Nagercoil Proposed name: Kanya Kumari District Co-operative Spinning Mills Ltd. (Kanya-Kumari Distt., Madras)—12,000 spindles for manufacture of cotton yarn. Shree Siddeswara Textile Mills Private Ltd., Post Box No. 78, Davangere (Mysore)—6,160 spindles for manufacture of cotton yarn.

JUTE

Sri Krishna Mills Ltd., Eluru (West Godavri District) (Andhra Pradesh)—Jute products (sacking) 34 looms.

MILK FOODS

The Regional Dairy Development Officer, Rajkot. Proposed name: Rajkot Milk Scheme (Gujarat)—Milk powder 600 tonnes. Kaira District Co-operative Milk Producer's Union Ltd., Anand (Gujarat)—Milk Powder 2400 tonnes.

CHANGE IN NAMES (Owners or Undertakings)

During the week ending 12th October, 1963

(Information given below pertains to certain particular licences)

Shri V. D. Swami, Madras to M/s. Mac-Tools Ltd., Madras. From M/s. Motihari Cotton Mills, Calcutta to M/s. Mahalakshmi Fibres and Industries Ltd., Calcutta.

LICENCES REVOKED

During the week ending 12th October, 1963

(Information given below pertains to certain particular licences)

M/s. J. Barman and Co., New Delhi—A. C. Single phase House Service Meters. M/s. Mukandlal Bansilal and Sons, Bombay—Cotton yarn.

A CORRECTION

Our issue dated October 4, 1963, carried under 'Licences Revoked' an item which indicated that the industrial licence issued in the name of M/s. OFU-Lynx Ltd., Calcutta, for Furnaces had been revoked. On further information from the company it may be stated that two such licences had been granted to it, one for Calcutta and the second for Bombay. The company had decided to surrender its Bombay licence to the Government voluntarily, and to concentrate on the Calcutta factory.



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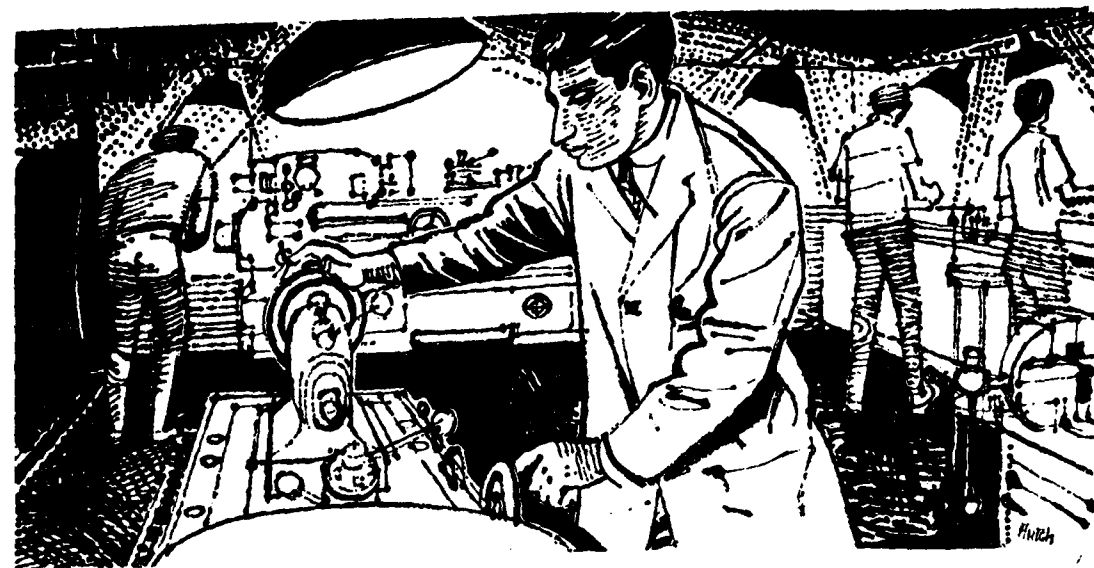
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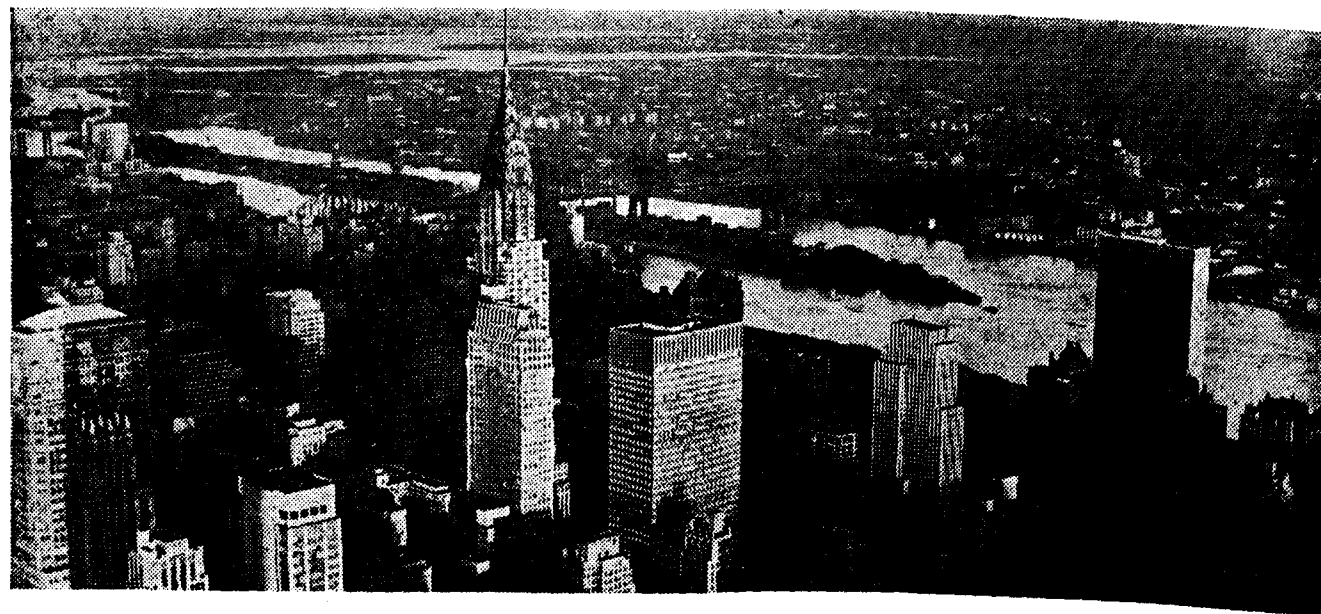
SUDDEN DARKNESS

In factories sudden darkness can cause injury and damage to machinery. Emergency lighting is the obvious safeguard—and that's where Keepalite comes into its own. Keepalite is an automatic emergency lighting system employing lead-acid storage batteries which are automatically triggered into operation by the actual

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Before you plan your next trip to America, here is what you should know about KLM's remarkable reliability and its jet services to New York, Houston, Montreal or Mexico City

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1. KLM was the first non-American airline to order DC-8 jets, and the first to operate them. DC-8 jets are flown by KLM on its weekly west-bound services from Calcutta on Fridays and from Delhi on Wednesdays, and also on its five weekly flights from Karachi on Mondays, Wednesdays, Thursdays, Saturdays and Sundays. Immediate connecting flights are available at Amsterdam to New York. Frequent flights are also operated to Houston, Montreal or Mexico City from Amsterdam.
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food and delicacies regularly from Holland. The service in these rest houses matches the standards of a good European hotel.

Amsterdam Advantages

8. The Tax-Free Shopping Centre at Amsterdam Airport is the largest on the European continent. Cameras, tobacco products, perfume, wrist watches and tape recorders are just a few of its bargains.

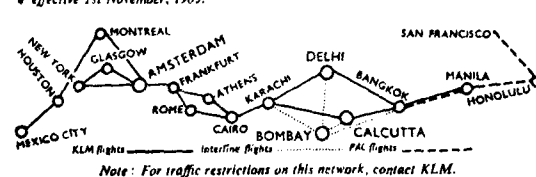
9. Take advantage of "Hilton Special"—a stay of two days and a night at the Hilton Hotel, Amsterdam; plus sight-seeing tours covering a canal boat trip, visits to Queen's Palace, Rijksmuseum, the Rembrandt House, a diamond cutting factory and other places of tourist interest. And all this for US \$ 17.00.

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FREE TRAVEL INFORMATION

See your travel agent or write to KLM, Calcutta for further information on KLM and its services to North America.

* effective 1st November, 1963.



* Outside prohibition areas

BOOKS BRIEFLY

Does Religion Retard Economic Progress?

Hindu Culture, Economic Development and Economic Planning in India: By K. William Kapp; Asia Publishing House, Bombay; Price Rs. 20.

Reviewed by R. P. RAO

ANY BOOK on effects of Hindu culture on economic development and planning is welcome. This is particularly so when the nation has just learnt that the progress during the first two years of the third Plan was behind schedule and knows that in spite of the best efforts of the authorities since independence, food production has failed to overtake population growth in the country.

Is Hindu culture scuttling or retarding the economic progress and planning and, if so, to what extent, is a highly relevant question. The people should know the fact. While agreeing in principle with certain general aspects expressed by the author, the vast majority of Indians will not share his views and conclusions.

Instead of discussing the effects of present day Hindu society on current economic development and planning, Mr. Kapp has chosen a few decades earlier Hindu society to find out its effects on the existing development and planning. To the extent of this disparity in the dates, the subject of the book misses its own mark and makes it far from being real. Obviously in the last few decades many changes have taken place in the Hindu society even for a superficial observer.

Again, describing about the "kinship and family structure" of the Hindu society, Mr. Kapp quotes a passage from the Hindu Law and Customs by J. Jolly published in 1928. The passage says: "... not only parents and children, brothers and step brothers live on the common property, but it may sometimes include ascendants, descendants, and collaterals up to many generations." Is the author justified in imposing 1928 Hindu society on 1963 economic development and planning to arrive at his conclusion?

What shocks the Indian reader most and turns him pale is the author's view on racial discrimination and segregation. While condemning casteism in Hindu society, the author says: "... caste, much more than its Western counterpart — racial discrimination and segregation — has always been an important obstacle to socio-economic change and as such has played not only a major part in the economic stagnation of pre-independence India, but today is still a major impediment to economic development." While Indians are trying their best to get out of this tight jacket of casteism, their Western counterparts, who claim to possess a superior culture, are going about pushing the Negro community down the jacket of racial discrimination and segregation.

According to Mr. Kapp, the Karma theory is responsible for "the cultivator who fails to take water from the new irrigation canal because it may rain or who delays the building of field channels, the villagers who despite many draughts have not bothered to sink a well, or the peasant who will not make use of improved techniques because he is convinced that increases in yields are not due to improved seeds and fertilizer but to fate." While the hold of Karma theory is strong on him, still it is not to the extent the author makes out. His failings are largely due to illiteracy and lack of proper machinery to educate him about the new methods. The ab-

sence of incentives and the right type of administrative set up are some of the other reasons for his present condition.

WORLD MONETARY SYSTEM

India and International Financial Reform: By C. N. Vakil and Kersi D. Doodha; Vora & Co., Bombay; 1962; Pp. x + 80; Price Rs. 6.

Reviewed by D. KRISHNASWAMI RAO

PROFESSOR C. N. VAKIL, formerly Director of the School of Economics, University of Bombay, and Mr Kersi Doodha, a research scholar of the University, examine the debate that has been on since 1958 on the reform of the international monetary system, and analyse its bearing on our country, the success of whose developmental efforts will partly depend on the state of world liquidity.

The authors begin by postulating the basic problem of international liquidity, which is that of the inability of new gold output to keep pace with the annual increase in world production and trade and the consequent constrictive effect on world prosperity imposed by the shortage of international reserves.

The various plans put forward in the last four years for the reform of the international monetary system are next considered. In contrast to Professor Robert Triffin's emphasis on the inadequacy of reserves the authors hold that the immediate threat to the international monetary system arises from volatile movements of short-term funds and they would like to tackle the problem with a minimum of change in the present structure of the International Monetary Fund. It is their view that recent developments in international monetary co-operation reduce the need for radical transformation of the Fund on the lines suggested by Triffin. Probably it would be more correct to say that the leavening influence of Triffin's ideas has led members of the Fund into new lines of co-operation.

The authors have tried to consider the implications for India of the proposed reform of the world monetary system. They outline the balance of payments difficulties that India has faced during the course of her planned development and the part played by foreign aid in meeting them. Then follows a discussion of capital-output ratios in relation to foreign aid and of India's export promotion possibilities, all of which does not seem germane to the main theme of the book.

The crux of the situation is simple. The free world will have to face up sooner or later to the problem posed by a shortage of international reserves, because otherwise it would hamper both normal economic growth in the richer countries of the world and the efforts at development of the poorer ones which are so dependent on aid from the developed countries. India as one of the leading members of the IMF should devote her attention to this problem.

There are some points in the book that need rectification. For instance, Britain did not go off the gold standard in 1934, nor was she the last to do so, as is stated on page 16. Footnote 4 on Page 75 reads: "The rules of the Lenders' Club recently announced may be summarized as follows:"—but nothing follows! On Page 76 the Jacobsson Plan of stand-by credits for the Fund is criticised on the ground that it seeks a solution only for speculative movements of short-term capital and not for shortage of liquidity, whereas earlier (on Page 46) the authors state their "considered view that the immediate threat to the world is not from ... dearth of liquidity, but speculative movements of capital."

This is only an announcement of the proposed issue of capital and not a prospectus and interested persons may apply for a copy of the prospectus.

THE OMEGA INSULATED CABLE COMPANY (INDIA) LTD.

Registered office : 122½ Mount Rd., MADRAS-6.

The subscription list will open on the 4th November, 1963, and will close at the closing of the banking hours on 20th November 1963, or earlier at the discretion of the Directors, but in no case earlier than the close of banking hours on the 11th November, 1963.

SCOPE AND PROPOSED ACTIVITIES

In the first phase, the company will produce 30 million core yards of PVC and VIR cables per annum. But the company has got industrial licence for the manufacture of 45 million core yards of VIR and PVC and 280 miles of PILC cables per annum. The company has been fortunate in securing the technical collaboration of Messrs Kelsey Engineering Ltd., North Vancouver B.C., Canada, which is a reputed company of consulting engineers who have long experience in designing similar factories in many parts of the world.

The total outlay of the project is Rs. 1.15 crores, out of which Rs. 70 lakhs is equity capital and the balance loan capital arranged through banks. Orders have been placed for the entire machinery for the factory valued at Rs. 32.64 lakhs from American suppliers and all the machinery will be shipped before December 1963 and according to present estimates, the commencement of production is expected to be by about the middle of 1964.

The demand for cables and wires has been rapidly rising in tune with the growing tempo of industrialisation in the country. Increasing power generation will call for increasing demand for cables and conductors for the transmission and distribution of power. There is wide scope for the export of a sizable portion of the production to countries in the Middle East and Far East.

LOCATION OF THE INDUSTRY

The factory is located at Ambattur, 8 miles from Madras. For this purpose 16.31 acres have been assigned by the Government of Madras.

BOARD OF DIRECTORS

1. Sri M. N. M. Veerabhadra Chettiar, Tirupur—Industrialist.
2. " K. Kamatchi Chettiar, Pollachi—Businessman and Industrialist.
3. " S. Nataraj, Tirupur—Businessman and Industrialist.
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- (i) 20,000 Equity shares of Rs. 100/- each already subscribed and fully paid up by directors, friends and their associates : Rs. 20,00,000.
- (ii) 10,000 Equity shares of Rs. 100/- each now subscribed for and allotted to directors, friends and associates on 1-10-1963: Rs. 10,00,000

Now offered for public subscription at par for cash

40,000 equity shares of Rs. 100/- each which is fully underwritten in the manner hereinafter stated.

The amount payable in respect of shares comprising the present offer are as follows :—

- (i) On application .. Rs. 12½ per share.
- (ii) On allotment .. Rs. 12½ per share payable within 30 days from the date of allotment.
- (iii) Balance of .. Rs. 75/- per share payable by way of three calls to be made at an interval of not less than three months between the calls.

Application forms along with the copies of the prospectus can be had from the Registered Office of the Company and at the offices of the underwriters, bankers, official brokers whose names and addresses are given below :—

Underwriters

- | | Amount underwritten |
|---|---------------------|
| 1. The Madras Industrial Investment Corporation Ltd., 23, Nungambakkavi High Road, Madras-34 | Rs. 15 lakhs. |
| 2. The Industrial Finance Corporation of India, Reserve Bank Building, New Delhi | Rs. 10 lakhs. |
| 3. The Industrial Credit and Investment Corporation of India Ltd., 163, Backbay Reclamation, Bombay-1 | Rs. 5 lakhs. |
| 4. The Life Insurance Corporation of India, Jamshedji Tata Road, Bombay-1 | Rs. 5 lakhs. |
| 5. The Canara Bank Ltd., Madras-2 | Rs. 3 lakhs. |
| 6. M/s. Somayajulu & Co., 337, Thambu Chetty St., Madras-1 | Rs. 2 lakhs. |

BANKERS TO THE ISSUE

State Bank of India. Canara Bank Ltd.
Punjab National Bank Ltd.

BROKERS

1. M/s. Maconochie & Co., Mercantile Bank Bldg., Madras-1.
2. M/s. Paterson & Co., 22, Erabalu Chetty St., Madras-1.
3. M/s. Somayajulu & Co., 337, Thambu Chetty St., Madras-1.
4. M/s. Subramaniam & Co., 14 2nd. Line Beach, Madras-1.
5. M/s. P. R. Subramanyam, 70A, Stock Exchange Bldgs., Bombay-1.
6. M/s. S. H. Merchant, 4, Stock Exchange Annexe, Bombay-1.
7. M/s. Champaklal Devidas, Agakhan Bldg., Dalal Street, Fort, Bombay.
8. M/s. Chunilal T. Mehta, 8, Lyons Range, Calcutta-1.
9. M/s. M. R. Dhawan & Co., 4/8, Asaf Ali Road, New Delhi.
10. M/s. Raj Paul Chadha & Co., Asaf Ali Road, New Delhi.
11. M/s. P. Roy & Company, 3/8, M. M. Road, New Delhi.
12. M/s. P. R. Subramanyam, "Shree Siva", 4th St., Benson Cross Rd., Bangalore-6.

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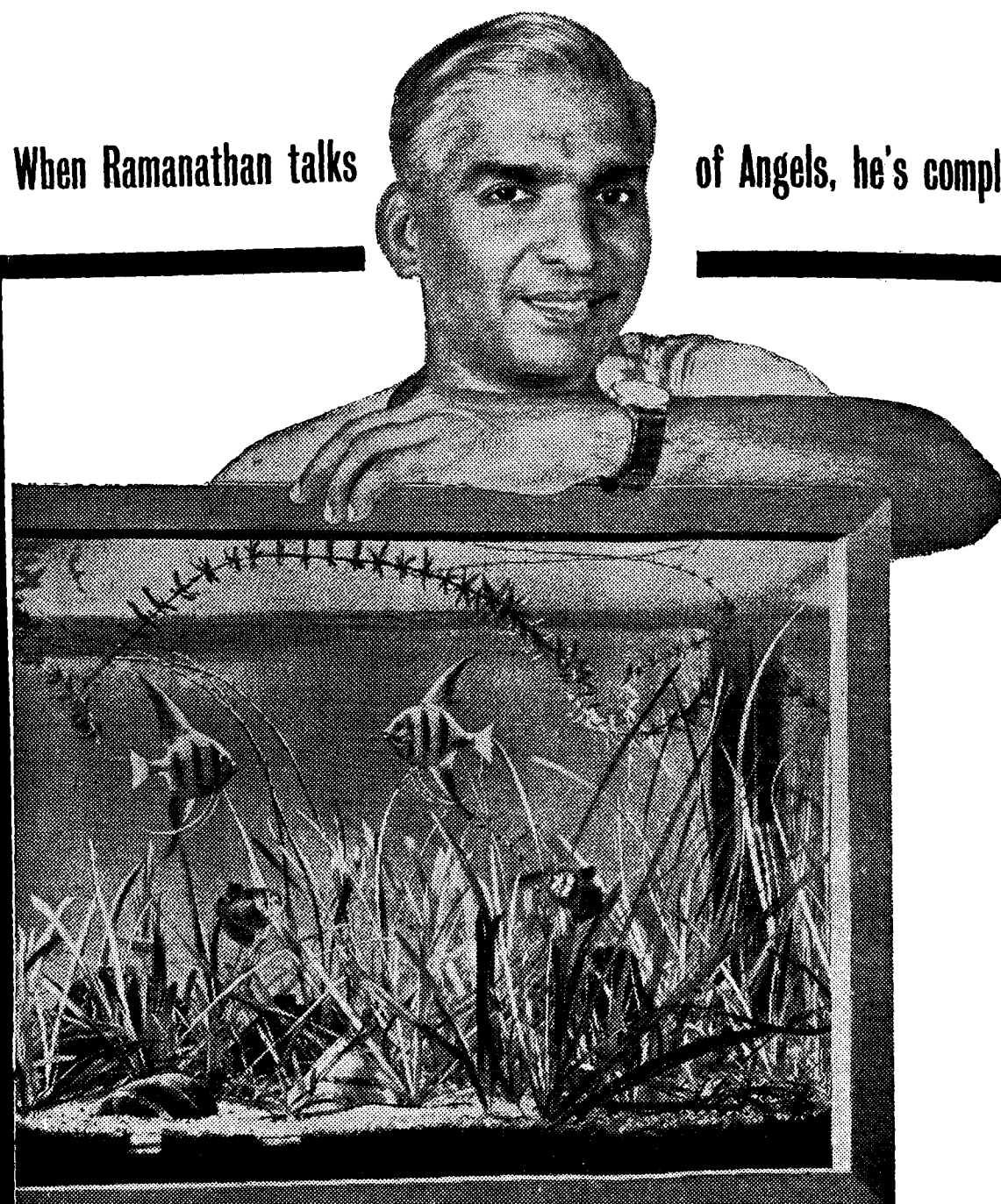


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5 Rue Jean Mermoz, Paris 8° France / 150-A Mount Road, Madras 2, India
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santa PW/63-1

When Ramanathan talks

of Angels, he's completely down to earth!



'Angel fish,' says Ramanathan 'are among the nicest things with fins.' He's kept an aquarium for six years and has a vast reservoir of fish lore. 'My Black Mollys and Swordtails,' he says, 'have reproduced half a dozen times.' The only fish which produce live young they have large families. Ramanathan rears fish as he does most things with deep interest, care and knowledge. Ramanathan is a Fuelling Superintendent with Burmah-Shell, New Delhi.

SIMPLE PISTONS... SOPHISTICATED JETS. His job is to supervise the receipt/storage/delivery of aviation fuels. It's a complicated and difficult task. There are many grades of aviation fuels that must meet the highest standards of quality; oils and specialities; aircraft ranging from simple pistons to sophisticated jets; time schedules—worked to the minute. Constant vigilance is an absolute necessity. 'And there's the question of speed,' says Ramanathan. 'A record 45

litres per minute in 1943 when I joined and 4,500 litres per minute now.' Presently on a special assignment at the Branch Office, Ramanathan co-ordinates quality control, equipment and stores for eight airfields in the Delhi area.

TODAY, AS EVER, PEOPLE LIKE RAMANATHAN ARE WORKING FOR YOU. 'Ramanathan,' says a colleague, recalling Kipling, 'can move with kings and keep the common touch. He's friendly and respected.' His interests are few and simple. They include a good library and travel. 'I've seen India,' Ramanathan says, 'working for Burmah-Shell.' Ramanathan and people like him—at all levels of responsibility—are ensure that vital petroleum products, essential to India's growth and progress, are brought to you at the right place and time, in the right quantities.

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RECORDS AND STATISTICS

Foreign Investments

SINCE INDEPENDENCE, Britain's private investment in India has more than doubled itself. It constitutes just under 75 per cent of all foreign private investment. In 1948, British capital invested in India totalled Rs. 206 crores. In 1960, out of the total foreign private investment of Rs. 612 crores, British invested capital amounted to Rs. 446 crores. This represents an average increase of Rs. 20 crores a year.

Some of the best known names in British industry are now investing in India and the number of such new enterprises and joint ventures continues to increase.

Imperial Chemical Industries Limited have many interests in India and among notable developments was the first commercial explosives plant built in Bihar as a joint enterprise by ICI and the Government of India.

At Rishra, in West Bengal, in May 1960, India's first polythene plant was opened. This project cost Rs. 4 crores and has an annual capacity of 3,500 tons. It was built by an ICI subsidiary, the Alkali & Chemical Corporation of India Limited, is based on alcohol obtained from molasses and will save India Rs. 1.5 crores a year in foreign exchange on imports. The same Corporation is also to build a rubber chemical plant at Rishra.

Instances of Indo-British co-operation in road transport include the motor car manufacturing agreement between Hindustan Motors Limited and the British Motor Corporation, and the agreement between Standard Motor Products of India Limited, Madras, and the Standard Motor Company of Coventry. In addition, Ashok Leyland Limited of Madras are associated with Leyland Motors Limited of Lancashire, in the production of lorry and bus chassis.

Aid to Motor Industry

To meet the demands of the expanding Indian Motor industry, Joseph Lucas Ltd., of Birmingham, have in collaboration with T. V. Sundaram Iyengar and Sons (TVS) of South India formed a new company which is manufacturing all types of automobile electrical equipment. Lucas have a 64 per cent share in the new company, and investment, by way of plant and machinery, of just over £ 1 million. They also have formed a new company, Brake India Ltd., again in collaboration with T. V. Sundaram Iyengar and Sons, to manufacture Automobile Brake Systems.

Many of the bicycles in use in India carry familiar British names. The "Hercules" bicycle is produced in the Madras factory of T.I. Cycles of India Limited, which is associated with the Tube Investments Limited, and the Hercules Cycles and Motor Cycle Co. Limited, both of Birmingham. Since 1952, the "Raleigh" has been manufactured at the Asansol factory of Sen Raleigh Industries Limited, in association with the Raleigh Cycle Co. Ltd. of Nottingham. Tube Products of India Ltd., in association with Tube Products Ltd., Oldbury, produce steel tubes at their Avadi plant for the cycle industry.

The Enfield Cycle Co. Ltd., Redditch, through their associates, Enfield India Limited, are producing motor cycles at a plant in Madras at the rate of 5,000 machines a year.

Dunlops are another well-known British company actively engaged in new projects such as rubber tyres and tubes at Ambattur and vehicle wheels and rims at Avadi, both near Madras.

In the electrical field, machinery of various types is being

manufactured by AEI Manufacturing Company Private Limited of Calcutta, an Indian subsidiary of Associated Electrical Industries.

The English Electric Company Limited are engaged in ventures such as the manufacture of low voltage switch and fuse distribution equipment and complex control panels in Madras.

W.T. Henley's Telegraph Works Company Limited, in co-operation with Henley's Cables (India) Limited, has put up 60 per cent of the Rs. 1.1 crores capital required for an electric wire and cable factory in Poona.

The Automatic Telephone and Electric Company (India) Private Ltd., with its factory in Bangalore, was the first major concern of its kind to be set up by the Government of India with foreign collaboration after Independence and is generally regarded as one of the most successful examples of Indo-British collaboration.

Heavy Machinery

There is a large-scale project at Durgapur for the manufacture of heavy machinery for cement plant, coal mining equipment, boilers, pressure vessels, heat exchangers, and similar items. This plant, opened on 6th February, 1962, by the late Dr. B. C. Roy, then Chief Minister of West Bengal, has been established by a new company, A.C.C. Vickers-Babcock Limited, in which two leading British companies, Vickers Armstrong and Babcock and Wilcox, are collaborating with Associated Cement Companies of India. This project is one of the biggest in the private sector — in terms of modern power station boilers, the yearly manufacturing capacity of AVB is estimated as equivalent to 500,000 kw. and the combined cement machinery manufacturing capacity will be approximately four to five plants per year, each plant having a capacity of 500 to 600 tons per day.

Consolidated Pneumatic Tool Company Limited has invested Rs. 0.15 crores to manufacture pneumatic tools and air compressors at Mulund, Bombay.

A factory for the manufacture of cold rolled steel strip has been set up in Bombay. The project has been sponsored by Graham Firth Steel Products (India) Private Ltd., a new company formed by Indian interests in collaboration with Graham Firth Steel Products Limited of Walsall, England. One-third of the capital outlay of the project will be subscribed by the British company and the remainder by the Indian participants. The contribution of the British company takes the form of complete plant, machinery, tools and other equipment and technical advice. The collaboration agreement does not involve any payment of royalty and the company has the right to use the "Firsteel" trade mark of the parent company. The factory will have a final capacity of 25,000 tons of finished steel strip a year.

Three Scottish firms formed a Rs. 10 lakhs syndicate to establish and operate a factory to produce paper-making machinery at Calcutta. The firms are Bertrams Limited, Ernest Scott and Co., and James Bertram and Sons Ltd. A former jute mill was converted for the project.

A well-known British engineering firm, Head, Wrightson

and Co. Ltd., of Thornaby-on-Tees, County Durham, which has had close links with India for many years has formed a new subsidiary with administrative headquarters in Calcutta. The new company under the name of Head, Wrightson India Limited, was inaugurated on 1-2-61 and acts as contracting company for the supply — as far as possible from Indian sources — of various types of plant to the designs of the parent company.

As a result of an agreement signed between Metropolitan-Cammell Carriage and Wagon Co. of Birmingham and Southern Structural of Madras, the Indian firm is to produce welded rolling stock instead of riveted carriages. Under the agreement, which was signed in Birmingham, the British firm is to acquire a substantial share-holding in Southern Structural.

Messrs. Heath, Hicks and Perken (Thermometers) Ltd., London, are collaborating with Pearls and Beads (India) Ltd., Aligarh, for the manufacture of thermometers and glass syringes. One factory will be located in Aligarh and thermometrical unit, because of the temperature and moisture factors, is to be set up at Mussoorie.

Industrial Instruments

The Cambridge Instruments Co. Ltd. have joined with Hindustan Precision Instruments (P) Ltd. for the manufacture of industrial instruments and with Messrs. Scientific Repairs and Trading Co. for the production of industrial dial thermometers.

The heavy engineering firm of John Thompson Limited of Wolverhampton, Staffordshire, has entered into an agreement with the Indian Sugar and General Engineering Corporation for the manufacture of some of its major products in India. Initially they are concentrating on machinery for the sugar industry but all large pressure vessels can be made in their factory.

There is participation to the extent of 70 per cent by Messrs. Fisons Limited of Britain (the principals of Messrs. Bengers Laboratories Limited), in a collaborative venture with Bengers Laboratories (India) Private Limited, covering all aspects of the manufacture and packing of Dextron B.P. and Iron Dextron (Pharmaceutical).

There is a technical collaboration agreement between Twyford Limited (England) and Hindustan Twyford Limited

for the manufacture of sanitary-ware and household ceramics.

Isaac Holden and Sons Limited of Bradford are collaborating with Duncan Bros. and a wool-combing factory, with an annual capacity of 10 million lbs., has been set up near Calcutta in West Bengal.

Gannon Norton Metal and Diamond Dies Ltd., Bombay, —a joint venture of Gannon Dunkerley and Co. Ltd., Bombay and Wire Drawing Dies (Manchester) Ltd.—has been formed to manufacture wire drawing dies of tungsten carbide and diamonds. Wire Drawing Dies in a subsidiary of the British firm Sir James Farmer Norton and Co. Ltd. The plant is expected to manufacture dies to the value of about Rs. 7,20,000 a year, which would help in saving foreign exchange to the extent of some Rs. 5,30,000 annually.

Sugar Machinery

Bookers, a leading British industrial group, have announced the incorporation of a company in India in partnership with the Sawhney Organisation. The company will set up a heavy engineering works to manufacture sugar machinery and industrial process turbines.

Boots Pure Drug Co. Ltd. have undertaken the manufacture of insulin in collaboration with an Indian firm.

Among other well-known firms who have recently had schemes approved are the following:—

Chubb & Sons' Lock & Safe Fire resisting and strong doors. Co. Ltd.

Wellman Smith Owen Engineering Corporation Ltd. Industrial furnaces and heat treatment equipment.

Humphrey and Glasgow Ltd. Erection of resin and intermediates plants.

British Jeffrey Diamond Ltd. Short wall coal cutters

Sunday Times Publications Ltd. Printing and publication of books

Hall Harding Ltd. Printing machines

G.E.C. of India (Mfg.) Ltd. House service meters.

Aveling-Barford Ltd. Road Rollers

Ferranti Ltd. Transformers

Imperial Chemical Industries Limited. Non-ferrous alloy sheets and strips.

Bush Electrical Engg. Co. Ltd. Electric motors, transformers and alternators.

Joshua Heap and Co. Ltd. Threading and screwing machines.

Henry Meadows Ltd. Meadows diesel engines

J. H. Fennex & Co. (Overseas) Ltd. Conveyer belting.

DISTRIBUTION OF BRITISH AID (COUNTRY-WISE): 1945-46—1962-63

Country	Type of aid	1945-46 to 1956-57	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63*	(£ 000) Total
AFRICA									
North Africa									
Algeria	Grants	..	..	..	..	..	..	9	9
Libya	Grants	21,074	4,372	3,250	3,250	3,250	3,250	3,250	42,596
	Loans	900	..	..	..	..	..	..	..
Morocco	Grants	..	..	..	..	22	..	..	..
Sudan	Grants	3,251	199	10	220	165	..	..	22
	Loans	..	..	..	2,440	1,660	..	..	7,945
U.A.R. (Egypt)	Grants	2,085	..	..	..	..	..	..	..
Other and unallocated	Grants	9,900	..	..	..	..	..	..	2,085
South Africa									
Basutoland	Grants	1,477	223	166	274	513	1,707	1,966	6,696
	Loans	..	..	..	..	..	255	115	..

DISTRIBUTION OF BRITISH AID (COUNTRY-WISE): 1945-46—1962-63 (Contd.)

Country	Type of aid	1945-46 to 1956-57	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63*	(£ 000) Total
Bechuanaland Protectorate	Grants	1,937	867	825	931	1,142	1,660	1,898	12,457
	Loans	2,061	..	195	95	372	249	225	..
Swaziland	Grants	1,765	281	261	475	353	1,180	937	18,180
	Loans	3,345	352	310	2,060	2,605	2,340	1,916	..
Other and unallocated	Loans	10	..	..	..	..	..	..	10
East Africa									
East African common services organisation	Grants	5,685	547	400	454	487	4,158	3,003	25,676
	Loans	..	..	..	..	4,250	4,635	2,057	..
Kenya	Grants	31,398	3,034	2,088	1,654	1,183	11,235	7,622	91,653
	Loans	10,590	2,250	1,225	2,445	8,434	4,000	4,495	..
Mauritius	Grants	2,692	108	65	80	1,132	1,314	550	8,145
	Loans	772	..	..	..	573	100	759	..
Seychelles	Grants	251	60	319	330	380	302	223	2,115
	Loans	250	..	..	..	..	..	..	..
Somali Republic (a)	Grants	5,397	1,251	1,364	1,053	2,518	1,458	1,082	14,225
	Loans	102	..	..	..	..	..	..	..
Tanganyika	Grants	8,371	1,004	1,370	1,424	1,863	5,737	8,312	39,702
	Loans	1,849	345	375	550	2,000	3,925	2,577	..
Uganda	Grants	4,924	471	550	924	1,269	3,089	5,589	32,205
	Loans	1,844	..	300	3,000	3,000	3,550	3,695	..
Zanzibar	Grants	1,262	87	93	35	62	229	182	1,950
Other and unallocated	Grants	1,009	434	157	237	217	170	20	2,244
West Africa									
Cameroon	Grants	341	246	565	578	914	815	..	4,809
	Loans	..	..	..	..	374	676	300	..
Gambia	Grants	1,425	114	149	196	323	450	1,085	5,593
	Loans	1,851	..	..	..	..	..	..	..
Ghana	Grants	4,531	574	136	114	80	130	158	6,791
	Loans	325	..	..	..	..	..	743	..
Liberia	Grants	1	..	..	..	..	..	..	1
Mali	Grants	..	..	..	..	..	76	..	76
Federation of Nigeria	Grants	26,691	3,481	3,429	2,546	3,587	1,267	1,667	64,328
	Loans	2,417	193	..	1,348	7,922	6,551	3,229	..
St. Helena	Grants	740	121	128	180	148	183	197	1,697
Sierra Leone	Grants	3,529	655	247	945	1,199	2,737	1,071	14,798
	Loans	..	..	..	1,500	1,675	100	1,140	..
Other and unallocated	Grants	108	140	9	122	..	..	..	379
Central Africa									
Federation of Rhodesia & Nyasaland	Grants	952	332	114	262	574	207	139	20,143
	Loans	3,800	..	900	..	..	12,050	813	..
Nyasaland	Grants	5,214	503	292	321	1,816	2,523	1,511	19,076
	Loans	3,220	418	665	16	341	1,913	325	..
Northern Rhodesia	Grants	3,365	..	275	366	245	925	601	7,895
	Loans	1,070	..	23	25	..	..	1,000	..
Southern Rhodesia	Loans	1,000	..	..	..	..	..	..	1,000
Other and unallocated	Grants	47	..	..	..	..	2	..	49
Other and unallocated	Grants	..	..	..	..	24	37	40	101

DISTRIBUTION OF BRITISH AID (COUNTRY-WISE): 1945-46-1962-63 (Contd.)

Country	Type of aid	1945-46 to 1956-57	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63*	(£ 000) Total
AMERICA									
Central America									
Bahamas	Grants	7	..	..	..	..	..	..	1,167
	Loans	1,160	..	..	..	..	..	..	..
Barbados	Grants	1,103	166	89	168	34	157	387	2,754
	Loans	150	..	..	400	100	..	..	..
British Honduras	Grants	3,727	852	1,236	1,016	626	1,671	1,468	12,222
	Loans	1,305	67	78	19	2	25	130	..
British Virgin Island	Grants	471	77	120	137	227	285	239	1,556
Federation of the West Indies	Grants	..	201	909	2,016	1,914	2,305	916	8,988
	Loans	..	..	..	..	480	200	47	..
Jamaica	Grants	12,874	935	956	1,845	1,295	1,444	893	28,982
	Loans	3,229	..	117	350	2,300	1,029	1,715	..
Trinidad and Tobago	Grants	2,890	234	163	701	197	78	155	6,773
	Loans	1,215	..	1,140	..	..	..	..	..
Cayman Islands	Grants	1	18	26	11	10	32	..	114
	Loans	..	..	..	10	..	6	..	..
Turk and Caicos Islands	Grants	258	42	20	13	10	26	128	522
	Loans	5	..	10	..	..	..	12	..
Antigua	Grants	2,185	600	348	103	214	216	180	3,892
	Loans	34	..	..	..	..	..	12	..
Montserrat	Grants	810	130	145	103	34	23	142	1,406
	Loans	..	..	3	16	..	..	..	..
St. Kitts, Nevis, Anguilla	Grants	410	68	161	202	226	209	319	1,614
	Loans	14	..	..	..	..	2	3	..
Dominica	Grants	1,713	395	539	232	281	407	378	4,296
	Loans	345	..	..	..	..	..	6	..
Grenada	Grants	2,516	319	162	418	37	99	159	5,368
	Loans	538	617	277	122	..	104	..	..
St. Lucia	Grants	2,923	489	385	273	188	387	..	5,229
	Loans	28	30	20	43	7	15	441	..
St. Vincent	Grants	1,209	372	513	286	237	152	239	3,203
	Loans	176	..	..	8	2	..	9	..
Other and unallocated	Grants	396	13	71	13	9	..	..	502
South America									
Argentina	Loans	19,000	..	..	..	..	..	..	19,000
Bolivia	Loans	..	..	..	..	..	..	124	124
Brazil	Loans	..	..	..	..	..	1,200	1,300	2,500
British Guiana	Grants	5,768	1,221	705	1,035	1,268	1,332	723	29,604
	Loans	5,104	198	5,250	1,063	1,605	2,583	1,749	..
Chile	Grants	..	..	..	..	10	..	..	1,850
	Loans	..	..	..	..	..	1,425	415	..
Falkland Islands	Grants	148	65	18	15	35	37	14	932
	Loans	600	..	..	..	..	..	..	..
Tristan da Cunha	Grants	..	..	..	..	..	49	..	49
Uruguay	Grants	..	..	..	10	..	..	..	10
ASIA									
South and South-East Asia									
Burma	Grants	32,400	..	..	..	..	..	..	36,800
	Loans	4,400	..	..	..	..	..	..	..
Ceylon	Grants	608	204	108	89	68	81	106	2,189
	Loans	..	..	..	..	..	25	900	..
India	Grants	886	263	280	333	418	373	434	122,429
	Loans	..	..	18,800	33,017	28,073	17,237	22,315	..
Indonesia	Grants	..	..	..	..	..	2	..	2

DISTRIBUTION OF BRITISH AID (COUNTRY-WISE): 1945-46-1962-63 (Contd.)

Country	Type of aid	1945-46 to 1956-57	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63*	(£ 000) Total
Laos	Grants	..	..	..	..	59	7	7	73
Federation of Malaya	Grants	18,918	3,493	4,330	4,117	3,164	2,377	200	50,750
	Loans	10,022	792	817	50	225	1,470	775	..
Maldives Islands	Grants	..	74	14	9	86	83	85	351
Nepal	Grants	4	..	..	5	120	79	161	420
	Loans	..	..	..	..	..	..	51	..
North Borneo	Grants	5,931	612	491	326	707	804	753	14,290
	Loans	3,331	..	200	300	450	325	..	..
Pakistan	Grants	779	247	294	361	433	349	628	30,085
	Loans	5,870	1,990	1,170	1,675	2,670	6,200	7,419	..
Sarawak	Grants	1,295	452	371	647	890	1,426	936	6,017
Singapore	Grants	2,304	79	115	59	67	321	278	3,598
	Loans	315	20	40	..	..	..	..	..
South Vietnam	Grants	..	..	..	..	..	3	..	3
Thailand	Grants	..	..	..	..	..	..	1	1
Other and unallocated	Grants	21,243	301	323	406	469	573	451	39,303
	Loans	15,537	..	..	..	..	..	..	..
Other Asian countries									
Aden (including Aden Protectorate)	Grants	4,862	1,441	2,013	2,739	2,620	3,262	3,867	26,106
	Loans	4,144	120	..	700	6	304	28	..
Hongkong	Grants	3,049	140	29	66	129	61	26	6,575
	Loans	1,314	806	541	150	264	..	..	..
Iran	Grants	8	11	..	..	10	..	183	9,822
	Loans	4,120	3,725	1,705	60	..	..	..	..
Iraq	Grants	88	..	..	..	..	..	..	2,808
	Loans	2,720	..	..	..	..	..	..	..
Jordan	Grants	3,442	525	1,545	2,567	2,490	2,826	1,952	26,154
	Loans	7,477	500	630	500	500	500	700	..
Lebanon	Grants	..	14	..	..	..	..	..	14
Persian Gulf States	Grants	1,355	194	196	186	175	520	513	3,139
Saudi Arabia	Grants	2,481	..	..	..	..	..	..	2,481
Trucial States	Grants	..	64	64	79	92	115	102	516
Other and unallocated	Grants	91	59	292	623	619	968	537	3,189
Oceania									
British Solomon Islands	Grants	1,744	350	400	552	716	714	904	5,380
Fiji	Grants	1,024	153	102	128	410	1,133	1,416	6,366
	Loans	..	..	..	..	..	500	1,500	..
Gilbert and Ellice Islands	Grants	525	75	108	19	12	131	147	1,017
New Hebrides	Grants	8	1	14	41	55	140	160	426
	Loans	..	..	..	..	2	5	..	..
EUROPE									
Cyprus	Grants	6,410	7,494	7,588	7,645	6,538	3,533	2,467	42,969
	Loans	..	..	..	1,256	38	..	..	..
Gibraltar	Grants	155	59	145	149	226	322	105	1,411
	Loans	250	..	..	..	..	..	..	..
Greece	Grants	2,516	..	..	..	..	..	..	12,516
	Loans	10,000	..	..	..	..	..	..	..
Malta	Grants	27,649	6,174	4,557	3,957	4,679	2,727	2,518	57,176
	Loans	..	..	..	1,850	486	533	2,046	..
Turkey	Grants	..	29	..	..	..	..	200	10,563
	Loans	6,759	..	2,681	894	..	..	..	..

DISTRIBUTION OF BRITISH AID (COUNTRY-WISE): 1945-46-1962-63 (Contd.)

Country	Type of aid	1945-46 to 1956-57	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63*	(£ 000) Total
Yugoslavia	Grants	18,750	346	60	88	106	35	22	42,787
	Loans	17,000	...	...	1,065	1,630	275	3,410	...
Others **	Grants	13,923	1,733	1,762	1,917	2,191	2,750	2,726	31,573
	Loans	4,349	...	...	15	40	40	127	...
Total all countries	Grants	361,279	49,888	48,029	52,687	57,867	79,525	69,782	719,057
	Loans	165,917	12,423	37,472	57,042	72,986	74,341	68,182	487,463
Total bilateral aid		527,196	62,311	85,501	109,729	129,953	153,866	137,964	1,206,520
Total multilateral aid †		61,212	18,840	24,030	19,929	21,125	6,281	9,882	161,299
Total economic and technical assistance (b)		588,408	81,151	109,531	129,658	151,078	160,147	147,846	1,367,819

(a) Disbursements upto July 1960 were made to British Somaliland.

(b) The figures do not cover all technical assistance by the United Kingdom, some of which cannot be assessed in quantitative terms; where it can be evaluated, it is included under grants throughout the table.

** Largely Colonial Development and welfare funds not allocated to individual countries.

* Provisional.

Note: Figures given above are based on gross disbursements.

† Includes drawings by the International Bank from U.K.'s sterling subscription; U.K.'s subscription to I.F.C.; drawings by the I.D.A. from U.K.'s subscription; contributions for the following United Nations purposes: the Expanded Programme of Technical Assistance; the Special Fund; the relief of Palestine refugees, the Children's Fund; the Korean Reconstruction Agency; Civil Assistance to Congo; and U.K.'s contribution to the Indus Basin Development Fund.

Source: "Aid to Developing Countries," a White Paper issued by the U.K. Treasury.

West German Investments Abroad

THE ECONOMICS MINISTRY in Bonn has revised its statistics of private investment abroad. The new scheme lists separately investments in industrial nations and those in developing countries. The following series covers German investments in Asia and America.

ASIA

Industrial countries	36,588
Japan	...
Developing countries	1,863
Afghanistan	2,195
Ceylon, Maldives	3,280
Hong Kong	71,695
India, Sikkim	6,157
Macau, Port Timor	2,614
Indonesia, including West New Guinea	3,451
Iraq	29,263
Iran	476
Israel	15
Jordan	34
South Korea	7,345
Lebanon	931
Malayan Federation	14,122
Pakistan	313
Philippines	41
Saudi Arabia	568
Singapore	9,563
Syria	157
Taiwan (Formosa)	2,205
Thailand	127
South Vietnam	...

AMERICA

North America	
Industrial countries	
United States, including Puerto Rico, Virgin Islands (U.S.)	389,647

Canada	647,959
Central America	
Developing countries	
Dutch Antilles	
Costa Rica	87,874
Dominican Republic	2,932
Guatemala	739
Haiti	1,719
British-Honduras, Bahama Islands,	86
Bermudas	
Cuba	9,504
Mexico	5,230
Nicaragua	53,724
Panama (excluding Canal Zone)	2,692
El Salvador	37,019
Jamaica	2,050
West Indies	137
South America	
Developing countries	
Argentina	
Bolivia	212,847
Brazil	82
Chile	746,489
Ecuador	23,311
Colombia	4,581
Paraguay	70,024
Peru	517
Uruguay	22,530
Venezuela	13,346
	26,118

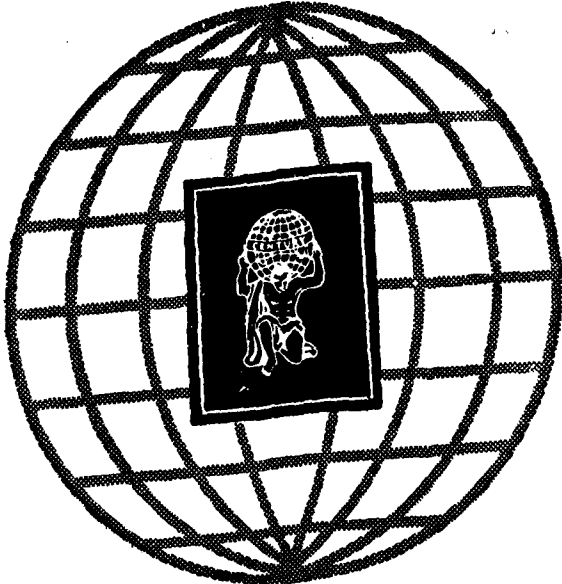
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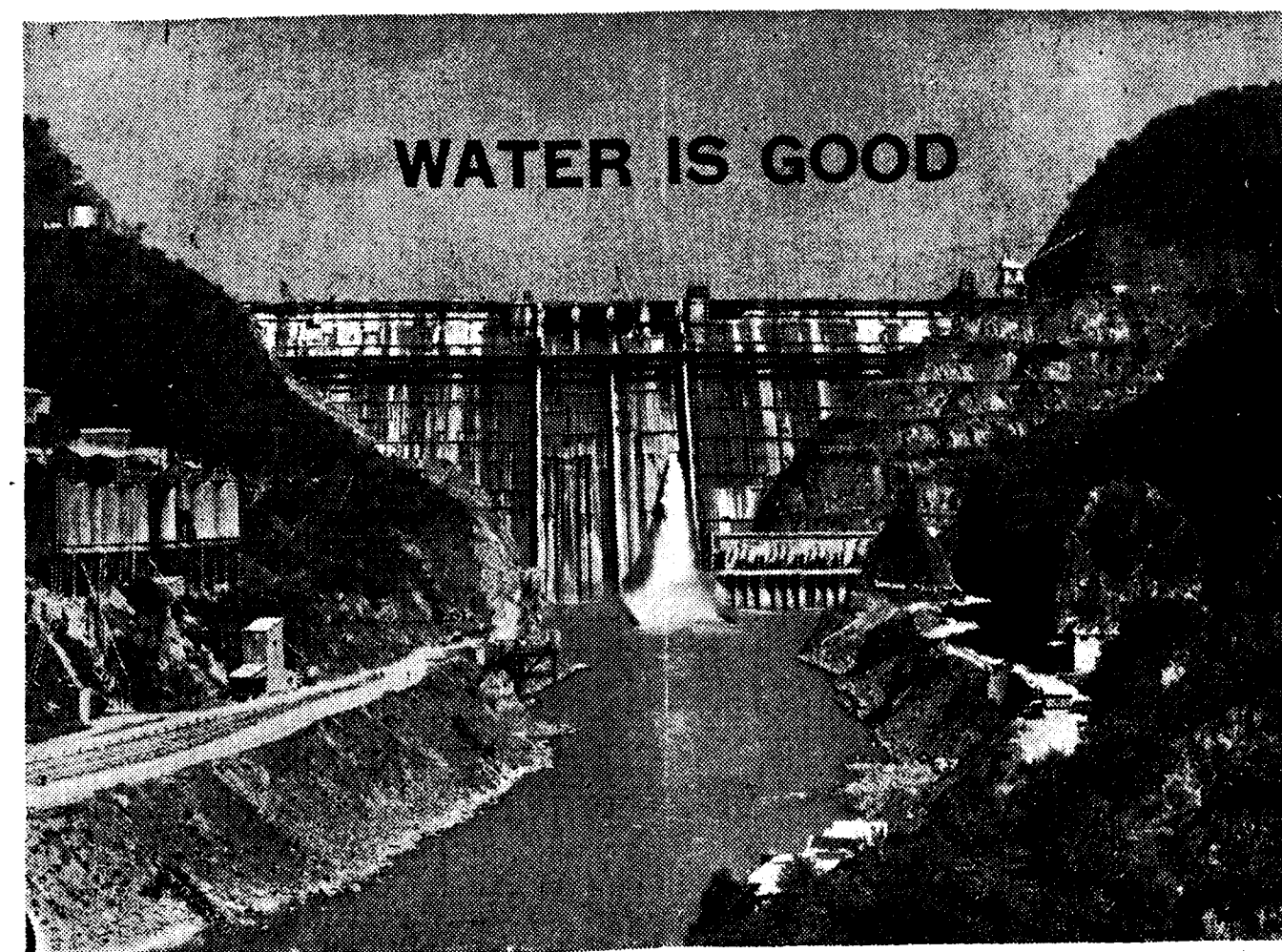
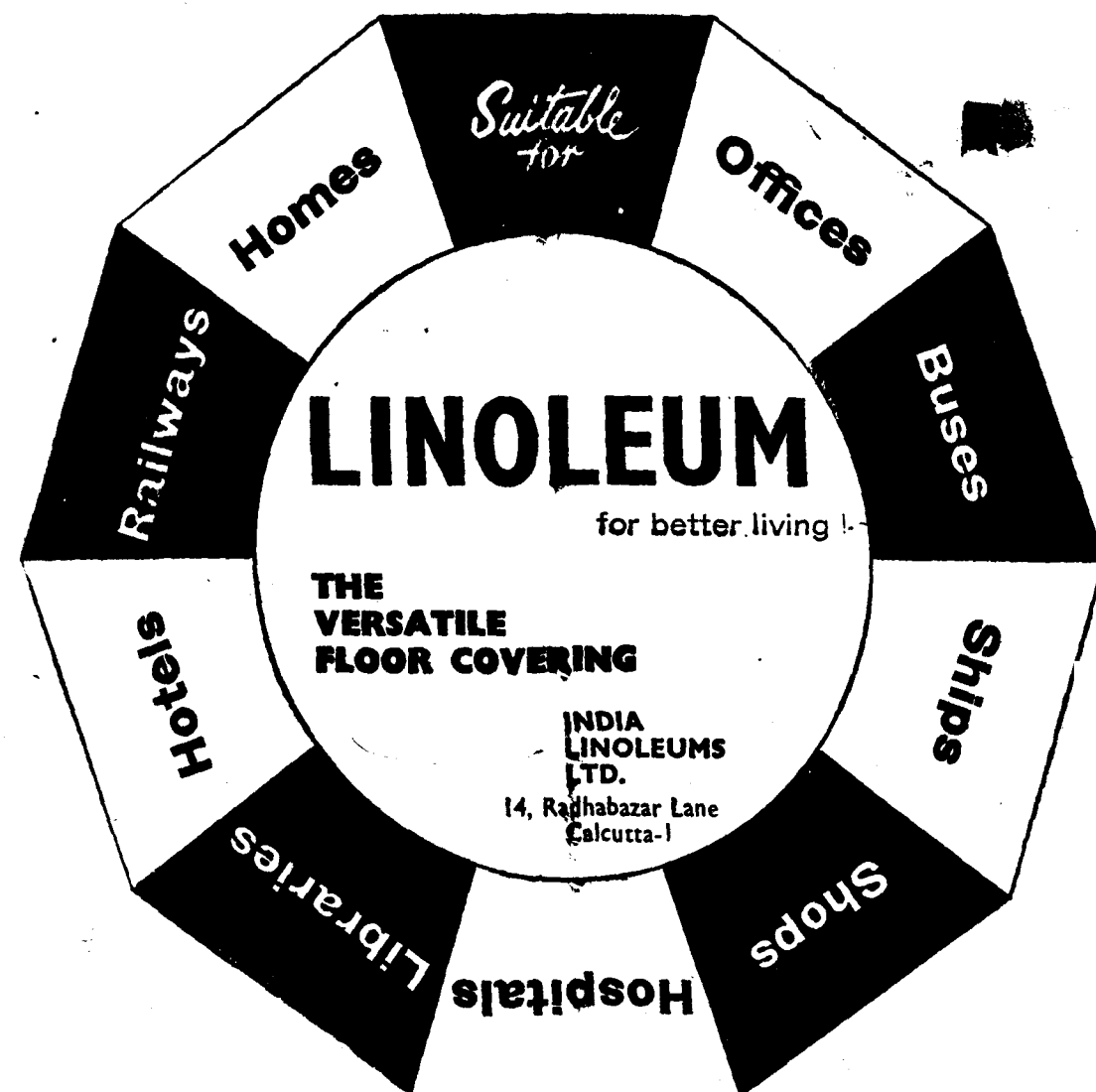
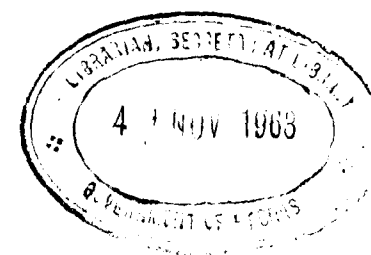
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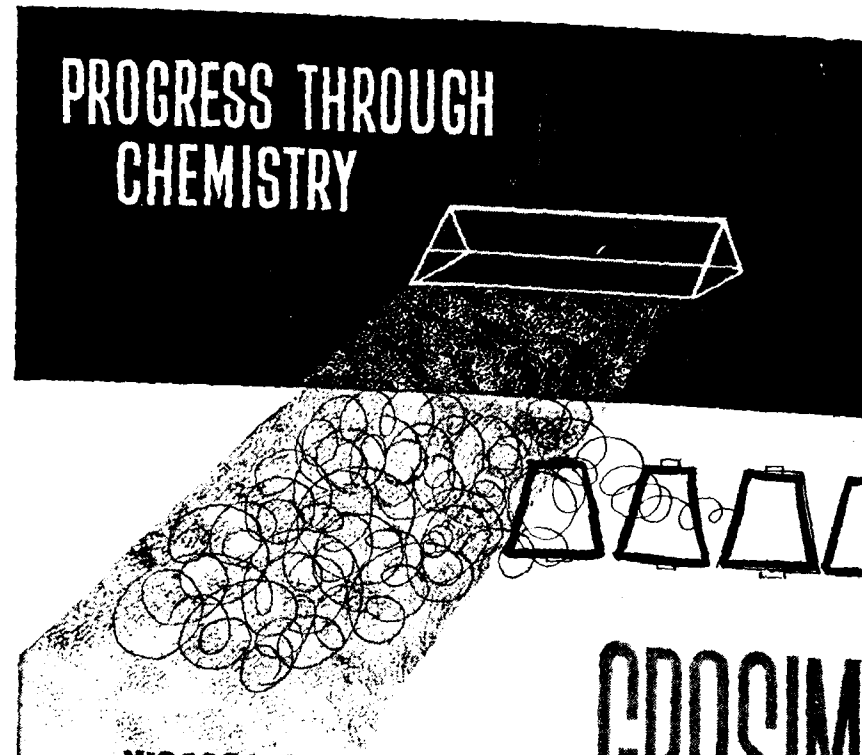
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EASTERN ECONOMIST

NOVEMBER 1, 1963

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Water is Good

IN THE WORDS of the Atharva Veda, "water is good; water, indeed, is sustenance". Over the last sixteen years, one of the prime purposes of economic planning in this country has been to profit by this wisdom of the sages. Strictly speaking, the grand conception of gigantic multi-purpose projects which would tame and train the rivers to serve Man's many needs in this country, had been anticipated to some extent even before the five-year Plans. Nevertheless, its concrete implementation has belonged almost wholly to the years after 1951-52. The multi-purpose projects have shared fully in the controversies of the period. Their engineering had been questioned more than occasionally, while their economics have been challenged quite frequently. The debate is an unending one, but the question whether the large resources channelled into them could not have been more profitably utilised in competing ways capable of giving earlier and possibly higher returns, has now surely become academic. The completion of the Bhakra Dam and the celebration of that event last week with the Prime Minister dedicating the waters of Gobindsagar to the service of the nation, must, however, be regarded as marking the end of a phase in the running history of India's planning of her rivers. It is true that there are multi-purpose projects of truly large dimensions — Kosi and Nagarjunasagar — which are still in progress, but they would seem to be the last of their lineage, at least as indicated by foreseeable intentions of planning for power or irrigation.

In its vital statistics, Bhakra undoubtedly is a very impressive achievement. Its dimensions in engineering terms have been noted and respected the world over. Its economic benefits already promise to be abundant. Bhakra-Nangal is mothering both agriculture and industry in a part of the country which is fast building up an enviable reputation for leading the nation in its economic progress. Nevertheless, it certainly seems to be relevant to recall another historic Indian achievement in the service of the truth that water is good. We refer here to one of the most bountiful of river projects ever undertaken in this country, the celebrated "Upper Anicut", which Sir Arthur Cotton built in the middle years of the last century in the south of India to maintain and reinforce the "Grand Anicut" constructed according to tradition as early as in the closing decades of the second century A.D., across the lower reaches of the Kaveri river. The point in mentioning the "Upper Anicut" in this context is that it was reputed to have cost only Rs. 15 lakhs and was credited with having converted one entire district in the east coast into the granary of South India, an enduring asset to which the Mettur dam, another inexpensive works had subsequently added substantially and the "Package Programme" is currently said to be adding only marginally.

The rupee now is certainly not what it was then, but even after allowance has been made for that, it is certainly no comforting thought that whereas only Rs. 15 lakhs were spent on the construction of a highly productive water works a hundred years ago, now a sum equal to that is quite often spent on the mere ceremonial inauguration of a project or the celebration of its completion. It is all the more necessary, therefore, that every effort should be made to squeeze the maximum economic and social benefits out of the highly expensive multi-purpose river projects which have been an important and on the whole constructive constituent of our development programmes. In achieving this end much would certainly depend on the Government, State or Centre, and more specifically on the administrative agency which is operating a particular project. But even more does depend on the attitudes of those communities which are

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directly benefiting from these projects. In Punjab, for instance, there had been a great deal of agitation at one time over water rates. But it has never been very convincingly proved that irrigation as such has ever been too dear. It is quite a different thing that sections of the farming community, because of their general poverty or backwardness, may not be able to pay a reasonable price for water for their fields. But what has been even more relevant is that politicians have always been eager to fish in these troubled waters. Whether it is water or power, those who make use of it must learn to live with the idea that a fair and reasonable price must be paid for it. Only thus may enough funds be secured for further expansion of these or other facilities of which the nation is in such great

Clearing the Excise Chaos

THE REPORT of the Central Excise Reorganisation Committee with Mr. A. K. Chanda, former Comptroller and Auditor-General, as its chairman, is a realistic and clear-headed document on a subject of much complexity. It deals with a perfectly chaotic system of taxation which has now come to provide a major part of the Centre's revenue, but still operated with rules and procedures devised years ago to cope with a situation entirely very different. Clearly, therefore, a thorough-going programme of reform has become overdue so that the duty is levied with reference to some well defined economic principle or philosophy and is not used as an instrument of exaction by the rapacious tax-gatherer. It had become overdue even in 1960 when the Government appointed the Chanda Committee.

As was to be expected, the Committee's verdict on the system is that it is wasteful, and is riddled with ineffective privileges and exemptions. Yet such is the system through which the Central Government expects to collect about Rs. 700 crores during the current financial year as against only Rs. 93 crores barely ten years ago, from 67 commodities against 15 then. The proportion of this tax to total Central revenues has gone up from 22 per cent to 47 per cent over a decade — and this proportion has more than doubled when the total tax revenue itself has gone up by nearly four times. The point, however, is not how much is being collected through excise levies, but whether the collection is being done in the most efficient way possible. This is exactly what the Chanda Committee had to find out, and this the Committee has done very well indeed.

In order to spot the main weaknesses, the Committee had to undertake an exhaustive survey of the entire field of excise taxation of commodities. It would be worthwhile to summarise some of its findings. We see that excessive documentation and physical check for excise purposes create unnecessary difficulties for the sugar industry which could be avoided with audit type of control. A simple levy has become extremely complex in the case of the match industry, because the

need. Equally important it is to realise that the facilities must not only be paid for, but that they should also be employed in the most economic and efficient manner possible. A major weakness in our planning, whether in industry or agriculture, whether in the public sector or the private, has always been the infrequent presence of this sense of thrift. Surely the most befitting thought on this occasion, when one of the most spectacular construction tasks to be undertaken in this country in the name of economic planning has been completed with the fulfilling of the Bhakra project, must be that Bhakra's gifts must be used well and wisely by the agricultural and industrial communities of the region for the welfare of the nation.

categorisation of factories has been changed too frequently and preferential rates of duty are introduced even for individual producers. In the paper industry, dissimilar varieties are grouped for common tariff rates; even the same varieties are at times classified differently at different paper mills, and what is worse, excise officers usually assess at the highest of the several applicable rates. In the case of the soap industry, the excise effort concerning non-power operated factories has been nothing more than surveillance and, therefore, unproductive. In electric wires and cables, preference in valuation for assessment has practically become an incentive to the production of non-standard cables. In the vegetable oils industry, this has led to greater and greater fragmentation despite all the measures to counteract it.

On the basis of these discoveries, the Committee has come to the conclusion that a commodity in which half the production is distributed in the small sector is not a very suitable article for the duty levy. A typical example is provided by the vegetable non-essential oils industry and the fact that tax yield from this source has not gone up despite the abolition of excise exemption gives an interesting insight into the practical and economic effects of excise duty. Therefore, the Committee has laid down the following general principle: low-priced articles of common consumption are best suited for excise levies, as also luxury articles. Capital goods, in view of their place in the economic development of the country, should be lightly taxed. Commodities with small revenue potential are best left alone, as administration of levy in these commodities is expensive and also difficult. In other words, there should be no indiscriminate levy of excise duty on new articles and the possibility of increasing yields by adjusting rates of established excise on goods already taxed should be fully explored before considering new levies.

In order to simplify the excise duty structure, the form in which it should be levied is important. The Committee has found that the system of *ad valorem* duties is not exactly a fair way of fixing the tariff.

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Because of the difficulties inherent in a tax of this nature which is concerned with the market value of various commodities for the purpose of determining the tariff, frequent disputes occur. Perhaps the duty could have been more smoothly administered had the set-up of the Central Excise Department been suited for the task. In a number of cases, *ad valorem* rates had to be hastily converted into wholly or partially specific rates as the former did not work. The Committee, therefore, recommends that generally specific rates of duty should be preferred, although this might mean some difficulties for small industries. Where specific rates cannot be evolved, tariff values for goods chargeable *ad valorem* should be fixed after proper enquiry.

The Committee's views on the scheme for allowing drawbacks and sets-off of duty on raw material and components used for making other excisable goods appeal to common sense. The drawback and set-off rates vary from commodity to commodity and, therefore, create a feeling of discrimination among those favoured less. Moreover, they do not always serve the interests of either the internal economy or export trade. Clearly, a more rational principle of application needs to be evolved, although it is not possible to bring all commodities under a common code. Each major industry has its own distinctive features and its own pattern of production and distribution, but allowing for these variations, there must be some means by which more acceptable rates of drawback or set-off can be devised.

Another valuable recommendation of the Committee concerns relief for manufacturing industry. Manufacturers' plea that due to the system of multiple levies, duty on raw materials and components on delivery from the producing factory blocks up their capital and they are out of pocket to the extent of interest they might have earned on this money has impressed the Chanda Committee. So it suggests relief in the form of transfer of duty liability with the goods, the duty being collected along with that leviable on the final product. Similar reliefs, it is recommended, should be provided for goods to be refined or reprocessed. This will also facilitate the determination of *ad hoc* rates of refund on export. As for individual units in need of some help, a cash subsidy instead of a preferential duty is recommended. Here the Committee introduces the idea that scope of introducing the added-value tax system on the French model should be examined; the system had led to beneficial results in that country. There is no reason why it should not do the same in India. The Committee also stresses that the exporter, in order to get the full benefit of the incentives which are allowed to him, must be given *ad hoc* rates of rebate, which should be fixed for as wide a range of commodities as possible on broad estimates of the incidence of all such duties borne at every stage. It is essential that the exporter should know the quantum of rebate which will accrue to him on the goods he exports.

Finally, the Committee's idea on the determination

of assessable value is eminently sensible and should be translated into rules in India in as short a time as possible. The determination, it rightly says, on the basis of production cost plus a fixed margin is not practicable and the principle of assessment on the basis of list prices minus fixed deductions, can have limited application. Assessable value, should, therefore, correspond to the ex-factory price less excise duty, without reference to any particular market. For this purpose, transactions in which there is no special relationship between the manufacturer and purchaser should be distinguished from those in which there is such relationship. In direct sales, assessment should be on invoice value less duty and other post-clearance charges. As for transactions between producer and buyer on a special basis, rules should specify inclusions and exclusions to be made, so that it would be possible to arrive at a fair assessable value.

These recommendations, obviously soundly conceived, should appeal to the Government as it evidently has to the business community as a whole. In fact, the Government appears to have already anticipated some of the Committee's recommendations by introducing, for example, audit type of checks in as many as 23 industries and by abolishing the levy in sectors where production is dispersed over numerous small units. But it is important that the recommendations as a whole should be implemented early. The excise duties, as already said, are now the mainstay of Central revenues, and it is so, not only because the limits to direct taxation have been reached, but also because the country's industrial structure has grown in impressive proportions. The levy has now to play the role of an important economic regulator also and in view of its obvious connection with the price level or the cost of living, the policy which will guide its imposition will have to be framed most carefully.

Eastern Economist 20 Years Ago

OCTOBER 29, 1943

Some stir has been created in New Delhi by the speech of Dr. Ambedkar at the meeting of the Reconstruction Policy Committee on Post-War Public Works and Electric Power. He came out as a strong champion of industrialisation. Pleading for cheap and abundant electricity, Dr. Ambedkar said: "At every decade this negative balance between population and production is increasing in an alarming degree, leaving India with the inheritance of poverty, more poverty and chronic poverty. A rot has set in. It can only stop when agriculture is made profitable. Nothing can open possibilities of making agriculture profitable except a serious drive in favour of industrialisation". As certain observations of the Labour Member at the last Tripartite Labour Conference gave rise to misunderstanding this unqualified demand for an active policy of industrialisation as the only way to remove poverty has caused a good deal of satisfaction in non-official circles. But the question is — what are the Government of India doing now to promote industrialisation and to ensure that India is able to hold its own in the fierce world competition which will come after the war?



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Highlights of the Week

THE BHAKRA PROJECT

THE COMPLETION of the giant Bhakra Dam has been hailed as "a dream come true". For Punjab it is, indeed, so. The idea of impounding the waters of the river Sutlej behind the majestic Bhakra gorge originated with Sir Louis Dane, the then Lt. Governor of Punjab, as long back as 1908. But it took nearly 55 years to be translated into concrete. For the Indian nation to whom it was dedicated by the Prime Minister on the sunny morning of October 22, the Dam, however, means much more. It is a symbol of the nation's unity, its struggle against poverty and hunger and of the growing confidence to undertake mighty tasks.

The Dam today forms the backbone of the Rs. 175 crores multipurpose Bhakra-Nangal project having eight components. The long delays which occurred in the starting of the work on it before Independence have in a way proved to be only a blessing in disguise. Originally, it was conceived as a purely irrigation scheme. As it has ultimately turned out to be, it is to provide both irrigation and power facilities. The eight components of the project are: (1) Bhakra Dam with two power generating plants — one on the left bank of the river and the other on the right bank; (2) Nangal Dam and Head-regulator; (3) Nangal Hydel Channel; (4) Two power houses on the Nangal Hydel Channel — one at Ganguwal and the other at Kotla; (5) Re-modelling of the Rupar Headworks and Sirhind Canal; (6) Bhakra Canals; (7) Bist Doab Canal; and (8) Transmission of electric energy. All the eight components, except the setting up of the right bank power house, have been completed.

The highest straight gravity dam in the world, Bhakra with its 740 ft. height from the deepest foundation, towers the famous Hoover Dam of the United States by as many as 14 ft. From a base width of 680 ft., it rises majestically to a 30 ft. roadway at the top spanning a 1,700 ft. wide gorge. The impounded waters form a 55-mile long lake with a storage capacity of 8 million acre-feet of water, the live storage being 6.35 million acre-feet. The cost of constructing the Dam alone came to Rs. 59 crores. The task was completed under very trying conditions. At one stage, when the mishap occurred to the Hoist Chamber, a major catastrophe could be averted only with great difficulty.

The benefits flowing from the project — both direct and indirect — will be immense. Ultimately, irrigation facilities are expected to be extended to an area of about 6.7 million acres in the arid tracts of South-East Punjab and the deserts of Rajasthan. This will help in raising 101 million tons of additional foodgrains, 800,000 bales of cotton and 500,000 tons of sugarcane. The two power houses at Ganguwal and Kotla have an installed capacity of 154,000 kW. per annum. The combined peak capacity of the two plants at Bhakra is to be 1.05 million kW., firm capacity being 800,000 kW. This supply will feed the industries not only in Punjab but also in Delhi and its neighbourhood. The project is considered to be financially productive on the basis of the direct returns from it. The indirect advantages would include immunisation of the downstream areas from recurrent floods and reclamation of wastelands. A fisheries project has been finalized for the impounded waters behind the Dam. It is to be undertaken jointly by the Governments of Punjab and Himachal Pradesh.

HMT's THIRD UNIT

THE HINDUSTAN Machine Tools added another feather to its cap when its third unit was formally inaugurated on October 23 by the Prime Minister at Pinjore, an ancient and historic village in the shadows of the Himalayas, about 13 miles from Chandigarh — the ultra-modern capital of Punjab. The establishment of this factory is a boon to this northern State whom paucity of mineral resources has made depen-

dent primarily on small and medium scale industry. This is the first giant industrial enterprise to be set up in Punjab.

Built at a cost of Rs. 7.5 crores, of which the foreign exchange component amounts to Rs. 1.75 crores, the factory has a capacity to turn out annually 80-85 machines worth Rs. 5 crores (the first complete machine will come out from here before June, 1964). This capacity is to be doubled by the end of the current Plan period by the addition of another similar unit. The investment on the project then will amount to Rs. 10 crores. With the setting up of the Pinjore factory, HMT has entered the first phase of its specialisation programme. The Pinjore plant will concentrate on the production of machine tools based on the milling principle, although it will also produce gear-cutting machines. The former line of manufacture will be gradually taken off the two Bangalore factories of HMT which will engage themselves with the production of newer ranges of machine tools. Gear-cutting machines are to be produced for the first time at Pinjore.

The Pinjore plant has been built entirely by a team of young Indian engineers whose average age works out to not more than 27 years. Further, the job has been completed in a record time of 17 months. This evokes optimism about the HMT's ambitious expansion programme of adding a Rs. 5 crores capacity new unit every year up to 1970 being accomplished according to the schedule. Currently, HMT is setting up two more plants at Kalamassery (Kerala) and Sanatnagar (Andhra Pradesh). The former is to be commissioned into production next year and the latter in 1965. In the next three years, the Punjab, Kerala and Andhra Pradesh factories will be doubled in capacity by turn. Two more units will be added in 1969 and 1970. The locations for these are yet to be decided.

Financing Scheme

Although the second unit at Bangalore was financed by HMT from its own resources, the finances for the Pinjore factory were secured from the Union Government. The State Government made available the land. This was in accordance with the general scheme of finance decided for the first five units. The scheme envisages every alternate unit, i.e. HMT II AND IV, to be financed from internal resources. The next five units, however, will be set up with HMT's own resources, even after providing for progressive reduction in sale prices and for greater amenities to the employees.

The expansion programme which HMT has embarked upon is expected to enable it to produce machine tools worth Rs. 16 crores in 1965-66. This will mean exceeding the Rs. 10 crores target stipulated for this public sector enterprise in the Plan by 60 per cent and should go a long way in filling the gap between indigenous output and the overall Rs. 30 crores target for the machine tools industry, caused by the slow progress registered by the private sector and the other public sector schemes. Output from these sources in 1965-66 is estimated around Rs. 9 crores, as against Rs. 20 crores anticipated in the Plan. By 1970-71 HMT's output is expected to go up to Rs. 50 crores per annum. This will be catering to nearly 50 per cent of the country's requirements of machine tools at that time.

ACCELERATING INDUSTRIALISATION

TWO MEASURES of liberalisation have been recommended by the Advisory Committee on Capital Issues Control in the Government policy on diversification of manufacturing activity by the existing companies. The first suggestion is to the effect that the established companies should be permitted to utilize their surpluses for branching out to new lines of manufacture even if they are unconnected with their existing activities. Such a diversification, however, is to be subject to the stipulation that the new lines of manufacture should not be those in which foreign collaboration is not allowed by the

Government. The second recommendation is that while ensuring that 49 per cent of the new capital required for financing diversification is offered to the public, care should be taken that the existing ownership and control is not seriously disturbed. This implies injection of a good measure of flexibility in the application of this rule, designed to achieve the dual objective of dispersal of economic power and efficiency in industrial management. In present-day conditions of the paucity of entrepreneurship and the shyness of new capital, the two suggestions of the Capital Issues Control Advisory Committee obviously are wholesome.

The Committee has also suggested that the exemption limit on capital issues not needing the approval of the Controller should be raised from Rs. 10 lakhs to Rs. 15 lakhs. Such a relaxation, it is felt, will provide a good deal of psychological incentive for setting up new industrial units. It is also warranted in view of the rising costs of setting up new projects. The Committee has found the existing provision fixing the debt-equity ratio at 2:1 as satisfactory. It has, therefore, not called for any relaxation in this regard.

Meanwhile, the Union Government is stated to be devising measures to expedite the disposal of applications for industrial licences. A decision is said to have been already taken to clear without reference to the Licensing Committee certain categories of applications if the State Governments or the Departments concerned have no objection to the technical feasibility of the schemes. Among these are included (a) the applications for regularisation of the manufacturing activity of industrial undertakings which were in existence at the time the Industrial (Development and Regulation) Act, 1951, came into force but which could not get themselves registered within a specified period; (b) the requests for change of location of existing industrial undertakings within the same State or from one State to another; and (c) the plans for

production of new articles where such production does not involve installation of any additional machinery and use of imported raw materials. It is hoped that these changes will reduce the time for disposal of applications for industrial licences from nearly one year as at present to about four to five months.

YEN CREDIT

AN UNDERSTANDING has been reached between the Governments of India and Japan on the utilization of the third 23.4 billion yen credit (Rs. 30.95 crores) announced by the Japanese Government at the Aid-India Consortium meeting on August 7, 1963. The credit is to be made available by the Export-Import Bank of Japan in collaboration with some private Japanese banks.

A major portion of this loan is to be used for further financing of the Gorakhpur Fertilizer Factory and the Durgapur Alloy and Tool Steel Plant. The remainder can be used for purchases from Japan of plant and machinery required for some other projects and for the general economic development during the current Plan period.

The credit is to be repaid in 15 years, including a grace period of 5 years. It carries interest at the rate of 5.75 per cent per annum. Compared to the previous two loans given by Japan, the terms of the third credit are slightly more favourable. The first loan, provided in 1958, carried the same rate of interest, but it was repayable in 10 years. The second one, made available in 1961, is to be repaid in 20 semi-annual instalments commencing from 1967, but carries interest at the rate of 6 per cent per annum.

The first two yen credits totalling 52.2 billion (Rs. 69.04 crores), were utilised for purchases in Japan of railway, power, coal and iron ore mining and processing equipment, ships, port equipment, machine tools and a few other items of industrial machinery.

WINDOW ON THE WORLD

Americans Agitated About Patents

From R. V. MURTHY

NEW YORK: NO FINANCIAL columnist from India visiting the U.S.A. today can fail to notice two things. One is the countrywide concern expressed by American businessmen over the proposal to abolish patent rights in India and the resultant piling up of all applications for registration of patent rights pending the relevant legislation. The other is the anxiety which is being felt here about the pending legislation by the U.S. Congress on cotton to bring about one price for both domestic consumption and for exports.

The question of patent rights was raised by people both official and non-official who wanted to know whether the draft bill would be passed in its present form. Spokesmen of both the National Chamber of Commerce in Washington and the American Manufacturers' Association here felt greatly disturbed about it. The general feeling is that in industries such as pharmaceuticals, patents for drugs and medicines and formulae have been taken after considerable expenditure in energy and money and years of research and that to make it an open house as it were for everybody to manufacture patented goods is to plunge the industry into confusion. Inasmuch as the proposal to abolish patents is a blanket one, it is feared all industrial inventions would come within the ambit of the pending legislation. If so, it is apprehended, foreign collaborators may not exactly be eager to go to our country and surrender all their special processes and patents for being copied wholesale by India. Indeed, several of them seem to be reviewing their proposals for collaboration wherever their patents are involved, not necessarily proposals concerning pharmaceutical ventures only. As yet, no politician seems to have interested himself in this business, but the prospect is around the corner. Clearly, there would appear to be urgent need for rethinking on the part of New Delhi if it is serious about encouraging more and more foreign participation and foreign investment in our country.

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A visit to the New York cotton exchange was very rewarding, in the sense that it gave an idea of the extent to which cotton trade has been in the doldrums today. Practically all activity seems to be at a standstill pending the one-price formula legislation. Today, because of the pressure of cotton growers, mills in this country have to pay a relatively high price than importers of U.S. cotton. Incidentally, this is one of the reasons trotted out to explain the unwillingness of the United States to increase her offtake of Indian textiles—"surely you do not expect us to sell our cotton to you giving you a price advantage and buy your textiles to compete with our mills which have to pay a higher price," they say. Be that as it may, until the proposed legislation is through, no one would like to make any long-term commitment. Even mills, which buy spot cotton, are doing only hand-to-mouth business, it was explained to me. Whatever the ultimate result—though the protagonists of the one-price formula feel they will win the race—the southern cotton-growing interests will have a hard time of it and despite all the support they could count on in Congress, may have to give in. It is not clear whether, in the process, acreage restrictions also will go, as the cotton-growing regions other than the South have been insisting. What the effects of unrestricted acreage under

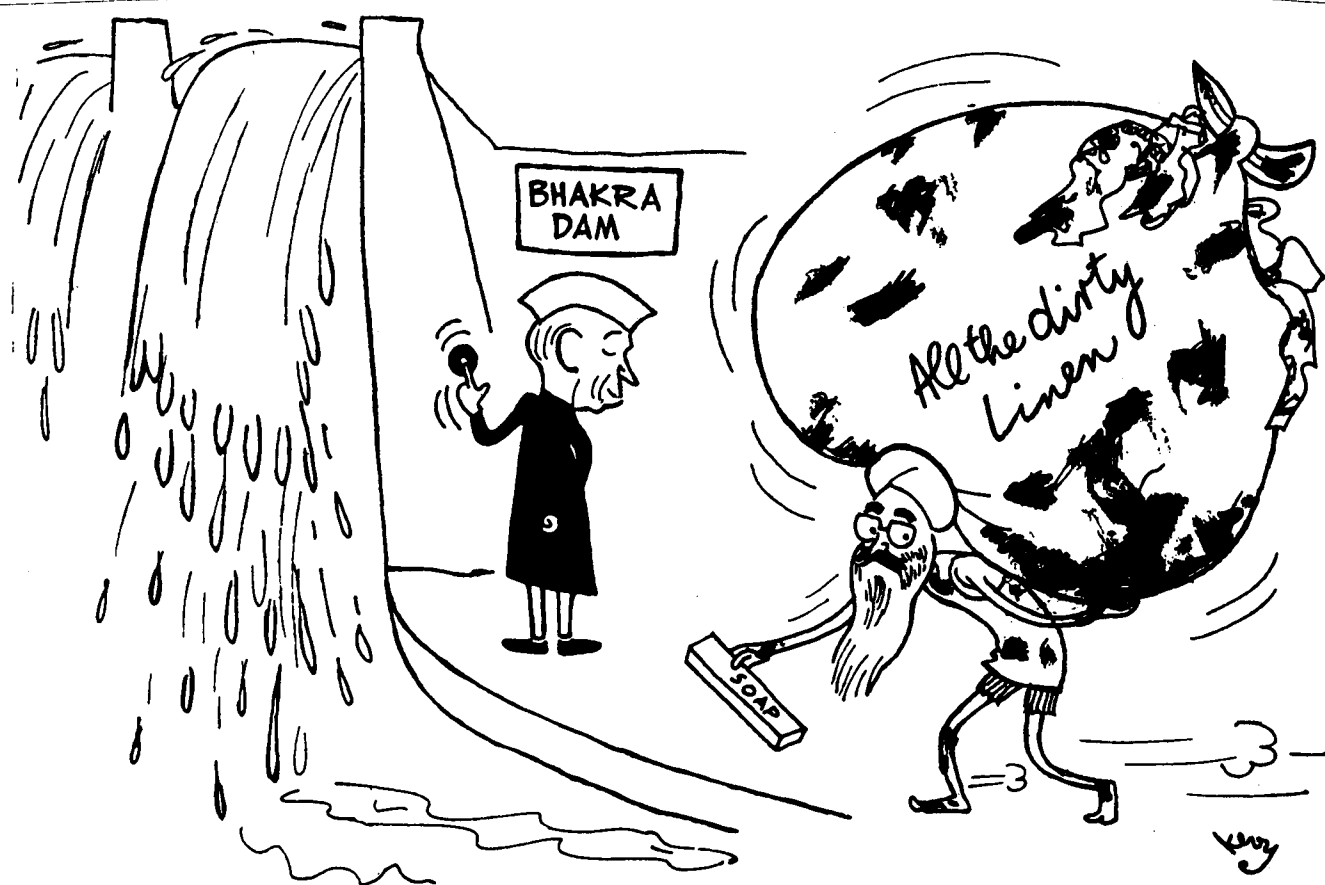
cotton and the one-price formula will have on the American economy remains to be seen, but so far as the consumers of American cotton—and India is one—are concerned, the result would undoubtedly be cheaper cotton, at any rate a cotton price influenced by the normal laws of demand and supply in the world.

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"Either we dynamise our economics or we get dynamited," declared Mr. Asoka Mehta at the recent meeting of the Second Committee of the United Nations to highlight "the sense of overpowering urgency," as he called it, of the problems of development affecting two-thirds of the world's population today. It is the understanding and amelioration of the teeming millions of Asia, he said, that will provide the key-stone to the arch of peace. This, he added, was not just the pressure of population but the pressure of raw, unappeased hunger itself, and the nations of the world would have to face it and satisfy it. How is this being done? Is what is being done enough and, if not, what needs to be done? These were the questions to which Mr. Asoka Mehta addressed himself appropriately. While not being unappreciative of the valuable assistance extended by the developed countries, Mr. Mehta made the point that in 1961, whereas the commercial flow of international finance amounted to \$4,367 million, the reverse flow in the payment of interest, profit and dividends from the underdeveloped countries to the rich countries totalled up to \$3,393 million and wondered whether it was at all necessary for the developed countries scrupulously to adhere to the biblical injunction of the left hand not knowing what the right hand was doing.

There can be no two opinions on whether or not the poor countries need assistance, but it is relevant to find out if, in assisting their poorer brethren, developed countries happen to harm their own interests, in other words, whether, by helping the developing countries the developed countries are obliged to reduce their own standards of living, as some of them are alleged to have expressed. Strongly refuting this suggestion, Mr. Mehta went on to say that "in less than ten weeks, the United States invests more than what India plans to do in its entire third five-year Plan, and reaps also an equivalent harvest in the same ten weeks ... more than half the income of the rich world is there and one's analysis cannot totally ignore that reality." And so, he suggested, giving away one per cent or more of the national income of countries such as the United States should not at all matter. On the other hand, in their present phase of economic development, countries such as India have, of necessity, to seek aid from those countries that can afford. Only such foreign aid can overcome the lag in savings. Accordingly, Mr. Mehta wanted the United Nations not only to evolve some definite policy of outflow of income from the rich to the poor countries but also to introduce more statistical clarity in its annual reports to ascertain whether or not even the self-imposed one per cent burden is, in fact, being borne by the rich countries.

Mr. Mehta emphasized that socialistic ideas played a functional role in the early processes of development and that socialism had an instinctive appeal in the poorer countries. He went on to say that India's own choice had been in favour of a system of mixed economy and explained: "My country has a



WASH WHITE! WASH BRIGHT!

system of mixed economy. We have given a variety of incentives and facilities to the private sector to make a significant contribution to the growth of the economy. But when the nation has to step up the rate of saving, can it be done by the public sector alone, which accounts for only a small fraction of the national income? The private sector has to make the major contribution to the savings effort, and experience shows that such contribution is not inimical to its own long-term interests."

Mr. Mehta urged the rich nations to play their part in the "miracle of growth" by liberal assistance to the poorer countries and asked "the men of capital to modify for a while, their familiar ways."

Addressing the rich countries, he said: "We are told that we cannot expect the people of the rich countries, free and prosperous as they are, to change their habits and attitudes. We cannot be unsympathetic to this traditionalist outlook of the modernists. But do they realise how great a strain the developing countries have to bear in the process of transformation? In the course of a generation the habits of centuries have to be completely changed. The psychological and social strain involved has to be imagined. Conventional wisdom warns us that 'no man puts the new wine into old wine-skins; else the new wine will burst the skins, and be spilled, and the skins shall perish.' But what does the record of the developing countries show? Has not the new, heady wine of science and technology been slowly poured into the old skins of traditional society, and the wine has not spilled, the old-skins are changing, not bursting? The social tour de force is not easy to accomplish. Let us look back for a moment at the early period of development of the highly industrialised countries. Did they not, even though their time span of development was much longer, and even though the emergence and assimilation of the fruits of Science and Technology were much slower than today, pay the price of transformation in slums and terror, in reeking corruption and in periodical coups d'etat? When we seek a far-reaching and rapid social transformation, while honouring the rights of man, are we not entitled to claim a little fraternity in the task of bearing the strains of transformation? When the developing countries ask for favourable opportunities for the

export of manufactured goods, of simply processed articles, the highly industrialised countries object, even though all that we seek is to supply just one per cent of their expanding production of goods. We are told that when already technological changes require an adjustment of three per cent every year, how can they add on an additional burden of one per cent to it? Unfortunately, no one has similarly quantified the rate of social transformation in the developing countries. Is it too much to ask for a fraternal sharing of strains through easier terms of trade or through economic aid, but please, not in the ways of Penelope, taking out the knots in the night, that have been woven in the day?

"Now that Science and Technology need no longer remain harnessed to the chariot of war, has not the time come to attach them to the coach of development, so that technology may be trained to balance the sociological needs of the developing countries, where the ratio of man-power to resources is often so different from those of the affluent societies? As peace dawns and wider horizons become visible, we are invited to embark on new voyages of thought and discovery."

Turning to the countries with centrally planned economies, particularly to the foremost among them, he said:—"We in the developing countries admire at once the liberal political institutions of the West and the austere economic discipline of the East. It is that discipline that we seek to make our own. We are not unaware of the emerging and welcome pressures inside these countries, of the implications and consequences of the dismantling of the system associated with the 'cult of personality.' These very pressures demand that the centrally planned economy countries review their plans of development with a view to providing an even larger scope for imports from developing countries; they demand that the prices at which production from the developing countries can be sold in the internal market be adjusted with a view to stimulating the demand for those goods and commodities. Socialist countries should also include in their forward planning significant projects of these developing countries that are nearing the critical stage of the take-off."

Khrushchev's Feet of Gold

By RICHARD PROUST

PARIS:

GOLD, THE newest major Soviet export item, is getting top billing in the European press as the Soviet Union unloads large quantities of the yellow metal on Western markets.

The purpose of this financial operation, which is imbued with typical Soviet secretiveness, is to obtain foreign exchange to help pay for wheat Moscow is buying from Australia, Canada, France and now from the United States.

European bullion dealers report that a "large" consignment of Soviet gold reached continental markets in recent weeks. Unofficial estimates of Russian selling over the past few weeks range up to about \$280,000,000, which is considerably more than the entire value of Soviet gold sold during all of last year. This is estimated at \$200,000,000, about the average annual sale for the last eight years.

The volume of the recent shipments, which began at the beginning of September, is estimated at 300 tons. Sales have been mostly through London, Paris and Basel, Switzerland.

An immediate effect of the transactions has been a sharp

drop in the price of gold on the sophisticated London bullion market, the most important of Europe. Gold fell there 0.5 cent an ounce in terms of the U.S.A. dollar, to a level of \$35.065, equaling the eight-month low touched at the end of September.

As a result, the markets in London, Paris and Basel are in a nervous state, and dealers found even a marked shortage of buyers. Tokyo now reports that Japan may increase the proportion of her external reserves held in gold.

Most of the gold Russia unloaded on the Continent is being resold later in the London bullion market. A large new supply would depress further the price of the precious metal. And it is expected, in fact, that further amounts will follow now that the United States has approved a \$250,000,000 wheat sale to the Soviet Union.

The U.S.S.R. is one of the world's major gold producers, but has always made a great mystery of gold, a commodity it seems afraid of and which, to its own embarrassment, it values highly. Lenin boasted: "When we conquer on a world scale, I think we shall use gold for the purpose of building public lavatories." But he quickly cautioned, "Meanwhile we

must save gold, sell it at the highest price, buy goods with it at the lowest price. When living among wolves, howl like the wolves."

The Russians still howl like "capitalist wolves," while making a state secret of their gold supplies. These are, indeed, large, but probably not as large as some experts claim. A good estimate is that Soviet holdings are about the size of those of Britain, which is \$4,000,000,000.

Soviet leaders have displayed what in ideological terms seems a strange determination to hoard gold in the best traditions of many European peoples who have little or no faith in their national currencies. The gold is used as a theoretical backing for currency in circulation, the ruble being officially set at 0.987 of a gram. Gold is also used to settle international trade debts and, occasionally to finance subversion.

Russia's annual gold production is estimated by Dr. M. A. Kriz of the First National City Bank of New York at between 10,000,000 and 17,000,000 ounces, a value of \$350,000,000 to

Alec Douglas-Home: An Assessment

By JOSSLEYN HENNESSY

LONDON:

WITH THE appointment of Sir Alec Douglas-Home as Prime Minister, Britain emerges from nine months of irrelevant scandals alleged in high places, topped by the paralysing uncertainty over Mr. Macmillan's future, which have diverted the nation's attention and energies from the facts of life.

What effect will Sir Alec have on British politics?

Whether or not the Conservatives will win the next election is known only to a silent and inscrutable deity, but their chances have improved. The latest opinion poll reduces Labour's lead from 20 percent to 9 percent. Apart from the economic upswell in production, employment, and exports, that I have reported in previous weeks, Sir Alec's personality may help his party appreciably.

Television, which gathers audiences of twenty millions and more, has become an important political factor. The masses are influenced by the simplicity of language with which a politician is capable of making his points, and by the courtesy, good humour, frankness, and lack of hesitation, with which he answers the tough, searching, and often embarrassing questions in which British TV interviewers specialise. An American newspaper colleague assures me that no Congressman would tolerate the sort of questions that British politicians are called upon to face. Mr. Macmillan is not bad on TV, but Sir Alec is easily his superior. Mr. Macmillan never goes before the cameras without careful preparation of his theme, and this reveals itself in a certain lack of spontaneity.

After Sir Alec's TV interviews last week those of his political opponents who had foretold that we would see an easily outclassed aristocratic nonentity, out of touch with the common man, have been warned by leading newspapers which support Labour that to under-estimate Sir Alec would be fatal. Under the relentless glare of the closely focussed TV lights, he is relaxed, friendly, direct, and tough, and unlike Lord Hailsham who, to the delight of his opponents, can be goaded into explosions of temper, Sir Alec never raises his voice above a conversational, and often ruminative, tone. He can express complicated ideas in simple language. Faced with an embarrassing question, he does not fall back on a tortuous reply. He either answers it frankly or says with a disarming smile that his questioner must await the course of events to learn the answer that he seeks. There were two outstanding moments in Sir Alec's telecast which brought murmurs of delighted appreciation from the group of journalists of all shades of political opinion with whom I was watch-

\$595,000,000. This would make her the world's second largest producer after the Union of South Africa. But these estimates are considered exaggerated by some Kremlinologists.

Gold and platinum are found chiefly in the Urals and the Altai Mountains, as well as in the Amur and Kolyma regions in the far east. During the Stalin era the Ministry of Interior and the feared Security Police, headed by Beria, were running the rich gold mines of Siberia, which were manned with slave labour and administered as punitive camps.

In a recent article in the Soviet magazine "Kommunist," the Communist Party head of the Magadan Province in north-east Siberia, a major gold mining area, admitted that the mines had been manned by forced labourers before 1955. But the official asserted that these labourers had been replaced by free workers and that the mines are now largely mechanized.

The gold mines are in a region closed to foreigners and nobody in the West can verify whether conditions have changed under Mr. Khrushchev. Gold continues to be a major puzzle of the Soviet economy.—FNS.

ing it. First, when his interviewer said "You know that many people believe that Mr. Wilson will make mince meat of you in the Commons," Sir Alec smiled slightly and said with a quizzical composure that the printed word cannot convey: "I'd be surprised." Secondly, when the interviewer suggested to him pointblank that as the fourteenth earl he was an out of date figure, Sir Alec replied with a meditative air which, again, defies the printed page, "Well, I suppose, when you come to think of it, Mr. Wilson is the fourteenth Mr. Wilson. That all men are equal is a good doctrine. But are all men equal, except peers?"

The Opposition has seized on Mr. Butler's failure to secure the Premiership, and on the resignations of Mr. Ian Macleod and of Mr. Enoch Powell as indicating the triumph of the Conservative reactionaries and an end to progressive policies. Sir Alec denied this good humouredly on TV, and his denial makes sense, because the mood of the country is "central", neither extreme right nor extreme left. Mr. Wilson who, before his election to the leadership of the Labour party was identified with the left wing, has since moved to the right of his centre. This corresponds to the left of centre in the Conservatives, and informed observers have had no difficulty in accepting Sir Alec's assertion that this would be his place. Mr. Macleod and Mr. Powell have put themselves in a position to make a bid for the leadership of the party if Sir Alec (a) fails to move left or (b) loses the election. On (b) they have an even chance. On (a) none at all, unless Sir Alec develops suicidal tendencies, which are quite out of character with what we know of him.

In foreign affairs Sir Alec is reliably reported to have more influence with the US government than any other post-war foreign minister, partly because of his firm attitude towards communism, whether Soviet or Chinese, but mainly because of his toughness and skill as a negotiator.

In the Commonwealth Sir Alec is well known, as he was Commonwealth Relations Secretary for five and a half years during which he travelled widely. After becoming Foreign Minister he aroused criticism in Asia and Africa when some of his speeches were interpreted as unsympathetic to newly independent countries. In fact, a re-reading of those speeches shows that what he was protesting about at the UNO was what has been called the "double standard", that is the tendency of some newly independent countries to rail against the former colonial power while being blind to the widespread operations of communist neo-colonialism, of which Asia, at any rate, has experienced some startling examples.

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P. M. Makes up His Mind

By Our Special Correspondent

NEW DELHI:

THE PRIME MINISTER has at last made up his mind on the subject of Punjab's controversial Chief Minister. He has recommended to the President that allegations of improper conduct made against Mr. Pratap Singh Kairon by some of the leaders of the Opposition parties in the Punjab Vidhan Sabha in a memorandum submitted to the President on July 23, 1963 should be investigated by "a high authority" who will be functioning under the Commissions of Inquiry Act of 1952.

Under this Act, the authority conducting the inquiry may consist of one or more members and will have the powers of a civil court, while trying a suit under the Code of Civil Procedure, 1908, in respect of (a) summoning and enforcing the attendance of any person and examining him on oath; (b) requiring the discovery and production of any document; (c) receiving evidence on affidavits; (d) issuing Commissions for the examination of witnesses or documents; and (f) any other matter which may be prescribed.

An inquiry held under the Act could be either in private or in public or "in camera". Citing the precedent of the recent inquiry held by Lord Denning in the United Kingdom, the Prime Minister has suggested that the inquiry should be held in private and that the inquiring authority should have power to fix its own procedure to summon such witnesses as he may consider necessary and allow counsel to appear. The Prime Minister has made it clear that in proposing such an inquiry, he has not by any means persuaded himself that the charges made against Punjab's Chief Minister have substance prima facie. On the contrary, he has quite frankly stated that he is ordering the inquiry only because compulsions of a political nature have made it impossible for him not to do so. In his view the charges made in the memorandum of July 13, to which the inquiry is to be strictly confined, include vague and repetitive allegations and he has consequently insisted that the exact issues to be inquired into should be cleared up on the basis of those charges before the inquiry begins. The Prime Minister has added that it would be necessary to make it clear to those who make the charges that they will be held fully responsible for the veracity of each of the charges to be inquired into.

Reasonable Decision

Mr. Nehru, after discussing the demand that Mr. Kairon should be asked to resign pending the results of the inquiry, has expressed his inability to agree to this course on the ground that the resignation might well create a situation which would be against the public interest. While all fair-minded observers will surely concede that the Prime Minister's decision on the various aspects of the Kairon affair have been, on the whole, reasonable and right, it is unlikely that critics will readily accept Mr. Nehru's verdict that Mr. Kairon need not resign pending the outcome of the inquiry. So far as public opinion is concerned, however, it will not hesitate to endorse the Prime Minister's stand. What matters clearly is that the inquiry should be conducted by an independent authority enjoying adequate powers for the purpose. This seems now to have been ensured. While the Prime Minister has not specified the person who would be conducting the inquiry, it appears that the latter will be selected from among eminent jurists who have retired from high positions on the Bench. The President's official notification is expected any time.

**

Speaking at Ahmedabad last week, the Minister for Oil, Mr. Alagesan announced that a petro-chemical complex would

be established in the public sector at a cost of Rs. 75 crores as an adjunct to the oil refinery at Koyali, near Baroda.

One of the major recommendations made by Dr. Henny of the French Petroleum Institute, it will be recalled, was that the petro-chemical complex should be built around a refinery in order to ensure the maximum utilization of the various feed stocks, which would be available from a refinery. His suggestion was that the planning and economics of petro-chemical complex should be closely integrated with that of refinery and the whole development should be under one umbrella.

The Government in the Ministry of Mines and Fuel has planned a project, largely based on these recommendations. The Gujarat project, it is proposed, should be developed in four stages. The cost of the first three stages is placed at Rs. 35 crores with foreign exchange component of Rs. 21 crores. It is proposed to meet the cost of the first three stages from the left-over credit extended to India by E.N.I. As regards the fourth stage, the intention appears to be to seek foreign assistance, either through a loan or by equity participation from some international firms, several of whom have reported to have indicated their interest.

Priority for Fertilizers

The project, it should be evident, is linked to the availability of naphtha and the priorities given to the development of petro-chemical industry in the scheme of development. To put it crudely, the issue is between fertilizers and plastics. The Government, in the Ministry of Heavy Industries, has already decided to put up a fertilizer plant at Baroda and another in Rajasthan, near Jodhpur, both of which would be fed on naphtha or gas from Gujarat. The Fertilizer Planning Group is at present engaged in studying the suitability of various sites and the availability of raw materials for the further development of the fertilizer industry in the fourth Plan period. As a first step, therefore, calculations are being made of the availability of naphtha and gas in Gujarat region and their requirements for gasoline and fertilizer plants, which it has already been decided to establish or proposed to establish with naphtha or gas as feed stock. The future of the petro-chemical industry in Gujarat region, therefore, will depend on the study now under way. Viewed from this angle, the Oil Minister's statement should be regarded as rather premature.

The Henny Report had also suggested that, before launching the industry, a study should be made of the demand for end products. Prima facie, this detailed study in respect of Gujarat is not yet ready. On this study will depend the target for DMT.

Following are the major intermediates proposed to be produced at the proposed plant in Gujarat:

PHASE ONE	Benzene	32,700 tons
(1966)	Toluene	15,000 tons
PHASE TWO	Methanol	4,500 tons
(1966-67)	Isoprene	41,000 tons
PHASE THREE	O. Xylene	10,350 tons
(1967)	P. Xylene	8,050 tons
	Ethyl-Benzene	14,000 tons
PHASE FOUR	Ethylene	45,800 tons
(1968)	Propylene	24,800 tons
	Butadiene	24,900 tons
	Benzene	30,000 tons

**

Much satisfaction should be caused by the Planning Commission's recommendation for the location of the fourth Plan industrial projects in a way so as to utilize the avail-

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able facilities of transport, power, water and townships to the maximum. This does not amount to going back on the policy of regional development. But it certainly would put a break on the dispersal of too many projects under political pressures, sometimes at the sacrifice of economic considerations. The location of new industrial projects, wherever feasible, in areas where infra-structure has already been strengthened should help in bringing down the costs of their setting up—so essential for containing the expanding spiral of prices.

The Planning Commission has also suggested that comparative studies should be undertaken of different lines of action for a particular project. This is necessary for avoiding the past mistake of including in the Plan projects without detailed cost-benefit studies. The Commission feels that in future no project should be included in the Plan unless a feasible study of it is available. For projects not fully worked out, the provision in the Plan should be made in broad terms.

Advance action has also been stressed to be taken in regard to projects proposed to be included in the fourth Plan. This should take the form of initiation of negotiations for foreign exchange, sanction of preliminary works, etc. In regard to the third Plan projects spilling over to the fourth Plan, the Commission is stated to be of the view that where action has not yet been initiated, it should be quickly taken on hand so that these projects can be completed early during the fourth Plan period.

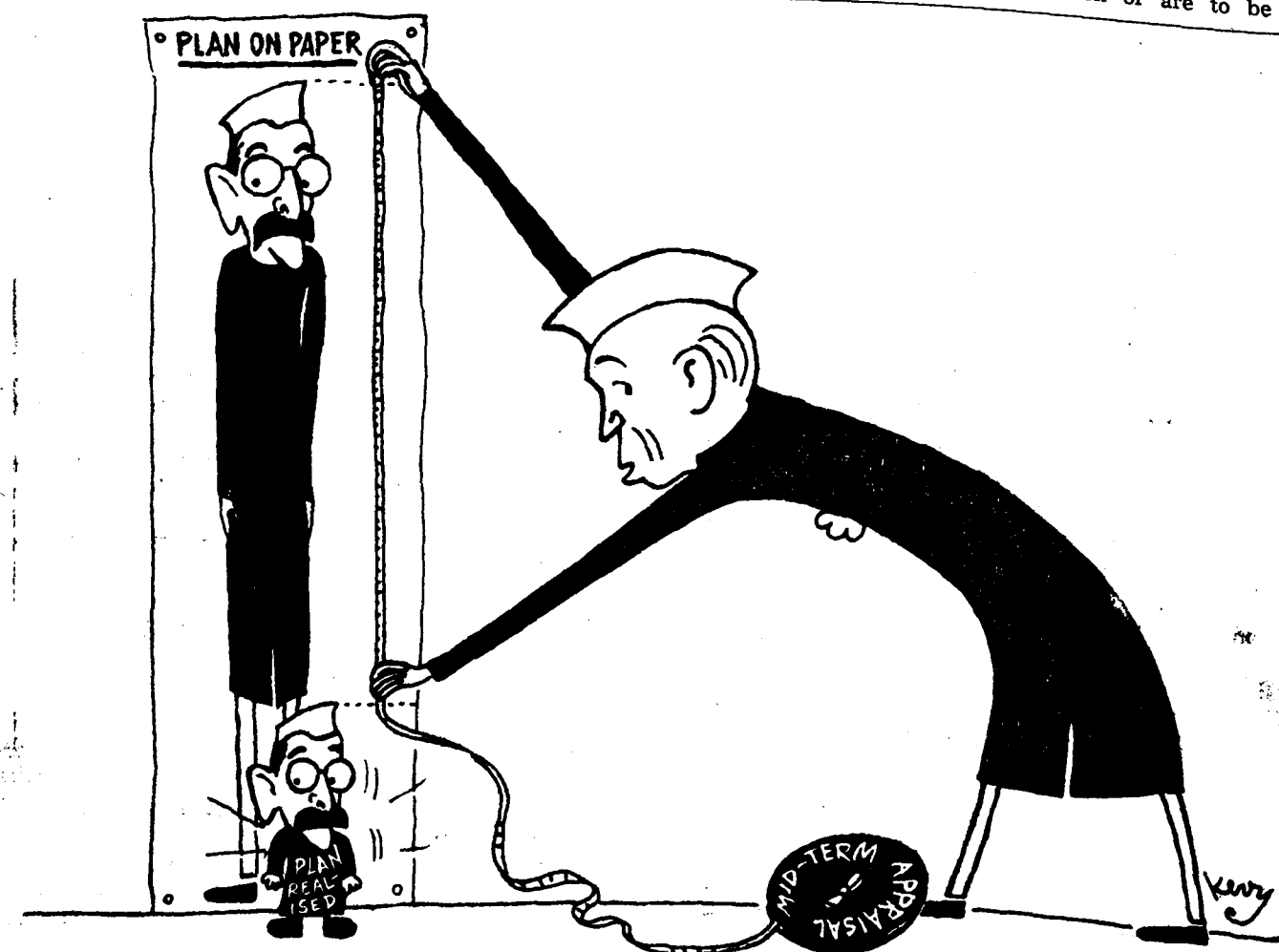
In drawing up new projects, it has been suggested that attention should be paid to the manpower aspects of development, both quantitative and qualitative. It has also been stressed that adequate use should be made of the services

of scientists and technologists in universities and national laboratories for deciding on matters such as import substitution, techniques of production to be adopted and planning of output on the basis of indigenous raw materials.

★★

The Polish Ambassador in India, Mr. P. Ogrodzinski, stated in a lecture in New Delhi on October 28, 1963, that the possibilities of economic co-operation between the two countries have not been fully explored and whatever had been achieved so far represented only an initial stage in the possibilities of "further strengthening, enriching and expanding" the relations between the two countries. Even so, trade between the two countries, which was only Rs. 5.83 crores in 1959, had increased to more than Rs. 19 crores in 1962. He expressed the hope that the current year would further mark an increase in the turnover of trade between the two countries, exceeding Rs. 20 crores.

Important changes in the structure of India's trade with Poland had been brought about in recent years. In the initial stages, it was the raw materials which were exported from India to Poland; but now the products of the Indian industry have come to occupy a significant place in Polish imports from India and in this regard, he specifically mentioned the contribution made by the Indian textile machinery industry. In regard to India's imports from Poland, he stated that "complete industrial projects formed the main and basic part". The industrial projects supplied to India so far were covered by two agreements on economic cooperation: one of 1960 and the other of 1962 which together provided for delivery to this country of complete industrial projects valued at Rs. 29.8 crores. The projects stipulated in the agreements which are either under construction or are to be erected



SHORTFALL I

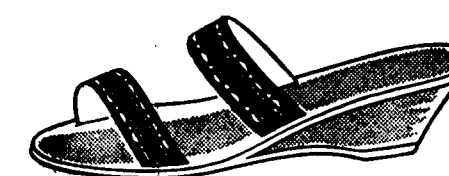
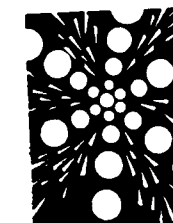
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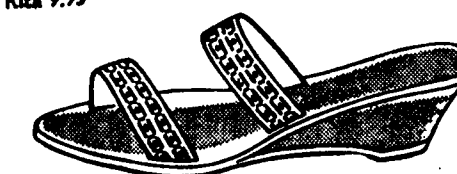
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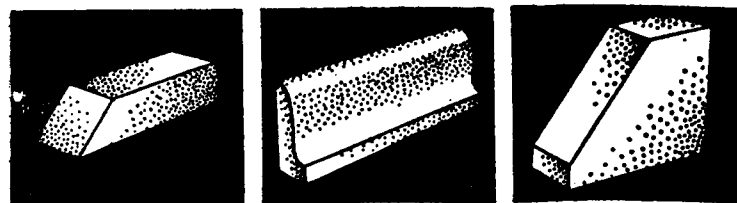
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shortly include "the deep coal mine in Sudamadih, the electric power plant in Barauni, a coal washery in Karanapura, a machine tools factory in Hyderabad, a factory of motor cycles and scooters in Faridabad and boilers for the Maharashtra State Electricity Board for Paras and Bushawal power plants". Contracts have also been signed for the delivery of the Polish-made cargo vessels (of 10,000 DWT) to the Shipping Corporation of India.

He went on to explain that Poland commanded in coal mining experience of almost 200 years with an actual output of 110 million tons per annum currently. It is playing an important role in the development of the coal industry in this country. According to the credit agreement, the construction of nine deep mines with a planned annual output of two to three million tons each will be started. These mines are expected to increase the output of coal in this country by 22 to 25 million tonnes per year. It will certainly go a long way in hastening the industrialization of this country, as "these coal mines will supply coke to the big steel plants of India's North-Eastern industrial region" and will assist in the development of heavy industry. Also, the Polish Government have concluded contracts for the construction of coal washeries. The construction of a factory of mining machinery and of electric power plants that will work on the middlings from the coal mines constructed by Poland has also been agreed to. Poland has also agreed to continue the supply of mining equipment until India is in a position to produce her own mining machinery. Poland is also lending its services for the training programme for technicians. Poland has already offered her assistance in setting up a chair to teach modern methods of mining at the Indian School of Mines in Dhanbad as well as in organizing one of the N.C.D.C.'s training centres. There are plans to train Indian specialists in Poland.

Collaboration in Steel

A new trade agreement between India and Poland will be negotiated in the next few weeks. This agreement will be operative for a period of five years and, according to the current expectations, the Ambassador said, it will double or treble the present trade turnover. He stressed the point that in view of the future possibilities of the Indian steel industry, it was worthwhile to take into consideration the possibility of collaboration between steel industries of the two countries in the form of long-term contracts for mutual supplies of specific steel products. This collaboration can be extended to the machine building industries as well. The Ambassador expressed the hope that the day was not far off when Indian factories would start manufacturing mining machines (which were being imported from Poland).

★★

Phillips Petroleum has made proposals for setting up a plant for the manufacture of synthetic rubber in India. This

proposal also hinges on the availability of naphtha in this country. On the basis of the "Malaviya Plan" which includes expansion of public sector refineries, including the one in Gujarat and the proposed refinery at Cochin, there should be three million tons of naphtha available in India by 1966. Half of this will be used for the production of motor spirit. According to tentative estimates demand for naphtha for the manufacture of fertilizer should be one million tons by 1970. By that time, at least two more refineries, one at Madras and another at Haldia, may go on stream. Side by side, production of gas at Cambay and Ankleshwar is being stepped up and output from the latter sources may reach one million cubic metric feet a year.

It should, therefore, be evident that the proposal of Phillips Petroleum for setting up a synthetic rubber plant can only be considered, firstly when the overall petroleum picture in regard to the availability of naphtha becomes available and the priorities between fertilizer plants and the petrochemical industry, including the manufacture of synthetic rubber, are settled.

★★

Mention should also be made of the refinery capacity in India and of the proposals of Burmah Shell and Esso to replace their refinery agreements by industrial licences granted under the Industries Regulation and Control Act. The Government's first priority is to set up a two million ton refinery in Madras in the "Public sector". Public sector, so far as new refineries are concerned, now means majority participation by the State in the equity capital. In addition to Burmah Shell, Esso and Caltex, ENI, Phillips Petroleum, Standard of Indiana, a Japanese and a German concern have shown interest. Two of them ENI and Phillips Petroleum, have reportedly submitted project reports. The Government's plan appears to be to start negotiations early in 1964.

Both Burmah Shell and Esso have given up their earlier demand for linking up the replacement of the refinery agreements by industrial licences with the Government permitting the expansion of their refineries. As desired by the Government, they will agree to the question of expansion to be considered on its own merit.

So far as the replacement of the refinery agreements is concerned, the two oil companies will like an assurance that they would be allowed to import crude from their sources at world competitive prices and that the Government of India would not reduce their competitiveness by levying import duties on crude. Secondly, they would desire that they will not be discriminated against, particularly in respect of taxation and marketing vis-a-vis public sector refineries. Thirdly, they will like an assurance that foreign exchange will be made available to them to repatriate their profits to their countries. Esso, in addition has proposed to merge into one unit its refinery and marketing organisation.

Verdict for Sugar Industry

From Our Correspondent

BOMBAY:

MR. JUSTICE Kotwal and Mr. Justice Mody of the Maharashtra High Court struck down Section 28 of the Maharashtra Agricultural Lands (Ceiling on Holdings) Act, 1961 as invalid and ultra vires of the Constitution. This section related to the acquisition of land held by joint stock companies in Maharashtra. It will be recalled that three sugar companies affected by the Land Ceilings Act filed a writ petition under Article 226 of the Constitution. The three sugar companies are the Belapur Sugar Company Ltd., Maharashtra Sugar Mills Ltd., and the Gangapur Sugar Mills Ltd. The rest of the Act was held valid. In other words the Bench ruled that the State was competent to pass a ceiling act like the Maharashtra

Agricultural Lands Act but held that Section 28 which related to sugar companies was repugnant to Article 14 of the Constitution as the acquisition of lands was not for a public purpose nor was it an agrarian reform.

It was urged on behalf of the petitioners that the Act provided for expropriation of lands on which sugarcane was grown. Both sugar and sugar industry were controlled by the Central Government under the Industries (Development and Regulation) Act and the Essential Commodities Act. It was urged that the sugar industry, which was a controlled industry, was an exclusive subject given to the Central field of legislation under entry 52 of the Union legislative list, namely, "industries, the control of which by the Union was declared

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by Parliament to be expedient in the public interest." Their Lordships were unable to accept the petitioners' contention that the Act was a piece of colourable legislation. The objects of the Act were referred to in the judgment and these were stated in the preamble, namely, to secure the distribution of agricultural land and the distribution thereof to the landless and other persons and the imposition of a maximum limit or ceiling on the holdings of agricultural land in the State and for providing for the acquisition of land held in excess of the ceiling. The judges were however unable to understand how the taking of the lands from one corporation and giving it for cultivation to another owned or controlled by the State could have any connection or nexus with the objects of the impugned enactment. In fact, it seemed that vesting surplus land in the Maharashtra State Farming Corporation would bring into being a state of things contrary to the very purpose and object of the enactment. It would place in the possession of 50 odd officers of Government large areas of land of the petitioners in bulk or without regard to the object of distribution to landless peasantry or any equality of distribution at all.

★★

The three central trade unions—the Indian National Trade Union Congress, the All India Trade Union Congress and the Hind Mazdoor Sabha—have opposed the Maharashtra Government's proposal to link the present series of consumer price index numbers with the fresh one. The fresh series was bound to suffer if it was linked with the present one in its unrectified form as the inaccuracies in the indices would be carried into the new series. The mere introduction of a fresh series of consumer price indices is no consolation to workers if they continue to be robbed of their legitimate dearness allowance owing to errors in the present old index figures being bodily incorporated in the new series. It has been emphasized that the question of linking the two series should be considered only after the present series was rectified and "is allowed to operate in its rectified form for a reasonable length of time." INTUC has even further stipulated that the linking of the present series—after the rectification of the defect—with the new one should be done only after the "new series is also corrected by further adjusting the linking factor for some inherent defects in the compilation of the new series." The defects in the present series pointed out include "wrong, inadequate and faulty price collection" by the Labour Department. As glaring instance in point, a reference was made to the wrong basis adopted in the present series to arrive at the figure for expenses on cloth, house rent, transport and medicine.

★★

Mr. Chester Bowles, United States Ambassador in India, addressed a crowded press conference on Wednesday last at the Bombay USIS Centre. This was his first visit to the city after his return to India as Ambassador. He expressed the conviction that as long as the present Chinese government continued in power, both India and the United States would have 'a very hard China to deal with.' India was doing the right thing in strengthening and perparing her armed forces to meet all possible contingencies in the future and getting the best equipment for them. India and America, according to Mr. Bowles, were the two countries in the world 'who see China in the same perspective' today.

As regards India's development projects, Mr. Bowles was of the opinion that major projects would count little if the villages of India were ignored for it was here that the future of the country lay. Communism would not bother either India or the United States provided the two nations fulfilled their appointed tasks. This is because communism can only thrive when there are failures. Turning to the Bokaro project, he congratulated the Prime Minister on the tactful handling of the situation by withdrawing the request for aid. The reason

for American withdrawal had nothing to do with the public sector and his country had already helped the public sector in India in a big way.

★★

The Karmoham Conference has announced its decision to cut down the increase in freight rates from 12½ per cent, which came into effect from August 1, 1963, to 10 per cent. All vessels loading at or after 24.00 hours Wednesday, October 23 at any port will take the new rates on such cargo as is loaded in that port or at subsequent ports. The Conference has also decided to offer shippers from India and Pakistan an immediate rebate contract as a running alternative to the deferred rebate system which presently exists. This new contract, to be used at shippers' option, will be similar to the revised form now being considered in the East-bound trades and is hoped to be ready for introduction on January 1, 1964. The revision of the rates by the Conference marks a significant achievement for the Indian companies as well as for the Government. The decision of the Conference has not been wholly unexpected as a 10 per cent increase in rates has been wholly unexpected quarters as a compromise measure. The general reaction in the trade circles appears to be that so far as it goes, the move of the Conference has to be welcomed since it signified a realisation of the true feelings of the shippers in this matter and an attempt to accommodate their interests.

★★

The Advisory Committee on Capital Issues Control at its monthly meeting held at Bombay recommended a two-point liberalisation of the Government's policy on diversification of manufacturing activity by existing companies. It suggested

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SISTA'S-SB-78A

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that established companies should be permitted to utilise their surplus for diversifying into new lines of manufacture—even lines unconnected with their existing activity. The second recommendation is that while ensuring that 49 per cent of new capital needed for financing diversification is offered to the public, equal care should be taken to ensure that 'the existing ownership and control is not seriously disturbed.' In other words, the stipulation of issuing 49 per cent of the new capital is to be administered flexibly. The Committee recommended that the exemption limit on capital issues not needing the approval of the Controller should be raised from Rs. 10 lakhs to Rs. 15 lakhs. Such a relaxation has been suggested primarily to provide "a psychological incentive" of liberalisation. Another reason is that the cost of projects has risen since August 1959 when the exemption limit was raised from Rs. 5 lakhs to Rs. 10 lakhs. The Committee examined the stipulation fixing the debt-equity ratio at 2:1. It found that the stipulation was flexibly administered and did not need to be liberalised further. When the Government of India is searching for new policies to maintain the tempo of investment activity, the Capital Issues Control Committee has done well to come forward with helpful suggestions.

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The Committee of the Indian Merchants' Chamber in a communication addressed to the Committee on Manganese Ore appointed by the Government of India to go into the question of maintaining the country's markets for manganese ore abroad, has referred to the fall in manganese ore exports in recent years and emphasised the need to consider this question in a comprehensive manner. The Committee has suggested that the Geological Department should help the mine-owners in making as accurate estimates as possible about the production potential of the mines, and to facilitate planning of mining in the immediate future in order to avoid waste. Referring to the difficulties experienced by the mining industry on account of delays in grant of import licences for machineries and spares, the Committee has stressed the need for appropriate steps to facilitate the import of modern plant and machinery as also essential spares required for the mining industry for its uninterrupted and efficient functioning. The Committee has also invited attention to the inadequacy of the income-tax depreciation allowed to the mining industry and suggested suitable revision of the same, having regard to the nature of the industry.

With regard to the marketing of manganese ore, the Committee has pointed out that the main difficulty has arisen from the lack of consistency in the barter policy where

practically all the exports of manganese ore are done against barter transactions. Further, the discount that is allowed under the barter arrangements goes on changing from time to time. This policy has seriously come in the way of building up a stable export trade in manganese. The Committee of the Chamber has, therefore, suggested a thorough overhaul of the export policy in regard to manganese ore. The Committee contended that if the State Trading Corporation is to be the sole exporting agency, it must assume the responsibility of purchasing all the production from the producers on a long-term basis. Otherwise, the Committee stated that the S.T.C. should be considered on par with other exporters and should not be given any special privileges. The setting up of an Export Promotion Council for manganese ore as also the adoption of suitable Export Incentive Scheme for this item are also suggested by the Committee.

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Mr B. M. Grover, the Chairman of Indian Woollen Mills' Association Ltd., told that body's third Annual General Meeting, held in Bombay recently, that as a result of the emergency, the entire industrial activity in the country, particularly that of the woollen industry, was mobilised and geared to face the Chinese challenge. The tremendous demand arising from the defence services for woollen goods has spelt a boom for the industry. In order to enable the industry to live up to demand the Government so far has granted special licences worth Rs. 9.18 crores for importing woollen and raw materials. Apart from the raw materials, special licences have also been granted for importing dyes and chemicals, synthetic fabrics, etc. Further, the Government has accorded facilities for importing the urgently required spares, accessories, and other machinery parts. In the result, Mr Grover said, the industry was able to meet the defence requirements to a very substantial extent.

As the defence preparedness is a long drawn out process its demands from the woollen industry will continue to be enormous. In such an event, whether the woollen industry with its out-moded machinery would be able to stand the stress and strain was doubted by Mr Grover. However, the Government, he said, has been very sympathetic to the industry's case for effecting modernisation by importing the latest type of wool textile machinery.

According to the third five-year Plan target, the total raw wool production at the end of the Plan is expected to reach 90 million lbs. and at present raw wool production in the country is about 78 million lbs. Our exports of raw wool which was

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nearly 33 to 38 million lbs earning foreign exchange to the extent of Rs. 9 crores—when the total production was only 70 million lbs—has fallen considerably recently to nearly 28 million lbs, despite increased production thus indicating the increased off-take by the Indian industry. A substantial portion of raw wool that is being utilised in this country, at least in

Promoting Industries

From Our Correspondent

CALCUTTA:

THE ASSAM STATE Industrial Development Council, comprising five sub-committees, has made a number of recommendations for accelerating the industrialisation of the State. Some of the major industries that have been recommended for intensive promotion are the manufacture of coal tar boilers, machinery for roads and the tea industry. The sub-committee on Minerals and Petro-chemicals had suggested the setting up of a low temperature coal carbonisation plant and a carbon black plant. The State Government on its part will provide special incentives under the industrial road programme, while it is also taking active steps to meet the power requirements of all new industries. In the sphere of small industries, there is already the Assam Small Industries Development Corporation which in its very first year of existence has considerable achievement to its credit. Apart from establishing industries such as hardboard and veneer, it acts as the main distributor of raw materials to the small industries sector as a whole. It is also to embark on a number of new schemes and an important objective of the corporation is to sponsor new units with a view to ultimately making them over to deserving small entrepreneurs. All this, however, will not suffice if the objective of rapid industrialisation of the State especially in the sphere of small industries is to be realised.

The Central authorities seem to attribute the backwardness of States such as Assam to their failure to take advantage of the facilities that are now available to them through organisations such as the National Small Scale Industries Corporation. Referring to one such comment, Assam's Minister for Industries, Mr. K. P. Tripathy, has recently pointed out that the so-called backwardness of Assam and other States in its category is due to the fact that the regional offices of the NSIC are located at the capitals of the four advanced States of Punjab, Maharashtra, West Bengal and Madras with the result that all the benefits have accrued largely to these States, while the remaining States like Assam have been neglected. In his view the only remedy is to route further development of small industries to the underdeveloped areas by preferential treatment as to allotment of raw materials, finance, machinery and technical know-how.

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Indications are that the steady trend in the tea auctions noticeable for some time now will continue during the remainder of the current season in Northern India. This is largely because production of North Indian crop up to the end of September has amounted to only 397.7 million pounds as compared with 414.2 million pounds in the corresponding period of the last year. Though October is generally a good cropping period, it is not expected that the large shortfall of 16.5 million pounds will be made up before the season comes to a close. This lower production has been the main strength of the Calcutta tea market which may even experience better prices than hitherto to realise in coming months, especially at the fag end of the season. A significant feature has been that despite the large deficit in output, the quantum of export of North Indian tea has been well maintained. The explanation for this is to be found in the fact that more and more tea estates have been steadily changing over to the CTC process of manufacture with the result that many of these teas have

the worsted sector, is however being wasted, according to Mr. Grover. To mitigate this evil the authorities should keep a thorough check on the unauthorised combing units which are completely ill equipped in machinery; and in certain cases even the full process of manufacturing wool tops is not carried out, he said.

now become exportable types. But the higher prices have not generated much enthusiasm because despite the large shortfall in North Indian output world supply of tea has not recorded any significant decline as production in South India and Ceylon has been higher than last year. It has not therefore been always easy for North Indian producers this season to sell at the higher prices on account of the competition from Ceylon and Africa.

Knowledgeable circles have pointed out that the proper thing for India to do is to take early and energetic steps to step up tea production, by giving facilities to the tea industry, mainly in the shape of financial assistance which does not constitute too much of a burden. It has also been pointed out that the present tendency to curb domestic consumption with a view to making available increased quantities for export may turn out to be detrimental to the country in the long run. It is only to be expected that with the present emphasis on ever increasing production of tea in many countries, there may come a time, perhaps not in the distant future, that the overall world supply is in excess of world demand. In such circumstances, an active domestic market will go a long way towards taking care of the excess supply.

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Lyons Range closed last week for the long Puja vacation (from October 23 to November 3) on a rather subdued tone. This slight setback is largely because of a general precautionary tendency that usually precedes the year's longest closure. The undertone has, however, continued to be constructive in the sense that there has been no serious erosion of the recent gains. Lyons Range still believes, in company with other stock markets in the country, that conditions conducive to the orderly growth of the corporate sector will soon be brought about by the Government. Talking to pressmen admitting that the Government is in a state of rethinking in every direction with a view to making the method of planning more flexible, revealed precious little about the shape of the stock market is interested. On the other hand, it would appear that he does not think that the reactions in the stock market are reliable guides to the state of affairs in the country. At other times his reference to the existence of large amounts of unaccounted money and the poor collection of income-tax dues from sections other than the salaried classes would have created adverse reaction, but for reasons best palatable passages in the Finance Minister's speeches.

However the Finance Minister's assurance given in his recent broadcast that there will be no dearth of credit for the Reserve Bank, Mr. P. C. Bhattacharya. According to him extent to which its credit policy can be liberalised to meet the needs of the present situation. But so far as the stock market is concerned, the changes in the credit policy that be minor ones. That the current enthusiasm in stock markets is not fully reciprocated by genuine investors is evident from the continued patchy support for cash scrips. The investor

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who goes by hard facts such as the return he gets on his investment as well as the growth prospects of the enterprises in which he has a stake has got little in the way of encouragement. Both the political and economic situations are still so much clouded for him to venture forth into the stock market with confidence. If the Sino-Indian border dispute has not shown further deterioration, there is now renewed anxiety over Indo-Pakistani relations. On the economic front, much has been promised but actually there is little to show that some of the major difficulties of industry will be resolved in the near future. This will become clear when an industry-wise assessment of the outlook is made. A common adverse factor for all industries is power shortage and the only gain so far is a realisation on the part of the Government that the power programmes should be speeded up. But it is doubtful that, even with all the speeding up of the projects, there will be any marked improvement in the supply position in the next two years.

Another handicap that afflicts equally a number of industries is the pegging at an uneconomic level of the selling

price of their products. Despite a number of facilities given to the coal industry, it continues to find it impracticable to raise adequate finances so sorely needed for its modernisation programme. It is the complaint of the industry that while its cost of production has been increasing steadily over the past several years, it has been obliged to sell its output at a level fixed many years ago. The same applies to the paper industry. It has been pointed out by the industry that its progress has been affected among other things by the uneconomic selling price allowed for its products. It is not clear how Government is going to help industries such as the engineering industry overcome the shortage of raw materials. The fact that the quantum of untied foreign loans has been increased in the current year's pledges of aid will no doubt go some way in relieving the situation but it would appear that idle capacity will perforce have to continue at a considerable level as the Finance Minister in his recent broadcast has ruled out the possibility of any marked liberalisation of imports. The cotton textile industry has been long pleading for a rise in cloth prices, but indications are that Government will find some excuse to turn down the request.

Reading the Sphinx's Riddles

From Our Correspondent

MADRAS:

IT WAS generally expected that an important announcement regarding the liberalization of credit restrictions would be made by the Reserve Bank following the meeting of its Central Board of Directors held in Madras on Monday, last week. The Union Finance Minister also met the Directors of the Central Board and later had discussions with the Governor and the Deputy Governors who had come to the city to attend the meeting. As Mr Krishnamachari was due to meet the pressmen later, it had been hoped that there would be some positive indication. But beyond stating that the broadcast speech was his "Bible" and that his plans would unfold themselves slowly he refused to answer specific questions.

The Governor of the Reserve Bank, however, stated that the meeting of the Central Board of Directors considered the various questions relating to credit liberalization and examined the part played by unaccounted money in the fluctuations of prices for commodities. He, however, declined to state what exactly were the decisions that were taken as the announcement was expected to be made only from Bombay sometime later.

Constructive Approach

There is reason to believe that the authorities are anxious to adopt a constructive approach especially as the Finance Minister is inclined to be sympathetic and keen to pursue constructive policies which would stimulate the economy. The decision regarding relaxation of credit terms has to be taken at an early date so that banks can draw up their plans to meet the needs of the industry and trade during the 1963-64 busy season. Fortunately, they are much better placed now than they were at this time last year as the contraction in advances during the slack season has been sizable and deposits also have increased at a fairly fast rate. Thus, surplus funds increased up to about Rs. 250 crores between May and the end of October this year out of which a substantial sum has been invested in gilt-edged securities. The opportunity has been also utilized to reduce borrowings from the Reserve Bank. Cash balances too have risen to some extent. It is, however, anticipated that, with an increase in industrial output and liberalization of import restrictions, the demand for funds may be on a large scale in the next few months and any change in the policy regarding borrowing from the Reserve

Bank by member banks would be helpful in boosting production and keep down interest rates.

While there is no need for a hurried decision, the observations of Mr P. C. Battacharya, Governor of the Reserve Bank, seemed to imply that there might be a modification of the two-tier system and borrowing could be made from Central Banking institution at cheaper rates. At the Dinner given to him by the Bankers' Club, he emphasized the role played by the Reserve Bank in providing cheaper credit for promoting the export trade and helping the co-operative institutions. If banks could be allowed to borrow against Government securities outside the quota and regular borrowings also can be on a cheaper basis, it is generally felt lending rates will not increase further and with liberal credit facilities, industry and trade will be able to function more efficiently.

Some favourable developments are naturally awaited. But there is anxiety to know what exactly would be the changes in indirect and direct taxes as the stock markets would be enthused only if capital formation in the corporate sector is encouraged by a reduced tax burden and the improved ability to pay higher dividends. The absence of any specific announcement had a chilling effect on the local and Bombay markets initially but thereafter there has been a resumption of the uptrend in prices with continuing good corporate news and a firm belief that the developments in the next few months in the economic situation would be favourable. The stock markets remained buoyant until the developments on the cease-fire line in Kashmir led to slight profit-taking towards the close.

★★

The employees of the Central Government were eagerly expecting a pronouncement by Mr T. T. Krishnamachari about the up-grading of Madras City for payment of emoluments. This question would obviously seem to bristle with difficulties and the decision by the Central Government has been delayed only because of the fact that the population formula cannot be satisfied. When talking to pressmen, Mr T. T. Krishnamachari, therefore, stated that it was being examined how Government employees could be compensated for the increased cost of living in important urban centres by adopting a new approach to the whole problem. The size of the population as well as the cost of living might be taken into consideration for upgrading cities like Madras, Ahmedabad, Hyderabad and

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other centres. It is not known whether this procedure would result in that benefit to Government employees which is generally expected.

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The cyclone that hit the coast near Cuddalore a few days back could have caused greater damage to life and standing crops if it had continued for another 24 hours. The onset of the monsoon with a bang has no doubt been welcomed. But the uprooting of trees and the disruption of communication facilities caused considerable confusion for a time. Indeed, life in Cuddalore and Pondicherry was at a standstill for two days. The Madras City has received welcome rains and the inflow of water into the Red Hills lake has been timely. The heavy rainfall in the catchment areas of the hydel reservoirs of Periyar and Nilgiris also has reduced the fears about the need for a power cut early next year. But a ship carrying coal, which was in Madras Harbour and had to go out into the sea, got grounded as it was trying to anchor in the sea outside. After sometime the cargo of coal also caught fire in the bargain. This has since been put out and efforts are being made to refloat the ship.

The standing sugarcane crop is reported to have suffered some damage in the Cuddalore area. But in the rest of the State the crops have not been affected. Only for a time it was feared that the Kuruval crop in Tanjore, which was ready for harvest, would be badly damaged. Luckily, the yield is not expected to be affected to any great extent on account of the prevalence of bad weather conditions in the past few days. If the monsoon proves to be normal in the remaining weeks of the year, agricultural operations are expected to be benefitted to a considerable extent.

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Addressing the Fourth Seminar of Co-operative Sugar Factories in Coimbatore recently, Mr. S. D. Misra, Union Deputy Minister for Co-operation, said that the Government was justified in giving preference to the co-operatives in the establishment of sugar factories. Their performance during the last five or six years was excellent; during 1962-63 the co-operative sector produced 4.7 lakh metric tons of sugar representing 21 per cent of the country's production. The share of the co-operative sector in the production of raw sugar for export was 31 per cent. Further, the performance of co-operatives in repayment of loans had been very reassuring. Some of the factories had repaid the loan to the Indian Finance Corporation earlier than the stipulated period.

Mr. Misra also said that a decision had recently been taken to resume further licensing of about five lakh tons immediately to meet the increased demand in the internal market and for export. So far as expansions were concerned most of the co-operatives were likely to get the necessary licences subject to availability of adequate cane and finances. He said that a decision had been taken to give preference to co-operatives in the establishment of new units.

Mr. Mishra urged the sugar co-operatives to consolidate their achievements and look forward to a diversified development in the fourth Plan. The Government would no doubt plan for the expansion of existing units and sanction all new units in the co-operative sector. But it was necessary to think of creating complexes of various industries for utilising by-products of sugar industry. He suggested that they should work out schemes for starting paper plants and power alcohol plants by utilising such by-products as bagasse and molasses. Mr. Misra felt that the establishment of half a dozen central workshops in suitable localities to fabricate simple and improved agricultural implements, for the manufacture of spare parts and for undertaking servicing of the machinery would

result in considerable saving to the sugar co-operatives.

The Deputy Minister referred to some undesirable features in the organizational and administrative aspects of the sugar co-operatives and said that in some of the factories the entire Board of Management was nominated for a very long period and in some others the Government officials happened to be the common Chairman of all the sugar co-operatives in the States. The sugar co-operative in the State of Maharashtra had set an example in that the Board of Management was an elected body. The State Government had not nominated any official on the Board. He commended this example and advised similar procedure in other States. The Minister said that in some co-operatives there was reservation of seats for the well-to-do class of members. This was a negation of co-operative principles. The Government of India had examined this problem and advised the State Governments to review current practices. He said competition among co-operative societies in the recruitment of senior technical personnel was undesirable and should be avoided. Some of the co-operatives were buying cane from non-growers and in some cases sugar co-operatives were selling their sugar through private agencies and buying their requirements not from co-operatives but from individuals and traders. All this was contrary to the co-operative spirit. The Central Banks, Mr. Misra observed, were investing considerable funds in the affect the expansion of agricultural credit. Emphasising the importance of research Mr. Misra said that they had to find out why certain units were more efficient than others. He said the success of the co-operative movement depended on the building up of a cadre of workers at all levels and the availability of adequate and qualified technical and managerial personnel.

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With a buoyancy in the stock market, new companies are coming out to raise their capital. In the next few weeks it is expected that W. S. Insulators, Chemicals and Plastics, shares for subscription to the public. W. S. Insulators of India Limited has a programme for manufacturing H.T. and L.T. Insulators of different types and distribution apparatus in collaboration with Westinghouse International Electric Company U.S.A. The factory will be located in Porur village near Madras, the land having been already acquired. Westinghouse Electric are the largest manufacturers of various products in the world having under their control 200 factories in different parts of the globe. The Indian company has been licensed to manufacture 4,800 tons of insulators and other products. Besides, another licence has been obtained for producing porcelain fuse cut-outs of different types and of all voltages. It is expected that the new factory will come into operation in a short period.

The working results of Tube Investments of India Limited for the year ended July 31, 1963 should be regarded as satisfactory bearing in mind the difficult conditions that obtained during the year and the cut in production on account of power shortage. The net profit, before taxation and depreciation, has decreased only slightly to Rs. 128.98 lakhs from Rs. 135.32 lakhs in 1961-62. The provision for depreciation is higher at Rs. 40.43 lakhs against Rs. 37.11 lakhs. But there was a sharp drop in the allocation to development rebate to Rs. 3.32 lakhs from Rs. 20.76 lakhs. Taxation has accounted for the large sum of Rs. 45.42 lakhs against Rs. 40.59 lakhs and the transfer to General Reserve has had to be reduced to Rs. 13 lakhs from Rs. 15 lakhs. The appropriation to dividend equalisation reserve, however, remained unchanged being Rs. 2 lakhs. The dividend on equity capital has been maintained at 10 per cent, taxable.

The moving finger writes

MUCH DISAPPOINTMENT has lately been expressed over the slow progress of population control measures. It is now being generally recognised that surgical sterilization offers probably the most satisfactory short-term means to substantial results. It is reassuring that more and more people, both men and women, in towns or villages, are responding to the "surgical" approach. There is, however, a strong school of thought which emphasizes that, in the family planning movement in this country, primary reliance should be placed on the potentialities of an oral contraceptive cheap enough to be used by the poorer sections of the people and simple enough to be understood by the unsophisticated or the uneducated. Oral contraceptives, however, are still a much-debated subject, if not among medical circles, certainly among the lay public. I therefore feel that it may be useful to reproduce here a responsible account of the progress which seems to have been made in research and development in this field:

"The first step in this field was made twelve years ago in the Research Laboratories of G. D. Searle and Company of America. A Searle chemist synthesized norethynodrel, a chemical derived from the root of the barbasco (Mexico yam). This is almost, but not quite the same chemically as a natural female hormone that controls much of the menstrual cycle and at certain times helps to prevent ovulation—the release of an egg from the ovary so that it can be fertilised by a sperm. This represents a major advantage in respect of convenience and acceptability as compared with the clumsy methods of contraception previously available. Equally important, as extensive tests have shown, 'the pill' offers a degree of effectiveness never before achieved or considered possible.

"The drug was first tested as an oral contraceptive in 1955 by Dr. Gregory Pincus and Dr. John Rock, in collaboration with Dr. Edris Rice-Wray, in a large-scale test among women volunteers in Puerto Rico. While on the pills, only 16 out of 838 women in four study areas became pregnant and all 16 admitted to having occasionally omitted to take their pills. Equally important, among the 174 women who dropped out of the test because they had decided it was time to have another baby, conception occurred promptly....

"Norethynodrel has been authoritatively described as 'the best, the most effective contraceptive known to man. Its failure rate in patients who take it consistently is virtually zero.'

"The oral contraceptive is simply taken. To prevent conception, a woman need only take one tablet a day for twenty days of each month.

"The most extensive and comprehensive clinical trials have failed to yield any evidence of harmful or dangerous long-term effects, and there has been no impairment of subsequent fertility. In addition, no harmful effect upon children born to women who have used the drug has been found."

★★

Mr. P. S. Narayan Prasad, Director of the Asian Institute of Economic Development Planning at Bangkok, who

was in New Delhi a few weeks ago mainly for the purpose of discussing with the Planning Commission the directions along which that body could assist in the organising and staffing of the Institute, has great respect for the record of the planners and planning in this country. He has evidently been persuaded that the organisational procedures evolved by the Planning Commission could serve as a model, if not as an ideal, for other developing economies.

The Bangkok Institute was established last March at the Manila session of ECAFE and will begin operations in January, 1964. As an autonomous organ of ECAFE, the Institute will undertake the training of Asian economic planners on a regional basis. It will have training, research and advisory functions in the field of economic development and planning in the ECAFE region, but its main purpose will be to raise the professional ability and competence and to broaden the experience of personnel working on development programming and implementation in countries of the region. The core of the Institute's training activities will be an annual basic training course of from nine to ten months' duration to be held at Bangkok where the Institute is located.

Discussing his plans for the Institute with a group of local journalists, Mr. Prasad explained that its main object would be to train middle group economic officials of the Governments in the region in the techniques of developmental planning. Candidates from semi-governmental or private financial and other institutions concerned with economic development might be admitted if sponsored by the home governments. Mr. Prasad said that special courses of two or three months' duration each would be organised from time to time to meet the particular needs of the countries covered. He conceded that it would not be easy to find experts of the required calibre to staff the Institute. But he felt that the problem could be solved with cooperation from international institutions such as the World Bank or governmental organisations as well as the Planning Commission here.

Mr. Prasad, who is a permanent official of the World Bank, has taken up the Directorship of the Institute of Economic Development Planning after a term in Nigeria where he helped that Government to organise economic planning and administration. He was understandably enthusiastic about the progress of this country where abundant natural resources could be exploited with the application of modern technology. Mr. Prasad feels that enough has been done to give a start to the organised economic development of Nigeria in which international institutions such as the World Bank and many Western countries are now actively participating by providing financial and technical assistance. Mr. Prasad holds the view that the Government of India should explore the scope for strengthening friendly ties with Nigeria and other African countries by exporting Indian planning techniques and technicians. According to him such assistance will be greatly appreciated as there is a dearth of qualified personnel in those countries. Referring specifically to Nigeria's need of medical and nursing personnel, Mr. Prasad said that the Nigerian Government would be only too glad to avail itself of Indian assistance in relieving this and similar shortages.

V. B.

Trade Winds

U.S. LOANS

THE GOVERNMENT of India and the United States have concluded three agreements providing for U.S. loans totalling \$39.6 million (Rs. 18.8 crores) for the expansion of the Chandrapura thermal power station, the supply of 54 diesel locomotives to the Indian railways and a ropeway project in the Jharia coal fields. The credits have been extended by the U.S. Agency for International Development. As in the case of other loans by U.S.A.I.D., the repayment terms have been arranged to reduce the burden on India's foreign exchange resources. The loans are repayable by the Government of India over a period of 40 years with a grace period of 10 years. They are free of interest and carry a service charge of three quarters of one per cent per annum.

The largest of the loans, \$16 million, is for meeting the foreign exchange costs of adding a 140,000 kW generator to the Chandrapura thermal station in the Damodar Valley. Earlier U.S. loans totalling Rs. 34.8 crores are financing the entire cost of the first stage of the project, which is nearing completion and provides for construction of the power station and the installation of two 140,000 kW units. On completion of the second stage Chandrapura will have a total installed capacity of 420,000 kW, which will make it the largest thermal power station in India.

The second loan of \$15.85 million will finance 54 broad gauge diesel locomotives for the Indian railways. The third Plan calls for 299 broad gauge diesel locomotives to be put into service. All of these are being supplied by credits extended by the U.S. Agency for International Development and its predecessor, the Development Loan Fund. The U.S. Export-Import Bank has authorized a loan of \$19 million for India's only diesel locomotive factory currently under construction at Varanasi. Compared with a steam engine, the diesel locomotive has a higher speed and can haul a larger load. Furthermore, it can operate for long periods without taking time off for maintenance. The diesels already in service are helping in the faster movement of goods trains carrying coal, iron ore and steel.

The third loan, for \$7.7 million, is for a ropeway project in the Jharia coal fields, Bihar, which will transport 3 million tons of sand annually. The sand, obtained from the Damodar River bed, will be used to fill up mined spaces in the coal fields. The roofs of the rich coal mines in the region are supported by vast coal pillars. By stowing sand most of the good quality coking coal in the pillars can be removed. The project will increase coal production by 1.5 million tons annually.

I.C.C. CONGRESS

Mr. L. R. Duchesne, Administrative Director of the International Chamber of Commerce arrived in New Delhi on October 21, on a week's visit. The International Chamber of Commerce, the office of which is situated in Paris, enjoys the highest consultative status (category 'A') with the United Nations and will be holding its next biennial congress in New Delhi from 6th to 12th February, 1965. Mr. Bharat Ram, President of the Federation of India Chambers of Commerce and Industry and of the Indian National Committee of the ICC, will be the Chairman of the Congress. Mr. Duchesne will discuss with the officials of the FICCI and the INC various matters relating to the organization of the Congress, and its programme. The ICC Congress is a general assembly of its

members from over 60 countries. Held once every two years and attended by 1,500 to 2,000 delegates as well as by representatives of some 60 international organisations, both governmental and private, the ICC Congress is the world forum of businessmen, the place where they meet, exchange experience, discuss topical economic issues. The Congress lays down broad framework for future activities of this world businessmen's organization. It will be for the first time that the ICC Congress would be held in India and a second time in Asia. In Asia, so far only Japan has played host to the ICC Congress (in 1955).

TO TOKYO

A three-man Indian delegation, led by Mr. S. N. Bilgrami, Chairman, National Mineral Development Corporation, left for Tokyo on October 21, to negotiate terms and conditions for the utilisation of the Japanese financial assistance for the Bailadila iron-ore project and cognate matters connected with the Kiriburu and Bailadila projects. The other members of the delegation are: Mr. M. Butt, Joint Secretary, Ministry of Mines and Fuel, and Mr. D. J. Madan, Joint Secretary, Ministry of Finance and Financial Adviser to the Ministry of Mines and Fuel. The Bailadila iron ore project is being developed by the National Mineral Development Corporation, reached between the Government of India and the Government of Japan on March 8, 1960 for the supply of about 4 million tons of iron-ore per annum from the middle of 1966 for a period of 15 years in the first instance. The Bailadila area contains 14 distinct deposits. The Government of Japan has agreed to make available foreign exchange credit of about Rs. 10 crores for the purchase of machinery and equipment not available in India.

PROJECTS LICENSED IN SEPTEMBER

Licences for the establishment of 15 new undertakings were issued last month under the Industries (Development and Regulation) Act. Of these, five licences were for Madras, four for West Bengal, two for Maharashtra, and one each for Bihar, Gujarat, Madhya Pradesh and Punjab. Sixty-one licences for substantial expansion, manufacture of new articles, for change of location of existing units and for carrying on the business of existing undertakings, were also issued.

TO EUROPE UNDER INDIAN SAILS

For the first time, Indian shipowners will provide a monthly sailing from India to the U.K. and Continent on a regular basis. This decision was taken in Bombay on October 19, 1963, by the independent Indian shipowners, shippers and representatives of the Government of India, Ministry of Transport. The service, which will be outside the India/U.K.-Continent Conference, is a reflection of the determination of all shipping and other interests in India to develop an independent service which will not be subject to such arbitrary increases in freight rates as were recently announced by the India/U.K.-Continent Conference.

INDIA ELECTED MEMBER OF IMCO COUNCIL

The Inter-Governmental Maritime Consultative Organization Convention at its Third Assembly meeting held in London last month elected India as a Member of the IMCO Council. India is one of the maritime nations having a substantial interest in providing international shipping services.

The Leader of the Indian Delegation, Dr. Nagendra Singh, Additional Secretary in the Ministry of Transport, was elected as the President of the IMCO Assembly.

HARD AS STEEL

Steel producers in the territory of the European Coal and Steel Pool — the predecessor of the European Economic Community in the field of coal and steel — are facing increasing difficulties. The steel industries of France and the Federal Republic of Germany are mainly affected by hard competition. Today they are confronted with U.S., Scandinavian, British and Soviet bloc competition. Tomorrow the world's developing countries will join the ranks of the competitors. The increase in the productive capacity of the steel industries was an inevitable result of Europe's overall economic expansion after the last war. The economic development and the existence of high-grade iron ore deposits in oversea countries are responsible for the steel surge in Asia, Latin America and also in Africa.

Long-term forecasts indicate that steel consumers in the highly industrialised nations will be interested to a growing extent in the purchase of good moderate-priced steel from overseas countries. Expensive investments in the European steel industries, however, demand a slow, gradual regrouping of business policies. All in all, European steel industrialists have retained their optimism. They believe that they can remain competitive with the help of modern production installations and that the general economic development will require still larger quantities of steel. It is by no means certain that the European Coal and Steel Pool will introduce protective measures for the European steel industries. The number of steel consumers is larger than the number of steel producers in the six member countries of the Community.

TECHNICAL TRAINING UNDER COLOMBO PLAN

During the last few years, the Colombo Plan has been paying particular attention to the increasing importance of intra-regional training at the technician level — a development which flows from the original concept of the Colombo Plan as a co-operative effort for the economic development of South and South-East Asia. During 1962-63, 4,433 training places were provided as compared to previous year's peak figure of 4,529. One factor to be taken into consideration is that, in addition to the 4,433 trainees who went this year, a considerable number of trainees of previous years are still under training. Out of last year's 4,529 awards, 2,344 were for periods of over one year and 741 out of the 1960-61 awards were for periods over two years. It could, therefore, be assumed that approximately 6,000 Colombo Plan trainees are being catered for by the donor countries at any given time during the year. This year 383 training places have been provided by countries within the region i.e. about 9 per cent of the overall total for the year. If regional training under the United States Third Country Training Programme (259) are taken into account, training provided in the region constitutes nearly 14.5 per cent of the year's total.

The statistics reveal that the United States (which joined the Colombo Plan Council in 1958-59) is the largest donor of training places having provided 1,941 places last year — i.e. 44 per cent of the total training awards made last year, with Britain (669), Australia (533), Canada (348), Japan (314), India (242) and New Zealand (225) following in that order. India (742) maintains her unbroken record as the recipient of the largest number of training awards each year and is followed by Indonesia (622), Pakistan (501), Thailand (497), Vietnam (370), Philippines (368), Nepal (265), Federation of Malaya (236) and Ceylon (195).

From the inception of the Colombo Plan to June 1963 the countries within the region have taken in 2,691 trainees from the neighbouring countries in conformity with the concept of mutual aid embodied in the spirit of the Plan. This constitutes 9.4 per cent of the total number of training places (28,495) provided during the same period. If regional training places provided under the third country programme funded by the United States are also taken into account, the percentage would increase to about 15.

India's ranks as the major donor of training places within the region, having provided 2,156 (80 per cent) of the cumulative total, of which 1,390 or 52 per cent were to Nepal and 766 or 28 per cent were to other countries of the region. The other countries have provided 535 training places i.e., 20 per cent of the cumulative total. Singapore (158) and Pakistan (137) are second and third largest donors respectively and the Federation of Malaya (87) and Ceylon (76) occupy fourth and fifth positions.

During 1962-63, 383 training places were provided within the region as compared with 456 provided in the preceding year. India, the major donor, provided 242 places during the year which falls short of the peak figure of 369 reached in 1961-62. Apart from India, which has maintained a more or less regular upward trend in the number of training places provided each year, the other countries have only made spasmodic contributions.

CELCON—A NEW SYNTHETIC PLASTIC

At New Delhi last week, Eric Knott, South-East Asian representative of Celanese Polymer Company, explained at a seminar the various qualities of Celcon which has, according to tests applied in the United States, properties making it a creditable replacement for a number of metal components used in automobiles, electric equipment, lighting, metal cans and drums, aircraft and military goods. The Celanese Polymer Company of the United States has marketed this product in America for about two years and is now exploring the Indian market; it has already appointed Duncan Brothers Ltd. as its agents in this country. On display at the seminar were a large number of goods made of Celcon such as hub-caps, battery cases, fuel pumps, light diffusers, hinges, non-sparking tools, sewer pipes, nails, screws, bolts, nuts, washers, aerosol cans and fire extinguishers, which had extra ordinary finish. Celcon can be fabricated by injection moulding, extrusion, blow moulding and other established high volume thermoplastic processing techniques. It has high mechanical strength, stiffness, toughness and resistance to impact force over extended periods of time and through broad ranges of temperature and environment. It is of great interest to design engineers who may consider using it in applications formerly utilizing wood, die-cast, metals such as magnesium, aluminium, zinc, brass, iron and steel. In cost it has an advantage varying from 30 to 50 per cent over similar engineering products made of metals and other traditional raw materials. It has not been used widely for domestic utensils and other household goods because cheaper plastics of the same family can give the same service at a lower cost. In any case, the ability of this synthetic product to replace steel, iron and various other metals in engineering products is nothing short of a sensational discovery. The Polymer Company has long-term plans to manufacture this product in this country.

MARKETING OF AUSTRALIAN WHEAT

The Australian Wheat Board has completed a cash sale of 58.5 million bushels of wheat and flour for shipment, mainly to Eastern European countries and Siberia. The buyers have the option to purchase a further 5.5 million

bushels. The chairman of the Board, Mr. J. V. Moroney, said recently that the deal would return between £ 40 million and £ 50 million if the buyers exercised their option to take the full 64,000,000 bushels. Most of the wheat would be of fair average quality, but the contract also included some premium wheat. Shipment would take place mainly in 1964 and full cash payment would be made when each cargo was despatched. Mr. Moroney said that the board had had a record month of trading in which it had contracted to sell more than 76,000,000 bushels for shipment overseas during the remaining months of this year, and well into 1964. There would be no excess carry-over from the record 1962-63 crop, and a substantial part of the 1963-64 crop, yet to be harvested, had already been sold forward.

WHEAT DEAL RAISES SHIPPING COSTS

The gigantic sale of wheat and other foodstuffs exceeding 10 million tons by the United States, Australia and Canada to the USSR and other East European countries has already been reported in these columns (see Eastern Economist pages 750 and 808). This large-scale sale has posed difficult problems in international shipping though at the time of writing it is not known as to what arrangements have been made in regard to booking ships for transport of the nego-

tiated foodstuffs. An important fact to be taken note of is that the products will have to be carried over very long distances which might take anything from six to nine weeks in transfer from the giving to the receiving end. Rough calculations have indicated that on the average nearly 200 ships (capacity 12,000 to 14,000 tons) will be required in order to carry all the foodstuffs, having a natural impact on shipping rates as well as on the prices of ships. This element in the marine business has imparted a new buoyancy in shipping.

The rising shipping costs cannot fail to cause concern to African and Asian countries which will be hard hit; hitherto shipping has been inexpensive, but now it is threatening to raise the costs all round. It is not clear if the ships are going to be chartered by the USSR or the USA. In case the United States is to undertake this task, it is possible that according to statutory obligations, half of the cargo exported from the United States would have to be carried on American bottoms. It is also possible that some of the "flags of convenience"—Panama, Lebanon and Honduras—might be called upon to undertake this task. All the foodstuffs currently negotiated are not needed by the USSR alone; a part of them will have to be sent to Cuba, Poland and East Germany whom the USSR had promised to provide agricultural products on the basis of old bilateral trade agreements.



DAGGER BRAND CUTTERS FOR LASTING PRECISION PERFORMANCE

BACKED BY 25 YEARS OF TRADITION and rigid control at every stage of production DAGGER BRAND CUTTERS (available in metric and inch sizes) assure precision performance. They are made of superior quality steel, specially heat-treated to ensure long life, and manufactured in India's biggest and most modern factory for Small Tools.

THE INDIAN TOOL MFRS. Ltd.

101 Sion Road, Bombay 22



ASP/IT-24

Company Affairs

W.S. INSULATORS

W. S. INSULATORS of India Ltd. will enter the capital market with a public issue of Rs. 82.50 lakhs made up of 20,000 cumulative preference shares (9.5%) of Rs. 100 each (free of company's tax, but subject to deduction of tax at source at the prescribed rates) and 6,25,000 equity shares of Rs. 10 each. The subscription list will open on November 6, 1963, and will close on November 18 or earlier at the discretion of the directors, but not before November 3, 1963. The authorised capital of the company is Rs. 2 crores out of which issued capital is Rs. 1.10 crores. The promoters, directors and their friends and associates have subscribed to 2,01,125 equity shares of Rs. 10 each. The technical collaborators Messrs. Westinghouse Electric International Company of New York have agreed to subscribe to 23,875 equity shares of Rs. 10 each. The Life Insurance Corporation of India have agreed to subscribe to 50,000 equity shares of Rs. 10 each against underwriting arrangement. The entire issue offered to the public for subscription is fully underwritten.

The company proposes to instal a factory to manufacture high tension insulators of all types from 11 KV to 220 KV. It has concluded a technical collaboration agreement with Messrs. Westinghouse Electric International Company, New York, U.S.A. The collaborators, besides providing the company with technical know-how with regard to design and manufacture of licensed products, have agreed to train necessary Indian personnel at their works in the U.S.A. The company has taken possession of land in Chingleput District in Madras and has already obtained a licence for the establishment of a new industrial undertaking with the capacity of 2,400 tons per annum of HT and LT insulators, lightning arresters, condenser bushings etc. The company has also an industrial licence for the manufacture of fuse cutouts, distribution by-pass switches with a capacity of 1,200 numbers per annum. The company has also received a licence for doubling the capacity. It is estimated that the total cost of plant and machinery will be about Rs. 81.7 lakhs out of which the equipment to be imported amounting to Rs. 58 lakhs will be paid out of the ICICI loans. The American suppliers of plant and machinery have offered very favourable delivery periods.

In view of the fact that the products undertaken to be manufactured by the company will continue to be in great demand as electric power generation, transmission and distribution in India are to be continuously expanded, the issue is likely to receive a ready response in the market.

ALUMINIUM INDUSTRIES

The directors of the Aluminium Industries Ltd. in their annual report for the year to March 31, 1963, have indicated that there was a brisk demand for the company's products. The availability of indigenous aluminium metal in larger quantities enabled their company to roll rods for other conductor manufacturers also. It produced about 55,200 kilometres of bare conductor and 10.19 million core metres of covered aluminium conductor during the year. The directors have stated that the work connected with the expansion of the covered aluminium conductor factory at Kundara and the new factory at Hyderabad is nearing completion. These additional manufacturing facilities are expected to increase its covered conductor production towards the end of 1963. Orders for machinery for the manufacture of low voltage aluminium underground cable at Kundara have been placed. This new factory is expected to be commissioned in the middle of 1964. The Government of India have granted a licence

for the expansion of the aluminium rod rolling mill at Kundara. It is making efforts to secure foreign exchange required for the implementation of this expansion. In order to partly finance these schemes, it increased its share capital by the issue of 3,50,000 equity shares at a premium of Rs. 3.50 per share.

The company made a net profit of Rs. 15.90 lakhs after making provision for depreciation to the extent of Rs. 14.87 lakhs and after providing a sum of Rs. 39.50 lakhs for taxation. The payment of final dividend of 60 nP. per share subject to deduction of income-tax together with the interim dividend of 90 nP. per share distributed in March-April, 1963, absorbs (the aggregate dividend for the year being 15 per cent) Rs. 15 lakhs. A sum of Rs. 1 lakh is transferred to the general reserve and Rs. 2 lakhs to dividend equalisation reserve.

INDIAN PLASTICS

Indian Plastics Ltd., Bombay, has made a profit of Rs. 5.81 lakhs for the year ended March 31, 1963. The directors have proposed to transfer Rs. 3.19 lakhs towards depreciation, Rs. 1.50 lakhs towards income tax and Rs. 45,692 towards development rebate reserve. It is indicated that during the first half of the year, the company could not fare well. A huge stock of finished goods had accumulated and to avoid further accumulation of stocks the production was kept down. There were signs of improvement in the market in the latter part of the year and the movement of finished goods became satisfactory. The working was also affected by increase in the prices of raw materials and stores. The demand for PF and UF powder produced by the company increased considerably as technical know-how formula was being received from time to time from Messrs. Bakelite Gesellschaft M.B.H., the collaborators of the company. If this progress continues, the directors expect that it will record improved operation. They are consequently planning for expansion of this plant. The working of the radio division was slightly better during the year under report and it manufactured new model sets in collaboration with Hyakawa Electric Company Ltd., who are one of the leading manufacturers of transistor and valve sets in Japan.

UNITED CARBON ISSUE

United Carbon Limited will shortly enter the capital market with a public issue of Rs. 46.61 lakhs. The authorised capital of the company is Rs. 3 crores and the issued capital Rs. 155.35 lakhs in equity shares of Rs. 100 each. Of the issued capital, the directors and their friends will take up shares worth Rs. 46.60 lakhs while the foreign collaborators will take up Rs. 62.14 lakhs. United Carbon Limited of the U.S. will provide the technical collaboration. The company's factory will be located at Mulund, near Bombay. The factory will manufacture carbon black, furnace black, gas black and natural gas black. The annual capacity of the plant will be 13,600 tons which will be built at an estimated cost of nearly Rs. 3 crores. The factory is expected to go into production in 1964.

JOHN OAKEY AND MOHAN

John Oakey and Mohan Limited will enter the capital market shortly for public subscription of 3,20,573 equity shares of Rs. 10 each. The company has an authorised capital of Rs. 1 crore. The present issue is of 5,00,000 equity shares of Rs. 10 each. Of this, 1,79,427 equity shares have already been subscribed by directors, promoters and their

friends. The balance is to be offered for public subscription. The company is setting up its plant at Mohannagar in Gaziabad for the manufacture of various types of abrasives in collaboration with John Oakey & Sons Ltd., London. The company will also manufacture water proof abrasives, the plant for which is nearing completion at Mohannagar.

BARODA RAYON

Baroda Rayon's plant at Udhna has been operating satisfactorily and the current production is reported to be eight tons per day on a 100 deniers basis against the installed capacity of 6.25 tons. The company has been permitted to sell 50 per cent of its output in the open market and its products of 60 to 65 deniers have been exempt from price control. It is said to have sold its entire production till the end of the current year. Its plan to instal eight additional frames in order to raise its production capacity by 1.25 tons per day on a 100 deniers basis and the necessary import licence is being awaited. With regular production of all departments the company's annual turnover is expected to amount to about Rs. 4 crores.

ORIENTAL POWER CABLES

The directors of Oriental Power Cables Limited have stated in their annual report for the year to May 31, 1963 that the steel structures of the factory building and staff quarters have already been constructed. The erection of machinery will commence shortly and is expected to be completed by March, 1964. The company has entered into lease agreement for land with Government of Rajasthan for a period of 99 years. It has received an import licence for plant and machinery worth Rs. 90.91 lakhs. The major portion of foreign machinery has already been received at site. The necessary applications for the import of raw materials have also been made.

ASSAM SILLIMANITE

The expansion programme undertaken by the Assam Sillimanite Limited has shown good progress. It is reported that the refractory at Ramgarh is nearing completion and the factory No. I is already in operation. With the completion of extension to the factory and recent installation of new equipment, the present production of 3,000 tons per annum of sillimanite and fireclay refractories will be increased to 5,000 tons shortly. The turnover will rise to Rs. 30 lakhs per annum. The factory is also being geared to produce acid-proof bricks and calcined kyanite. The maintenance workshop is expected to be commissioned shortly. The factory No. II is under construction. Foundations for three-chamber kilns have been constructed and kilns will be available for higher temperature calcination from January 1964.

SOMASUNDRAM PAPER MILLS

Somasundram Paper Mills Ltd., will shortly enter the market to raise funds for its project of paper manufacture in Madras State. The capacity of the plant will be 3,000 tons of paper and pulp per annum and the total estimated capital expenditure about Rs. 40 lakhs. The factory will be situated in Tanjore District. The raw material to be used is rice straw which is in plentiful supply in the region. The authorised capital of the company is Rs. 50 lakhs and the issued capital Rs. 25 lakhs, divided into equity shares of Rs. 20 lakhs and preference shares of Rs. 5 lakhs. With the present paid up capital of Rs. 66,430, the proposed issue will be for Rs. 19.33 lakhs worth of equity shares and Rs. 5 lakhs worth of preference shares. Out of this the public issue will be for a

total of Rs. 17 lakhs — Rs. 12 lakhs in equity shares and Rs. 5 lakhs in preference shares.

USHA MARTIN BLACK

Usha Martin Black (Wire Ropes) Limited is undertaking an expansion programme at its factory and will be importing certain new machinery and equipment. Its application for importing machinery worth Rs. 26 lakhs for completing the second phase of the project to manufacture 7,200 tons per annum of steel wire ropes has been approved by the Government in principle. The Commonwealth Development Finance Company Ltd., London, has agreed to make available financial accommodation to the extent of Rs. 20 lakhs in sterling and by subscribing Rs. 6 lakhs in 50,000 equity shares of Rs. 10 each at a premium of Rs. 2.

KUSUM ENGINEERING

In its Silver Jubilee year Kusum Engineering Company Ltd. recorded considerably optimistic results. The total sales for the year ended March 31, 1963, were around Rs. 16.98 lakhs, against Rs. 15.66 lakhs a year before. The increase in the gross profit was not in proportion to the increase in sales which was essentially due to higher costs. There were shortages of some basic raw materials and coal, and shortage of electricity was also a constant problem. The company, however, was able to increase its productive capacity. The floor space of the steel foundry was extended. The gross profit for the year was Rs. 4.16 lakhs. The gross profit distribute dividend at the rate of 6 per cent which was 1 per cent more than the previous year.

CAPITAL ISSUES

Four companies have been authorised to raise fresh capital amounting to Rs. 97.84 lakhs.

Two companies are issuing bonus shares, one cumulative redeemable preference shares and the other equities. In all cases, the consent of the Controller of Capital Issues is valid for 12 months.

Mahalakshmi Fibres and Industries Limited, Calcutta, is to issue capital of Rs. 39,84,800 divided into Rs. 10 lakhs in cumulative redeemable preference shares and the balance in equity shares. The capital is required for the establishment of a spinning mill with 12,000 spindles at Ranchi.

Waldies Zinc Pigments Limited, Calcutta, is issuing 60,000 equity shares of Rs. 10 each as fully paid up bonus shares on capitalization of reserves to the extent of Rs. 6 lakhs. The bonus shares will be issued in the ratio of one bonus share for every two shares held.

D. Waldie and Company (Lead Oxides) Limited, Calcutta, will issue 7,000 equity shares of Rs. 100 each as fully paid up bonus shares on capitalization of reserves to the extent of Rs. 7 lakhs. The bonus shares will be issued in the ratio of one bonus share for every share held.

Bombay Cutting Tools Limited, Bombay, will issue capital of Rs. 45 lakhs in equity shares of Rs. 10 each for cash at par. Out of this, shares of the value of Rs. 25 lakhs would be issued to the public by prospectus. The proceeds of the issue would be utilized for the manufacture of hand taps, two piece dies, round dies, milling cutters, reamers, tool bits and conventry dies.

LICENCES ISSUED

The following licences have been issued under the Industries (Development and Regulation) Act, 1951, during the week ending 19th October, 1963. The list contains the

November 1, 1963

November 1, 1963

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names and addresses of the licencees, the articles of manufacture and the annual installed capacity.

IRON AND STEEL CASTINGS

Shri Arvind R. Shroff, C/o. Crescent Agencies Private Ltd., 27/33, Medows Street, Fort, Bombay-1. Proposed name: Consolidated Castings Private Ltd., Goregaon (Bombay), Maharashtra—Ferrous Castings 300 M. Tonnes.

NON-FERROUS METALS

Indian Aluminium Co., UCO Bank Building, Parliament Street, New Delhi (Alwaye, Kerala)—Aluminium ingots (electrolytic grade for manufacture of conductors) 5,000 metric tons. A. T. Gooyee Metal Works (P) Ltd., 11A, Umakanta Sen Lane, Calcutta-30 (West Bengal)—Extruded brass Sections 120; Brass forgings 240; Non-ferrous alloy castings 240; Copper strips Busbars and flats 408 (capacity per annum in metric tons).

COAL

Equitable Coal Co. Ltd., 2, Fairlie Place, Calcutta-1, Proposed name: Jamuria 5 & 6 Pits Colliery (P.O. Jamuria, Distt. Burdwan, West Bengal)—Coal 2,50,000 tonnes. Shri Mahabir Prasad Marwary, Village & P.O. Pathargama, Distt. Santhal Parganas, Proposed name: Hurrah Block 2 Colliery (District Santhal Parganas, Bihar)—Coal: 1st year 6,000 tonnes; 2nd year 8,400 tonnes; 3rd year 12,000 tonnes; 4th year 18,000 tonnes. Shanta Brothers Private Ltd., Vaswani Mansions, Dinsha Wacha Road, Churchgate, Bombay-1. Proposed name: Maharashtra Coke Oven Ltd. (Bombay, Maharashtra)—Ammonia 1,750 metric tons, Coke Breeze 10,290 metric tons, Coke oven gas 365,95,00,000 cft., Light oil 12,33,000 gls., Coal-tar 20,580 metric tons or 51,45,000 gallons.

ELECTRIC LAMPS

Electric Lamp Manufacturers (India) Ltd. 1, Taratolla Road, Garden Reach, Calcutta-24. (West Bengal)—(i) High wattage Lamps—Infra-red, inside mirrored etc., (ii) Cap for Fluorescent Lamp 10 million Nos.

ELECTRICAL CABLES AND WIRES

Madras Wire Products, 9, First Main Road, C. I. T. Nagar, Madras-35 (Ambattur, Madras)—Paper Covered Wires and strips 600 tons.

ELECTRONIC EQUIPMENT

Bharat Electronics Ltd., Jalahalli P.O., Bangalore-13 (Mysore)—Tape Recorders (Professional type) 200 Nos. Emcipi Electronic Private Ltd., 6-2, Connaught Place, New Delhi-1 (Gurgaon, Punjab)—Transistors: 1 million Nos.

AUTOMOBILES

Standard Motor Products of India Ltd., 29, Mount Road, Madras-2 (Madras)—One-ton truck 1,500 Nos.

CEMENT MACHINERY

ACC-Vickers-Babcock Ltd., 16, Queen's Road Estate, Bombay-1 (Durgapur, West Bengal)—Cement making and general mining machinery, in particular crushers, grinding mills, rotary kilns, driers, air separators, heat exchangers, conveying and transport equipment used in Cement and general mining industries—2270 tonnes.

MACHINE TOOLS

Shri K. C. Venkatesh, 275, Jayarajnagar, Block-2, Bangalore-11 (Mysore)—(i) Turret Lathes Rs. 50 lakhs worth; (ii) Second operation Lathes Rs. 25 lakhs worth.

INORGANIC HEAVY CHEMICALS

Dharamsi Morarji Chemical Co. Ltd., 317-21, Dr. Dadabhoi Naoroji Road, Bombay (Ambernath, Maharashtra)—Chlorosulphonic acid 5590 tonnes.

SYNTHETIC RESINS AND PLASTICS

Industrial and Agricultural Engineering Co. (Bombay)

Private Ltd., 43, Forbes Street, Fort, Bombay-1 (Bhandup, Bombay, Maharashtra)—Polystyrene base cation exchange resin—90 cubic metres.

INSECTICIDES, FUNGICIDES, ETC.

Pesticides Ltd., 28, Sayani Road, Bombay-28 (Maharashtra)—Benzene Hexachloride 750 tonnes, Lindane 75 tonnes.

MISCELLANEOUS CHEMICALS

Godrej Soap Private Ltd., 316, Delisle Road, P.O. Jacob Circle, Bombay-1 (Vikhroli, Bombay, Maharashtra)—Fatty Acids 10,000 tons Glycerine (as a by-product) 1,000 tons.

COTTON TEXTILES

The Gemathy Mills, Viravanallur, (Tirunelveli Dist. Madras)—13,000 spindles for the manufacture of cotton yarn.

WOOLLEN TEXTILES

The Bombay Fine Worsted Manufacturers, C/o. Castle Mills, Thana, Agra Road, Bombay (Dehra Dun, Uttar Pradesh)—Wool tops 3 million lbs.

SYNTHETIC TEXTILES

Khetan Industries (P) Ltd., Khetan Bhavan, 198, Jarnshedji Tata Road, Churchgate, P.O. Box No. 1402, Bombay-1 (Maharashtra)—Dyeing 1 lakh yards per month, Printing 1 lakh yds. per month. Shri Dharamachand Jain, Proprietor, M/s. Pravati Textile Mills, 34-B, Ratu Serkar Lane, Calcutta-7 (P.O. Panihati, Distt., 24-Parganas, West Bengal)—Art silk and cotton fabrics 62 powerlooms (52 on cotton yarn and 10 on art silk yarn). Common Wealth Spinning and Knitting Mills Private Ltd., 236, Industrial Area 'A', Ludhiana (Punjab)—1,600 spindles to produce 0.65 m. kgs. of mixed waste yarn..

MILK FOOD

Mehsana District, Co-operative Milk Producers Union Ltd., Mehsana (Gujarat)—Milk Powder 2,400 M. tonnes.

FLOUR

Gorakhpur Flour Mills, 365A, Rail Bazar, (Cantt), Kanpur (Gorakhpur, Uttar Pradesh)—Atta, Maida, Suji, Rawa, Bran etc. (Wheat Products), 15,000 tonnes (in terms of wheat).

CHINA WARE AND POTTERY

Perfect Pottery Company (Madhya Bharat) Ltd., Jabalpur, (Ratlam, Madhya Pradesh)—Stone ware pipes and fittings including acid resisting bricks, tiles, etc. 3,600 tonnes.

SANITRY WARE

Director of Industries and Commerce, Government of Madras, Madras. Proposed name: Government Ceramic Centre with Commercial Section (Vridhachalam, Distt. South Arcot, Madras)—Sanitary-ware 800 tonnes, Low Tension Insulators, 100 tonnes.

CHANGE IN NAMES (Owners and Undertakings)

During the week ending 19th October, 1963
(Information given below pertains to certain specific licencees).

From Shri V. Pandurangiah, Madras to M/s. Madras Alloy and Stainless Steel Ltd., Madras. From M/s. De Smet Extraction (India) Private Ltd., Bombay to M/s. De Smet (India) Private Ltd. From M/s. Rabhnad Chemical Industries Private Ltd., Bombay to M/s. Maleic India Private Ltd., Bombay.

LICENCES REVOKED OR SURRENDERED

During the week ending 19th October, 1963
(Information given below pertains to certain specific licencees).

M/s. Binani Metal Works Ltd., Calcutta — Milling machines. M/s. Sanitex Chemical Industries Ltd., Baroda — Oxalic acid. M/s. The Modern Mills Ltd., Bombay — Cuprammonium Filament Yarn.

COMPANY MEETING

KERALA STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

Speech delivered by Shri K. R. K. Menon, Chairman, at the Second Annual General Meeting on 30th October, 1963

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, 1963 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. You will perhaps agree that purely from a statistical point of view — and against the background of our admittedly limited monetary resources — the Corporation has done fairly well last year, and what it has done in that year represents a definite advance, qualitatively as well as quantitatively, on our achievements in the previous year, which was the first year of our existence. The total paid-up capital of the 9 concerns for whom financial assistance was sanctioned by the Corporation during the year under review amounted to Rs. 170 lakhs. It is also worthy of note that in our very second year such services as we were called upon to render to industry have been performed by us on a financially self-supporting basis with a small profit thrown in. I confidently hope that with progressively better balance sheets to our credit in the coming years we should be able to attract investments and deposits from the public without much difficulty. I take this opportunity to express our thanks again to our Managing Director and the staff who have worked hard and loyally to make a financial success of our operations last year.

3. The adequacy or otherwise of a Development Corporation like ours cannot, however, be truly assessed wholly in terms of either the numbers and categories of new industrial enterprises which the Corporation helps to bring into existence or old ones which it helps to expand, nor indeed in terms of the Corporation's own balance sheet, reflecting as it does the financial results of its operations during a particular year. The more appropriate basis for judgment, should in my opinion, be the contribution that the Corporation makes towards the creation of a progressively congenial "climate" for the expansion of existing industrial units and the institution of new ones. This is particularly so in the case of an industrially backward State like Kerala, where the crux of industrial expansion is very definitely the creation of a satisfactory "climate" for attracting capital and entrepreneurial skill from outside the State. The main question that I therefore propose to ask of myself this afternoon — and on which I should like to share my thoughts with you if I may — is whether and if so to what extent, this climate for industrial investment in our State has bettered since I had the pleasure of addressing you last. I shall also attempt, briefly, to bring to your notice certain salient aspects of this problem which strikes me as being worthy of serious consideration by you, the representatives of the Government of Kerala, who happen to be the sole shareholders of this Corporation.

4. My own personal assessment of the degree of improve-

ment that has been brought about in the climate for investment of outside industrial capital and entrepreneurial skill in Kerala over the past twelve months is that, taken by and large, it has been fairly satisfactory, though, I must hasten to add that I had hoped it would have been much better than it actually was. Our personal contacts with outside entrepreneurs — including those from abroad — during the past year were more numerous and frequent than in the preceding year, and I am glad to say, the results of these contacts — some of them which are still in the process of active negotiations will therefore take some time to bear fruit — have also been somewhat better. The labour problem, which is usually one which weighs greatly on the minds of outside investors, has, I am glad to say, presented no serious difficulties during the year under report. Other, and more serious difficulties, however, there have been, and it is about these difficulties only that I propose to speak today. I trust I will not be misunderstood as a pessimistic prophet of doom for choosing to dwell exclusively on the dark side of the picture.

5. The first and the foremost factor which has tended to—and still continues—to engender doubts and difficulties in the minds of outside capitalists and industrial entrepreneurs so far as large-scale investment in Kerala is concerned, is the "alleged" instability in the political situation in the State, I use the word "alleged" in this connection deliberately and advisedly, as I do not know anything about the real state of affairs so far as this particular aspect is concerned. I do know, however, that doubts and suspicions regarding political stability, however baseless they are, and however hazy and incoherent in shape and content, are nevertheless insidious and destructive in their cumulative effect on the minds of business people who are invited to risk the investment of appreciably large amounts of capital in industrial ventures of the operation of this political "instability" factor so far as Kerala is concerned, is that, contrary to the ordinary laws of physics, the visibility — and therefore, unfortunately, the proportion to the distance at which the onlooker is placed. The result is that the slightest ripple, the gentlest whisper, the most innocuous gesture, emanating from the political front in Kerala have a disastrous habit of swelling into shapes and on the eyes and ears of people outside the State, and more especially the business community who are quite understanding that on one of the occasions when doubts and suspicions regarding the Kerala political situation happened to make their periodic and unfortunately, all too frequent, appearances in Delhi, a leading businessman, with whom I had been trying to induce to come to Kerala asked me quite bluntly whether I did not think that it would be safer for him to wait for a few days more to make up his mind — that was, he told me, till after the President's rule for the State had been declared in a formal announcement which he thought was imminent! We in Kerala of course

know that nothing could have been more ridiculous than this, but I sincerely hope and trust that neither our political workers nor the press and public of our State will treat this as a ludicrous or insignificant incident to be laughed away. I aver solemnly that this is a matter which deserves our serious attention if we wish to ensure an appropriate degree of economic progress in our State. There is a moral to this which is obvious, as it is inescapable, namely, that we in Kerala are dangerously vulnerable.

6. We are vulnerable not only because by a sheer freak of fortune a long and tiresome distance separates us from the seat of Central power and authority in the country, but also because this same distance factor tends to distort the very image of our being to the vision of our friends outside on whose active help and co-operation we depend almost solely for our industrial expansion. It is my humble opinion, therefore, that all of us, from the highest political dignitaries of our State — ministerial and otherwise — to the smallest worker should refrain from saying or doing anything which, however innocent or innocuous it might look to our own domestic eyes, would lend itself to distortion and exaggeration in quarters outside which matter to us most. I hope you will not consider it presumptuous on my part if I were to take this opportunity to make a special appeal to those who are in the forefront of Kerala politics to bear in mind that, today, economics is our prime problem, and that, in this view, we just cannot afford to take the risk of being hurt by placing ourselves continuously in this vulnerable position. The crucial — and in a sense fundamental — economic problem of our State today is the problem of attracting outside capital for our industrial expansion, which alone can help us to tackle our twin problems of poverty and unemployment. In the solution of this problem we are dependent almost totally and completely on the creation of a proper climate of political stability and unity in the State, which would give businessmen from outside the necessary confidence and courage to risk investing their capital in industrial enterprises in our State. I beg leave to say with all the emphasis at my command that to ignore this will be at our peril.

7. Before I leave this subject I crave your indulgence for being allowed to cite one more example of how the creation, and fostering, of the necessary "climate" for outside industrial capital to flow into our State can be impeded by even the most well-meaning among us. The example that I am going to give you pertains to the negotiations that I had been conducting on behalf of the Corporation during the past year for inducing one of the biggest business houses in India to invest a risk capital of a few crores of rupees in the expansion scheme of our Travancore Titanium Products Ltd., who had been granted, more than two years ago, an industrial licence for increasing their daily output from 18 tons of titanium dioxide to 68 tons. On two different occasions during my negotiations, when I had come to a stage where success was not only in sight, but could easily have been achieved, a spanner was thrown into the works — not deliberately perhaps — by an eminent citizen of Kerala agitating each time at the highest quarters in New Delhi, the point that the success of these negotiations would mean the swallowing up of a public sector concern by a unit of the private sector. The two eminent gentlemen who had initiated this move in the midst of my delicate negotiations had not unfortunately paused to ascertain the relevant facts. If they had done so they would have known that the balance of advantage for our State would certainly have lain in our inducing this firm to collaborate with our Government in working this scheme on terms and conditions which could have been settled to the satisfaction of both parties. However, my negotiations had to be suspended twice on account of this opposition, which

was presumably based on "ideological" grounds. Finally, when the threads were taken up again I found that the party concerned had cooled off — a not unnatural or surprising sequel — and, very politely and quietly, they withdrew their offer. We are now left still searching high and low, and far and wide, for a suitable collaborator to work this very expensive, but highly profitable, scheme. The moral of this is obvious, namely, that you cannot have the cake and eat it too. It is perhaps incongruous to speak of cake in present conditions in Kerala; so, if I may change over to its poor country-cousin, bread, it is good to remember that the proverbial half a loaf is certainly very much better than none. If we ignore or forget this almost arithmetically true aphorism in our ideological or other enthusiasm in the economic field we are bound to suffer, and we shall have only ourselves to thank, for it.

8. A very important factor which continues to operate as an effective handicap in the way of speedy industrialisation in Kerala is the paucity of industrial licences which can be implemented in our State. I must make it quite clear that by this I do not mean that the Central Government have not treated applications for industrial licences from Kerala with sympathy and expedition. Indeed they have done so, and I wish to take this opportunity to place on record our Corporation's appreciation of and gratefulness for, this. I must however, repeat now, what I ventured to say in my last year's speech in this connection, namely, that in the case of a State like Kerala, where local capital and entrepreneurship are almost totally absent, a solution to our large-scale industrial development problem must necessarily be looked for in the direction of positive intervention on our behalf and in our favour by the one all-powerful authority in our controlled economy of today, namely, the Central Government. It just will not do for the Central Government to be merely liberal and sympathetic — as they undoubtedly are — in the disposal of such applications as come forward from Kerala or elsewhere for the setting up of industries in this State. I suggested last year — and I repeat this suggestion again today — that the Central Government must be persuaded to take steps to ensure that, out of the large number of industrial licences granted throughout the country, an adequate number is reserved for and diverted to Kerala till such time as our backward State attains a minimum level of industrialisation suited to the requirements of its relatively large and poor population.

9. Action on these lines to set right geographical imbalances in the distribution of industrial potential is by no means so revolutionary or so unorthodox as it may sound. You will be interested to know in this connection that, recently the Indian Investment Centre — one of the leading organisations in this country which has been set up by the Government of India for promoting industrial investment — conducted a special study of this problem of imbalances in the geographical distribution of industries in India, with a view to locating specific areas where industrial development has been lagging behind and is essential and feasible. The Centre's recommendations are now understood to be under active consideration by the Government of India. I would suggest that the Government of Kerala should take this opportunity to press our case on the Central Government for special and preferential treatment with renewed strength.

10. Besides industrial licences there is another field in which the Central Government can assist Kerala to an appreciable extent in the matter of acceleration of our industrial development. This is by the establishment of a Free-Trade Zone near about Cochin or any other suitable port in Kerala. This will help the establishment of many engineering indus-

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tries such as copper rods, sheets, circles and tubes, portable machine tools, sewing machine needles, typewriters, duplicators, water-coolers etc., the manufacture of which is dependent on imported raw material in short supply. A Free-Trade Zone is, as is well-known, "an area, separated from the rest of the country, in which foreign merchandise, machinery, raw materials, processed goods and finished products can be brought in and exported 'without customs duty'. Its main purpose is to encourage the exports of the country by reducing the restrictions and red tape involved in import and export procedures". There are Free-Trade Zones even in advanced industrial countries like the U.S.A. round about the great port cities of New York, Boston and Philadelphia. In India we have one at Khandla, and it is understood that the feasibility of having one at Shewa-Neva seven miles east of Bombay harbour is under active consideration at present. Kerala would, from many points of view, be an ideal place to locate a Free-Trade Zone, and I trust this matter will be taken up seriously by the Government of Kerala with the Central Government.

11. It may be useful, before I leave this topic of geographical imbalances, if I place before you certain observations that have been made by a celebrated American economist, Mr. W. W. Rostow, Counsellor and Chairman of the Policy Planning Council of the United States Department of State in an article entitled "The question of Rich and Poor". Starting with the observation that "the most critical difference among nations is not whether they are rich or poor, but whether they are regularly growing or stagnant". Mr. Rostow goes on to point out that "within most of the major nations, whatever their average level of income, there are rich and poor areas". Italy and France for example, Mr. Rostow says, still have special problems of under-development, in their southern regions; so has Brazil in her north-east region. And these problems of the under-developed areas in each of these countries are being tackled with concentrated vigour by the respective government concerned. It need, therefore, cause no special alarm or uneasiness if Kerala also, by coincidence, located in the southern corner of India, which has a similar problem of under-development, and possibly in a more acute form, seeks to impress on the Central Government the urgent and pressing need for special steps being taken to solve this problem urgently and effectively. The per capita annual income in Kerala is only Rs. 124, as against the national figure of Rs. 544. This latter figure is itself piteously low in all conscience, but I submit that, as the Kerala figure is even lower—I would say, dangerously lower—there should be no hesitation on the part of the Government of India or of the Central Planning Commission to give top priority to Kerala's case, the case of the "weak and needy", in the words of our Central Finance Minister, in the great family that India represents.

12. It is pertinent to recall here another significant Statement made by Mr. Rostow in the article from which I have been quoting; it is this —

"In short, the critical problems of difference in level of income and of growth rate may not lie as between different nations but **within developing nations themselves**." It would almost seem — but of course it is not true — that Mr. Rostow might have had Kerala in mind when he said this. I would, therefore, very respectfully, and with all the emphasis at my command, again urge the Government of Kerala to take up this matter with the Central Government and try and persuade them to give a re-orientation to their industrial development policy, and start on an effective scheme of giving special and preferential treatment, in the matter of industrial licences, to backward States like Kerala.

13. Another step that I would strongly urge the Govern-

ment of Kerala to take as early as possible in connection with the creation of a proper climate for the attraction of outside industrial capital into the State is the adoption of a rational and effective scheme for the supply of adequate amount of electric power to industrial units, without the interruptions that have of late become a normal incident of our electric supply system. Cheap electricity is about the biggest attraction we can offer to the industrial entrepreneurs from outside, but we have now arrived at the stage where talking of the quantity we can supply and the cheapness of our rates alone will not cut much ice with the managements of factories. To them, an uninterrupted supply is of equal, if not, greater, importance and, much as we may aver that the interruptions are due, almost entirely, to factor beyond our control, such as, fall in the level of our reservoirs at our Hydro-Electric stations on account of drop in the rainfall, we must face the problem squarely in the face and set about remedying this defect, which looks as if it is going to be an almost perennial one, by setting up thermal stations of the requisite capacity wherever possible and necessary. I trust this matter also will claim the urgent attention of the Government of Kerala.

14. It is possible that my repeated references and appeals in the course of this speech, to the two Governments concerned—Kerala Government and the Government of India—might have jarred on your ears as inappropriate, coming from the Chairman of an Industrial Development Corporation registered as a private limited company whose primary function is the development of large-scale industries in the private sector. In case it has, let me in self-defence quote again from Mr. Rostow, who, as I said, is a top-ranking official of the Government of the United States of America, which of course, as is well known, is deeply attached to the virtues of private enterprise. Here is what Mr Rostow says:—

"We believe national programming of the development process is required as a basis both for the domestic mobilisation of resources and effective foreign aid. National programs are needed because, as Adam Smith noted long ago—when prescribing for under-developed Britain of the eighteenth century—governments must help create their basic frame work within which a modern economy can develop."

"It is the Government which must organise and finance the education system and reshape it to the nation's changing needs. It is the government which must lay out and, in most cases, finance the fundamental social overhead projects—highways, irrigation projects, and the like—on which private agricultural and industrial development depends. It is the government which must solve problems of land tenure and create the frame work within which agricultural productivity can be improved by the individual peasant."

"It is the government which must assure that the savings of the community are effectively mobilised by equitable taxation, so that social overhead projects can be financed without inflation and on terms the people will regard as fair. It is the government which must devise policies which insure that the foreign accounts are kept in balance and that the development effort is not frustrated by a foreign exchange crisis."

"These minimal functions were performed by governments even in nations most deeply committed to private enterprises, blessed with ample land and an old tradition of private entrepreneurship—like Canada and the United States."

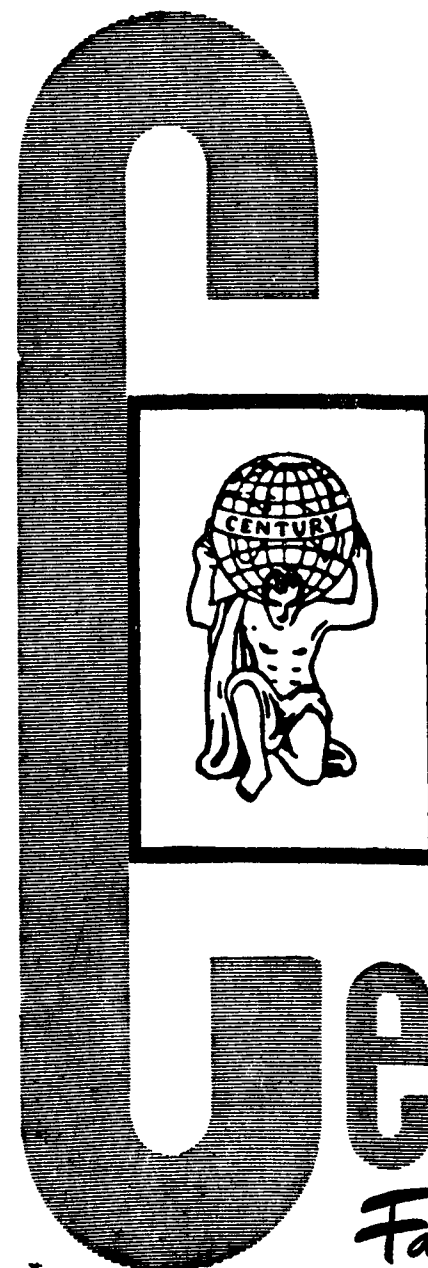
Note : This does not purport to be a record of the proceedings of the Annual General Meeting.

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Gunning for Galbraith

The New Argument in Economics: The Public Versus The Private Sector: Edited by Helmut Schoeck and James W. Wiggins; Published by D. Van Nostrand Company, Inc., Princeton, New Jersey; Pp. 264; Price \$5.95.

THIS COLLECTION of twelve articles on the philosophy and politics of the public sector provides controversial reading matter of a most stimulating kind. It is in the nature of a symposium to which have contributed men from a variety of disciplines: Economics, Statistics, Business Administration, History, Law, Philosophy, Political Science and Sociology. President W. Allen Wallis of the University of Rochester, Karl Brandt of Stanford University, a former Federal Trade Commissioner, Lowell B. Mason, Wilson E. Schmidt of the George Washington University and Arthur A. Shenfield, Economic Director of the Federation of British Industries, are among those who have taken part in this symposium.

The central theme of the discussion is a complete rejection of the argument that a political rather than market allocation of the resources required to maintain and expand the essential services which the people need is called for because of the alleged imbalance resulting from excessive private expenditures or 'luxuries' and trivialities. In this sense the contributions serve to emphasize the strength of that part of the American academic opinion which is opposed to, say, the thesis of Galbraith in "The Affluent Society". But the symposium has set out to do much more than rebut the ideas of a particular professor. Its purpose seems to be to marshal analysis and arguments against the inarticulate major premise of much of present-day government action in the United States and elsewhere in the direction of a continued shift in favour of "an ever-increasing public, tax-supported and governmentally-controlled or directed sector" of a mixed economy. With what great vigour the counter-attack is mounted may be appreciated from this quotation from the Preface by the Editors:

Adoration of Public Sector

"The title for the volume was chosen in irony, of course. The 'new argument' in economics and public policy is, as anyone familiar with economic history knows, even older than pre-nineteenth-century socialism. Mercantilism and sumptuary laws, the latter even found in rather undeveloped tribal societies, anticipated many of the notions now revived in the present adoration of the 'public sector'."

This line of attack is further elaborated in the first essay in the collection by President Wallis. He observes:

"Socialism has traditionally been associated with government ownership of land and capital. The modern movement would continue a large measure of private ownership and private enterprise, but seeks to elaborate and to extend control of private activities and to confiscate a large and growing part of private products. This is carried on partly in the name of unmet social needs at home, and partly in the name of national security. It is in many respects on all fours with mercantilism, the economic policy followed by England and other European countries in the seventeenth and eighteenth centuries, which was a major cause of the American Revolution. Indeed, the movement to enlarge the 'public sector' represents perhaps the most powerful reactionary force that has arisen since the departure of mercantilism from this country with the adoption of the Constitution in 1789."

The discussion here should, of course, provide rich mate-

rial in our own country for Rajaji writing in the 'Swarajya' or for the Forum of Free Enterprise for its publications and publicity. But it would be a mistake to dismiss this discussion as an extreme anti-public sector position which is isolated from the mainstream of current ideas and action. Recent trends in U.S. Congressional opinion with regard to some aspects of the foreign aid programme have demonstrated how strong and substantial is the distrust of the public sector in influential American minds. This apart, the essays here have certainly thrown out a wealth of stimulating and provocative thoughts on the important problem of the role of the State in the economic life of the community. Here are some illustrative quotations:

Pressure Groups

"The expansion of the Federal Government's welfare activities has led to a great increase in the importance of pressure groups. Many of the programmes for expansion of the public sector get their effective backing, not from those who would receive the service, but from those who would sell it to the government As a matter of fact, as government welfare programmes have fallen more and more under the control of pressure groups, the real problems have tended to be neglected. The consideration of depressed-areas relief illustrates this. There is not a depressed-area problem, but many different problems, with varied causes. Some of the most serious of these problems are in the so-called 'hillbilly' areas — the mountain regions of certain Southern and border States. These groups for the most part lack sufficient voting strength to attract any substantial federal funds. Federal funds flow instead to areas where breakdown of law and order, lack of even justice in the courts and administrative agencies, demoralisation of the labour force, and exploitation by state and local governments have driven industry away. Federal funds tend to subsidize and perpetuate the causes of the difficulty." — W. Allen Wallis.

"The decline of confidence in the competence of the individual has in fact been the basic reason for the vast extension of the state's regulatory activities. States license teachers because local school boards would be incompetent to hire good teachers. The FTC compels the labelling of fabrics because the consumer could not detect substitutions of inferior goods. The individual is compelled to pay Social Security taxes because he would not or could not make provision for his personal security. Airline pilots are certified by the CAB, because the airlines would not insist upon well-qualified pilots. Elevators are inspected because owners of apartment and office buildings would let them become dangerous. Stock prospectuses must be approved by the SEC, for investors would be susceptible to fraudulent claims. And so it goes.

"This decline in faith in the individual lurks behind the great majority of public controls. Let the reader ask of any such control: Is it necessary if men are informed and in comfortable economic circumstances? If the answer is no, the control assumes incompetence Since there is no absolute standard of competence, there is no limit to the possible scope of this extension of public controls. It is at least as difficult for an ordinary person to tell whether his television set is properly constructed as it is to tell whether the surgeon is skilful; so why not regulate the production of television sets? It is at least as difficult for this person to judge which universities offer satisfactory training for a Ph.D. in economics as it is to judge whether a house has been built

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properly; so why not regulate the granting of advanced degrees?

"It is all too evident that by a proper use of statistics — and what is proper in the area of public opinion and policy differs remarkably from what is proper in a college course in statistics — one can continuously enlarge the area of individual incompetence. What is not so evident to many is that the same philosophy and technique lends itself to areas other than economic life, and in particular to politics.

"An individual who cannot choose a barber still chooses his Congressman, a choice many would have deemed more difficult. (Why then has there been a secular improvement in refrigerators, which we are told we cannot judge, but not in aldermen?). An individual who cannot understand the cost of instalment credit when he buys an automobile (or so certain probable legislation assumes) is quite able to judge the costs and returns of the foreign-aid programme, the farm programme, and the highway programme. An anti-democratic element is clearly immanent in the position of the critics of individual competence.

"If we accept, as I do, the increasing distrust of the individual as the primary source of the growth of the state's control of economic and social life, we still face the questions: Is the distrust justified, and is the remedy of public control appropriate?

"In a sense, the distrust of the individual is always justifiable. If we merely pose, as public policy has posed, the question: Do some people act foolishly or blindly in any area? — the answer will always be, 'of course'. Whatever standard of wise behaviour we accept, some people will fail to meet it. Someone will always starve amidst plenty, maltreat children out of thoughtlessness or sadism, buy fraudulent wares, etc. And since the standard of wise conduct is both arbitrary and flexible upward, this will always be true.

Reported Episode

"The magnitude of the shortcomings of individuals, however, cannot be ascertained so simply. Would a large number of parents fail to send their children to school in the absence of compulsory school laws? The proponents of such legislation assert this to be the case, but they offer no evidence. Would city land-use pattern be chaotic (whatever that means) in the absence of zoning? It is so asserted, but the evidence has not been published. The history of reform rests much more upon shockingly reported episodes than upon documented failures of numerous individuals.

"Nor, in the reckoning, is any attention paid to possible shortcomings of the state in seeking to remedy the deficiencies of some individuals. These shortcomings may be illustrated by one state activity: the licensing of teachers. Local citizens and their school boards were deemed incapable of choosing competent teachers; so state licences must be obtained. The states have largely eliminated the ability of local school boards to hire untrained teachers or nephews of school board members, but only at real cost:

- The imposition of a set of course requirements that have the effect of reducing the competence of teachers.
- The exclusion of a large number of highly qualified teachers (the liberal arts graduates).
- The imposition of tenure systems that make it virtually impossible to discharge incompetent teachers.

"There is no need to reach here a decision on whether the state's control of teachers has led to a net improvement or

deterioration of education; the point is that deficiencies are at least as inherent in the political process as in the behaviour of individuals that it seeks to remedy." — George J. Stigler.

"It is a widely adopted, supposedly progressive and wise attitude of the American public that, when facing the alternative of having certain economic services performed either by private or by public enterprise, one should not be dogmatic in favour of either one form of enterprise, but should be open-minded and choose the one that can perform better. In reality the choice is seldom, if ever, made by this test. Compared with private enterprise, public enterprise has very decisive weaknesses. Even if these were generally recognized, they would probably not dissuade a part of the electorate from endorsing the choice of public enterprise, but in many instances they would prevent the majority decision in its favour.

Innovation at a Discount

"Public enterprise operates usually as a monopoly, i.e., without the constant test of its performance by competition. In most instances it does not have to cover its full costs of operation because the public underwrites its losses. It has a minimum of incentives to improve its efficiency by innovation of equipment or procedure because such managerial decisions involve not only the opportunity of gain, but the risk of losses, which civil servants are not supposed to take unless they have received from superior officials, upon application, a full authorization to go ahead. This inhibition is worst where public enterprise is operated by civil servants with security of tenure, but even where the management is engaged by contract with a limited renewable term, the tendency is powerful to follow common traditional rules and standard procedures. The manager of a public enterprise is not, and therefore cannot — indeed must not — act like a free, self-reliant entrepreneur, but must act as an employee who is dependent on the political approval of his superiors and, in the end, of the public itself.

"Economic theory generally offers no guidance for judging the differential performance of public and private enterprise. But we can point to certain crucial weaknesses of public economic action. The tax-fed public sector within the frame of political democracy is superimposed upon the porting structure of the private economy while it is simultaneously interfering and competing with the enterprises that constitute the private economy.

"The greatest weakness of a major part of the public sector lies in the segregation of the bearing of costs from the reaping of benefits, particularly at the federal and state levels of government. However, often this is true even at the local level of Government. Since the economic activities of the public sector expand in relation to political control of votes, some groups of people are always tempted to try to get benefits without sharing in the costs. Because this requires little more than pressure-group tactics, it is a happy hunting ground for local and regional politicians. In the long run, of course, it is an illusion for beneficiaries to expect to escape entirely sharing the costs. But their successful political pressures frequently lead to substantial waste of the nation's resources and to unwarranted expenditures." — Karl Brandt.

"In 'The Affluent Society', John Kenneth Galbraith persuasively refurbishes the arguments in favour of widening the public and narrowing the private sector of our economy. Let me examine some of his major ideas.

"Galbraith argues foremost that there is an 'imbalance'

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between the public and the private sector. Economists have overlooked that 'imbalance' because their obsolete 'conventional wisdom' leads them to focus on 'scarcity', whereas we have 'affluence'.

"Galbraith's argument here rests on his confusion or equivocation between the technical meaning of 'scarcity' — i.e., need for allocation — and the colloquial meaning — i.e., insufficiency, or poverty. If the two meanings of 'scarcity' are separated, his argument is seen to be without merit.

"Economists are aware that our affluence has increased (colloquial meaning); but affluence does not make rational allocation obsolete (technical meaning). Allocation, the subject matter of economics — the problem: how can we make the best use of our resources? — becomes 'obsolete' only with the millennium. For, though we can and do produce a great deal in temporal society, we cannot produce enough to satisfy all desires; thus it remains rational to allocate — i.e., to choose between alternative satisfactions, and to economize — i.e., to satisfy desires with the least expenditure of resources.

Equivocation Not Original

"Indeed, Galbraith himself advocates forcible reallocation of resources from the private to the public sector, thus implying that the scarcity, which makes allocation (choice) necessary, and which he is at pains to deny, is still with us. In his equivocation between the technical and colloquial meanings of 'scarcity', Galbraith is not altogether original. He follows the 'conventional wisdom' of millenarians, utopians, and Marxians. However, the chiliastic sects realized that there is scarcity in temporal society; and the Marxists realized that there is scarcity in non-Communist society. The discovery that scarcity is 'obsolete' in our society is original with Galbraith, but no improvement on 'conventional wisdom'. (The supposed disappearance of scarcity leads Galbraith to conclude that we need no longer emphasize productivity — a consistent conclusion, as dangerous as it is wrong).

"Galbraith's 'imbalance' itself turns out to be a rhetorical device disguised as an argument. No indication is given — let alone substantiated — as to where a 'balance' could be found, or by what means one might locate it. Hence the word 'imbalance' does no more than denote Galbraith's dissatisfaction with the present allocation of resources between the public and the private sector; his conclusion merely restates that premise; and his reasoning but affirms what it is supposed to prove, namely, that the public sector should be expanded.

"(Galbraith suggests, often with striking illustrations, that specific public services are lagging. He takes it for granted that the lag is caused by insufficient financing. The term 'imbalance' helps to evade analysis of the distribution and of the effectiveness of the use of money within the public sector — the actual problems causing most of the 'deficiencies' Galbraith mentions. More money is not likely to improve matters and may make them worse. Reorganization is called for).

"Economists took the idea of balance from mechanics to describe a state without an endogenous tendency to change (equilibrium). Galbraith gives it a laudatory sense — balance becomes an unspecified but ideal distribution between public and private sectors — and proceeds to use the descriptive term perscriptively. By this device, he retains the authority the term derived from its objective reference, though he has surreptitiously cut it adrift. This public relations stratagem has worked well; in defense of reason, I suggest that from now on, unless an author tells us how he determines 'im-

balance' in the economy, we ought to grant only that it exists in his mind.

"Colin Clark has tried to prove that we suffer from the opposite imbalance, that the public sector is over-expanded whenever it uses (or, better, attempts to use) more than 25 per cent of the national income. When that happens, he thinks, the ostensive welfare goals are defeated, and the economy generally suffers. At least Clark tells how to locate his imbalance and its effects. He tries to prove a meaningful proposition. I do not think he succeeds, but Galbraith does not even try — and for good reason; he does not have a genuine proposition to which evidence could be relevant". — Earnest Van Den Haag.

".... For the past dozen years, I have centered attention on a fascinating phenomenon in the life of government bureaus, which burgeons for want of a better name under what I call Mason's Law. It is a law concerning the unauthorized growth of authority. I mean the constant tendency of government agencies to aggrandize their coercive powers far beyond what Congress gave them and often beyond what was permitted by our Constitution, as the words and language of that basic law were understood and accepted when it was adopted.

"Whatever views my colleagues have regarding the outcome of a social order based on a gorged public sector, all have assumed that the growth was created by an outside source, the legislative. My paper deals with a growth that is generally spontaneous within the agency itself. It is not a growth of function, but a growth of power. Let me give three simple examples to illustrate:

".... The function of the Federal Trade Commission is to stop unfair acts and practices in commerce and to compile corporate statistics.

Inquisitorial Power

"But under the guise of carrying out this function, the Commission now assumes the power to presume a man guilty unless he can prove his innocence; it assumes the right to ignore statutes of limitations; a man can be charged with offenses dating so far back that he would never be able to marshal testimony in his defense; it assumes the power to prosecute a man for doing something that was not declared wrong until after he did it; it assumes the right to ignore facts and infer guilt; and it assumes inquisitorial powers. Because there is no such material entity as 'the state' — only a horde of little human beings running around behind a great big fictitious label — personal power feeds on public authority. One set of administrative officers, calling themselves 'the state', subjects another set of humans called private citizens to inquisition, penalties, and even imprisonment without recourse to the courts. When a prosecutor is authorized by statute to sit in judgment on his own case, it is impossible to stop the growth of personal power never originally contemplated by Congress when it created his function.

"Much of this tyranny in trade regulation stems from the bureaucratic notion that the public sector can force the market place to protect the dreamy, the ill-favoured, the incompetent, and even the just plain lazy. Even with a bloated public sector and all the tyrannous powers outlined above, this will never be accomplished." — Lowell Blake Mason.

The discussion or rather discussions contained between the covers of this volume range over such wide and varied ground that they defy summary. Hence this reviewer has resorted to extensive quotations in the hope that they will adequately capture for the prospective reader the savour of these studies and whet his appetite for the full course.

Readers' Roundtable

TAXING RIGHTS SHARES

Sir, — With regard to the clarification issued by the Central Board of Revenue concerning "Tax on value of Rights Shares", it is very difficult to understand it. A clarification can be with regard to a matter which is not itself clear. Until very recently there was hardly any question of any tax being levied on the allottees of rights shares. The question of tax arose only if such shares were transferred in which case the difference between the value paid by the shareholder for the acquisition of the rights and the value realised by him on its sale became exigible to tax according as he was an investor or a dealer. In the first case it was a capital gain and in the second it was a tax on income.

Recently, however, in some cases the Income Tax Officers began taxing the difference as a revenue receipt in all cases irrespective of whether the assessee was an investor or a dealer and this was done on the accrual basis.

Far from clearing up the position, the clarification issued by the C.B.R. imposes the tax liability in all cases where the recipient of the rights is a dealer in shares or an employee of the company or a director thereof or a person having substantial interest in such company. The relatives of last two categories also come in for assessment.

In my opinion the whole clarification is misconceived. There is no warrant whatever for taxing an employee of a company who receives the rights shares not 'qua' employee but as a shareholder of the company. The benefit goes to him not because he is an employee, but as a shareholder of the company. The benefit which he gets has nothing to do with his service to the company, but it is in proportion to the share of his capital to the total paid up equity capital of the company in common with other shareholders. It is also difficult to understand why relatives of Directors or persons having substantial interest in the company should come in for a discriminatory treatment. Nothing is given by the company to them because they are relatives of directors or of persons having substantial interest in the company. Neither the directors nor the persons aforesaid benefit by such allotments. In my opinion the recourse to Section 2(24)(iii)(iv) is entirely unjustified in this context.

It is indeed most surprising that the Central Board of Revenue, instead of restraining the Income Tax authorities in Bombay from proceeding in the way in which they were doing, should have widened the Income Tax net by subjecting to tax the issue of rights shares in the hands of such shareholders also.

The climate for investment is not too congenial and Government has taken some active steps to revive the investment market. The progress in this matter is rather tardy; but the objective of Government is clear enough. It is, therefore, most unfortunate that on a matter of this nature with which the investor is intimately concerned, the C.B.R. should issue a so-called clarification which in effect means a new imposition.

J. J. ASHAR
Chairman,

BOMBAY: The Company Law Association of India

SUGAR SHORTAGE

Sir—Acute shortage of sugar and steady price increases have brought on controls on movement as well as prices, but the position will remain fluid. It is obvious that the problem has arisen because of Central Government's decision to curtail the production by 10 per cent in 1961-62.

It is widely known that, whenever controls are imposed, both production and consumption have shown a marked tendency to fall and as soon as controls are lifted or their rigidity relaxed production and consumption have shown a tendency

to increase. For instance, during the last five years of controls between 1942-47 production declined from 1.17 million tons to 950,000 tons. Consumption also fell from 1.23 million tons to 972,000 tons. Sugar was decontrolled in December, 1947. During the next two seasons production was much higher and there was also a spectacular increase in consumption from 776,000 tons to 1.182 million tons — a rise of over 50 per cent. In September, 1949 controls were again reimposed. Production once more declined to 978,000 tons against a little above one million tons during the previous year. After the control policy was modified and incentives were granted, production again increased to 1.483 million tons.

In 1952-53 sugar was completely decontrolled. As a result, both consumption and production continued to rise till 1958 when it approached a level of 2 million tons. In July 1958 controls were again reimposed and the following season production declined to 1.92 million tons from 1.98 million tons achieved during the previous year. In October, 1959 policy of controls was modified and incentives for higher production were granted. Production increased and reached the peak figure of 2.98 million tons. After decontrol in September, 1961 the annual consumption rose from about 2 million tons to 2.5 million tons in the current year.

Who does not know that controls have never offered any lasting remedy for rising prices? In fact they tend to aggravate the situation. Rise in production alone can keep prices in check and satisfy the increasing demand for sugar which is a welcome corollary of the rising living standards of the people. The authorities may reasonably be expected to consider as to how to offer the necessary incentives both to the growers of sugar cane and the sugar factories to maximise production with which the country can meet the internal demand and also to export sugar to earn the much needed valuable foreign exchange required for defence as well as development.

NEW DELHI

VIRENDRA AGARWALA

PLANNED WASTE

Sir, — The Prime Minister recently expressed his sense of "fright" at the growth of the Planning Commission. "A grown into a huge organisation with all the departments of Government almost duplicated there, and each one sending in papers to the other. That is the normal habit of Government." In this context, the following figures are revealing:

Between 1952-53 and 1962-63, the number of gazetted officers in the Commission increased from 76 to 265, non-gazetted staff from 126 to 593. Expenditure on officers' salary increased from Rs. 4.8 lakhs to Rs. 24.46 lakhs, and on establishment from Rs. 2.83 lakhs to Rs. 16.5 lakhs.

In the absence of accountability, and no personal stakes, it is but natural that the Planning Commission as also other Governmental officers should be dilatory and indifferent to the colossal wastage of public funds. For instance, a Parliamentary Committee pointed out that out of Rs. 1,044 crores realised as additional taxes during the second Plan, only Rs. 439 crores went for the Plan, the rest having been swallowed up in non-Plan, non-developmental expenditure. The Hindustan Steel Plants had cost Rs. 698 crores till March 31, 1963, and had incurred a loss of Rs. 61.5 crores. It is reported that the fertiliser plant at Rourkela built at a cost of Rs. 26 crores (original estimates Rs. 16 crores) is practically standing idle for over a year!

These and many more items of "planned" wastage and the deadweight of an unproductive bureaucracy (approaching eight million at all levels) are paid for by the people of this poor country through heavy direct and indirect taxes.

BOMBAY

"ARISTIDES"

FIBREGLASS PILKINGTON LIMITED

This announcement is not a Prospectus. Persons interested in full details are requested to obtain copies of the Prospectus which are available from the Registered Office of the Company or from the offices of the Company's Underwriters, Brokers and Bankers.

FIBREGLASS PILKINGTON LIMITED

(Incorporated on 27th day of June 1962 under the Companies Act, 1956).

REGISTERED OFFICE:

9, Wallace Street, Fort, Bombay-1. BR.

EXISTING & PROPOSED ACTIVITIES OF THE COMPANY:

The Company was incorporated on 27th day of June, 1962 as a public Company limited by shares with the objects stated in its Memorandum of Association and with the immediate object of carrying on the business of manufacturers of and merchants in glass fibres and glass fibre products, the three main types of products to be manufactured being:—

1. Glass Wool Insulation. This can be used to preserve heat and cold, to reduce sound and noise, as insulation for boilers, ships, cold stores, refrigerators, air-conditioning equipment, cooking equipment, road and rail transport, and many other varied applications.

2. Glass textile yarns, fabrics and mats which can be used as a basic reinforcement material for the manufacture of glass fibre reinforced plastics, translucent roofing sheets, boat and car bodies, structural parts of road and rail vehicles, containers and many other products. Glass textile yarns can be woven into decorative textiles, coated fabrics and material for the insulation of electrical equipment.

3. Glass staple tissue, which can be used as an anti-corrosive wrapping for pipelines, as a base for bituminous roofing felts and canal lining membrane, and as a spacer in electric batteries, and in many other ways.

The Company holds a number of patents and patent licence and the Technical Consultants of the Company are Fibreglass Limited, England, who are the leading manufacturers of glass fibres in the United Kingdom.

LOCATION OF THE INDUSTRY:

The first plant of the Company will be erected at Thana near Bombay. The Company has purchased two plots of land which together have an area of approximately 50,664 sq. yds. The Company has also entered into an agreement with the Bombay Company (Private) Limited for the purchase of a further plot of adjacent land admeasuring 5,607 sq. yds. approximately.

The site is connected with Thana by road and Thana is directly linked with Bombay by rail.

BOARD OF DIRECTORS

Name, Description & Address:	Occupation		
1. Mr. John Creek (Chairman) British. Ravenhead Works, St. Helens, Lancashire, England.	Managing Director, Fibreglass Limited, England.	5. Mr. Ghanshyam Vishwa Nath Indian. 9, Wallace Street, Fort, Bombay-1. BR.	(1) Chairman, the Bombay Company (Private) Ltd., (2) Director of (a) The Bombay Burmah Trading Corp'n. Ltd. (b) The Lakshmi-Vishnu Cotton Mills Ltd., and other Companies.
2. Mr. Rajendra Ambalal Shah (Alternate for Mr. John Creek) Indian. State Bank Building Annexe Bank Street, Bombay.	(1) Solicitor & Partner of Crawford Bayley & Co., Solicitors. (2) Director of (a) Suhrid Geigy Ltd. (b) Rockwell India Ltd. and other Companies.	6. Mr. Dipti Kumar Basu Indian. National Insurance Building Parliament Street, New Delhi.	(1) Solicitor & Partner of (a) Orr Dignam & Co., Calcutta & New Delhi. (b) King and Partridge, Madras, Ootacamund & Bangalore.
3. Mr. Muthiah Annamalai Chidambaram Indian. Catholic Centre, No. 6, Armenian Street, Madras-1.	(1) Chairman of South India Steel & Sugars Ltd., (2) Director of (a) Indian Aluminium Co. Ltd., (b) Machinery Manufacturers' Corp'n Ltd., and other Companies.		(2) Director of (a) Goodyear India Ltd., (b) Arbor Acres Farms India Ltd., and other Companies.
4. Mr. Nityanand Mangesh Wagle Indian. 1, Forbes Street, Bombay.	(1) Managing Director of Greaves Cotton & Co. Ltd. (2) Director of (a) Bombay Dyeing & Manufacturing Co. Ltd. (b) Central Bank of India Ltd., and other Companies.	7. Mr. Reginald Gordon Hayes British 9, Wallace Street, Fort, Bombay-1. BR.	Managing Director, Fibreglass Pilkington Limited.
		MANAGING DIRECTOR Mr. Reginald Gordon Hayes, 9, Wallace Street, Fort, BOMBAY-1. BR.	

SHARE CAPITAL

	Rs.
Authorised	
25,00,000 Equity Shares of Rs. 10/- each	2,50,00,000
Issued, Subscribed and Fully paid:	
7 Equity Shares of Rs. 10/- each	70
Present Issue	
11,99,993 Equity Shares of Rs. 10/- each	1,19,99,930
	<u>1,20,00,000</u>

Out of the Present Issue the following have agreed to take up shares as follows:

(i) Fibreglass Limited U.K.	60,00,000
(ii) The Bombay Company (Private) Ltd.	4,80,000
(iii) Directors, Friends and Associates	3,19,930

NOW OFFERED AT PAR FOR PUBLIC SUBSCRIPTION

5,20,000 Equity Shares of Rs. 10/- each (on which Rs. 5/- are payable on application)	52,00,000
	<u>Rs. 1,19,99,930</u>

DATE OF THE OPENING AND CLOSING OF THE SUBSCRIPTION LIST

The Subscription List will open at the commencement of banking hours on 11th November, 1963, and will close at the close of banking hours on 20th November, 1963 or earlier at the discretion of the Directors but not earlier than the close of Banking hours on 13th November, 1963.

COPIES OF APPLICATION FORMS and PROSPECTUS CAN BE OBTAINED FROM THE REGISTERED OFFICE OF THE COMPANY OR FROM THE UNDER MENTIONED UNDERWRITERS, BROKERS AND BANKERS.

UNDERWRITERS

1. The Bank of India Limited, Mahatma Gandhi Road, Bombay-1. BR.
2. The Chartered Bank, 23/25, Mahatma Gandhi Road, Bombay-1. BR.
3. Place, Siddons & Gough (Private) Ltd., 6, Lyons Range, Calcutta-1.
4. Messrs. Lewis & Jones, Bank of Baroda Building, Apollo Street, Bombay-1. BR.
5. The Investment Corporation of India Ltd., Ewart House, Bruce Street, Fort, Bombay-1. BR.

BANKERS TO THE ISSUE

The Bank of India Limited, At their Branches at Bombay, New Delhi, Calcutta, Madras, Ahmedabad, Indore, Hyderabad and Bangalore.

The Chartered Bank, At their Branches at Bombay, New Delhi, Calcutta and Madras.

First National City Bank, At their Branches at Bombay, Calcutta and Madras.

BROKERS**Bombay**

1. Messrs. Lewis & Jones, Bank of Baroda Building, Apollo Street, Fort, Bombay-1. BR.

2. Messrs. Batlivala & Karani, Union Bank Buildings, Dalal Street, Fort, Bombay-1. BR.
3. Messrs. Harkisondass Lukhmidass, Stock Exchange Buildings, Apollo Street, Bombay-1. BR.
4. Messrs. Merwanjee Bomanjee Dalal, Allahabad Bank Building, Apollo Street, Fort, Bombay-1. BR.

Calcutta

1. Place Siddons & Gough (Private) Ltd., 6, Lyons Range, Calcutta-1.
2. Messrs G. M. Pyne, 14, India Exchange Place, Calcutta-1.

Madras

1. Messrs. Paterson & Co., P. O. Box No. 48, 22, Errabalu Chetty Street, Madras-1.
2. Messrs. Chitra & Co., Post Box No. 1557, 322/323, Linghi Chetty Street, Madras-1.

Delhi

1. Messrs. Harbans Singh Mehta & Co., 33, Regal Buildings, Parliament Street, New Delhi-1.
2. Messrs. Raj Paul Chadha & Co., Delite Cinema Building, Asaf Ali Road, New Delhi.

Ahmedabad

Messrs. Narendrabhai Lalbhai Sheth, Maneck Chowk, Ahmedabad.

Bangalore

Messrs. M. Najappaiah Jahgirdar, 181, Cavalry Road, Bangalore-1.

THE MYSORE KIRLOSKAR LTD.
Yantrapur, P. O. Harihar

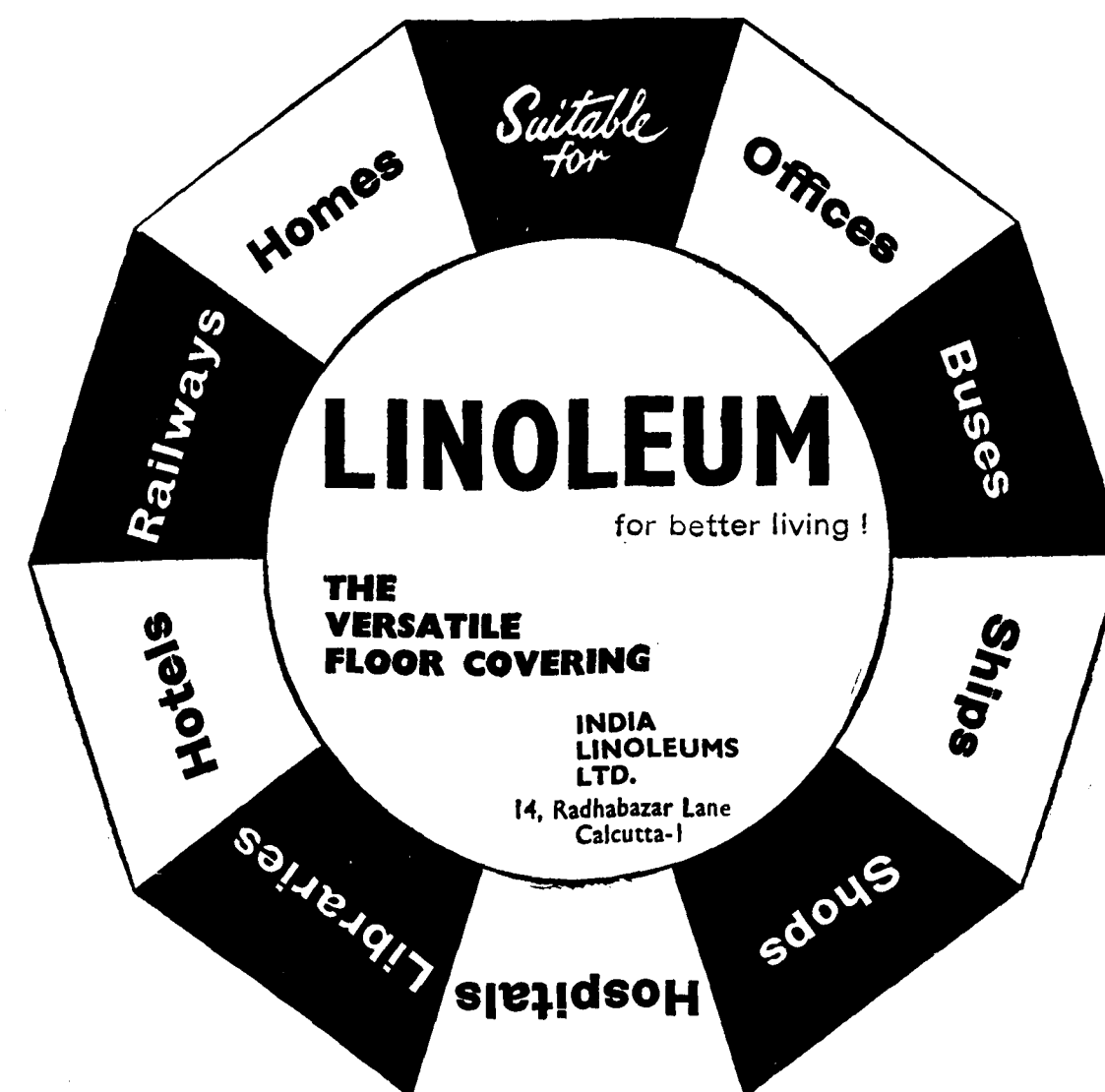
NOTICE

NOTICE is hereby given that the Twentysecond Annual General Meeting of the Company will be held on Saturday the 23rd November, 1963 at 4-00 P.M. (I.S.T.) at the Registered Office of the Company at Harihar to transact the 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 9th November, 1963 to 23rd November, 1963 (both days inclusive).

By Order of the Board
For THE MYSORE KIRLOSKAR LIMITED
V. K. BODAS
ASST. SECRETARY.

Dated : 21st Sept. '63.



ANNOUNCEMENT REGARDING PROPOSED ISSUE OF CAPITAL

This is only an announcement and not a prospectus

Applications are invited on the basis of the Prospectus, copies whereof are available from the Company's Bankers, Underwriters and Brokers.

A copy of this Prospectus together with the documents specified therein has been duly delivered to the Registrar of Companies, Madras, for registration as required by Section 60 of the Companies Act, 1 of 1956.

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

An Industrial Licence (bearing No. L/34(6)/12/60/L/IND dated 15th July 1960 together with an amendment letter No. 6 (58) L. ind 60 dated 5th November 1960) has been obtained from the Central Government for the establishment of this new industrial undertaking at Madras (Porur, Saidapet Taluk, Chingleput District, Madras State) a copy of which is open for inspection at the Registered Office of the Company. It must be distinctly understood that in granting this licence, the Government of India do not take any responsibility for the financial soundness of this undertaking or for the correctness of any of the statements made or of opinion expressed in regard to it.

Application has been made to the Madras Stock Exchange & an application will be made to the Bombay Stock Exchange for permission to deal in and for an official quotation for the shares of the Company.

The Subscription list will open at the commencement of banking hours on 6th November 1963 and will remain open until the close of banking hours on 18th November 1963 unless closed earlier if the issue is oversubscribed or later at the discretion of the Directors but not earlier than the close of the banking hours on 8th November 1963.

W. S. INSULATORS OF INDIA LIMITED

Licensed by Westinghouse

(Incorporated on 23rd August 1961 under the Companies Act, 1956)

SHARE CAPITAL:

	Rs.
(i) Authorised	
50,000 9.5% (free Income-tax payable by the Company, but subject to deduction of taxes at source at the prescribed rates) Cumulative Preference Shares of Rs. 100/- each	50,00,000
15,00,000, Equity shares of Rs. 10/- each	1,50,00,000
	<u>2,00,00,000</u>
(ii) Issued:	
20,000 9.5% (free from Income-tax payable by the Company, but subject to deduction of taxes at source at the prescribed rates) Cumulative Preference Shares of Rs. 100/- each	20,00,000
9,00,000 Equity Shares of Rs. 10/- each	90,00,000
	<u>1,10,00,000</u>

(iii) Subscribed:	
The Promoters, Directors of the Company, their friends and associates have subscribed as under: 51,000 Equity Shares of Rs. 10/- each subscribed and allotted Rs. 5,10,000	
1,50,125 Equity Shares of Rs. 10/- each which will be allotted in full	Rs. 15,01,250 20,11,250

It is a condition of the consent of the Controller of Capital Issues that the above shares shall be non-transferable for a period of one year from the respective dates of allotment thereof.

- (iv) **Capital agreed to be reserved for firm allotment:**
(a) The Technical Collaborators M/s. West-

inghouse Electric International Co. of New York, (U.S.A.) have agreed to subscribe for 23,875 Equity Shares of Rs. 10/- each of the aggregate value of	2,38,750
(b) The Life Insurance Corporation of India, Bombay, against underwriting arrangement with them have agreed to subscribe for 50,000 equity shares of Rs. 10/- each to an aggregate value of	5,00,000
(v) Now offered at par for public Subscription: 20,000 9.5% (free of Company's tax, but subject to deduction of taxes at source at the prescribed rates) Cumulative Preference Shares of Rs. 100/- each	20,00,000
6,25,000 Equity Shares of Rs. 10/- each	62,50,000
	<u>82,50,000</u>

Necessary resolution under Section 81 of the Companies Act, has been passed by the Company in General meeting on 29th October 1962 for the public issue of Capital.

UNDERWRITING:
The entire issue offered to the public for subscription is fully underwritten as follows:

	Class and face value of shares underwritten	
	Equity	Preference
	Shares.	Shares.
	Rs.	Rs.
1. The Madras Industrial Investment Corporation Ltd.	16,00,000	11,50,000
2. The Life Insurance Corporation of India	10,00,000	5,00,000
3. The Industrial Finance Corporation of India	15,00,000	....

(Continued on next page)

4. The Punjab National Bank Ltd.	10,00,000	....
5. The Canara Bank Ltd.	5,00,000	....
6. The Canara Industrial and Banking Syndicate Ltd	2,50,000	2,50,000
7. M/s. H. P. Mehta & Co., Share Brokers, Delhi	3,00,000	....
8. M/s. Raja Ram Bhasin & Co., Share Brokers, Delhi	3,00,000	....
9. The Oriental Fire and General Insurance Co., Ltd., Bombay	....	1,00,000
10. M/s. Chitra & Co., Share Brokers, Madras	1,00,000	....
11. M/s. Paterson & Co., Share Brokers, Madras	1,00,000	....
12. M/s. Subramaniam & Co., Share Brokers, Madras	1,00,000	....
	<u>67,50,000</u>	<u>20,00,000</u>

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

TERMS OF PAYMENT

6,25,000 Equity Shares and 20,000 Preference Shares offered for public subscription at par for cash in terms of this Prospectus are payable as follows:

Equity Shares:

On application—Rs. 2/50 per share.

On allotment—(within 2 months from date of allotment) Rs. 2/50 per share.

The balance Rs. 5/- per share payable will be called up in two equal instalments at the discretion of the Directors at an interval of not less than 3 months between the calls, the first of such calls being made not earlier than 4 months from date of allotment.

Preference Shares:

On application—Rs. 25/- per share.

On allotment—Rs. 25/- per share (within two months from date of allotment).

The balance of Rs. 50/- per share payable will be called up in two instalments at the discretion of the Directors at an interval of not less than 3 months between the calls, the first of such calls being made not earlier than 4 months from date of allotment.

The application moneys not utilised will be returned within a period of two months from the date of closing the subscription list or within such extended period as may be found necessary by the Board and agreed to by Government.

The Calls on both the Equity and Preference Shares will be made simultaneously so that at no time the ratio of the paid up Equity Capital to the paid up Preference Capital is less than 9:2.

No shares have been issued at a premium nor are any shares presently to be issued at a premium.

BOARD OF DIRECTORS

1. Sri C. S. Loganathan, Industrialist, S/o. Sri C. Shanmugham, 6, Vasu Street, Kilpauk, Madras-10.	Chairman: Board of Directors: The Travancore Cements Ltd. The Tirupati Cotton Mills Ltd., Cauvery Spinning and Weaving Mills Ltd. Director: The India Cements Ltd. The Travancore Rayons Ltd.
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2. Sri T. S. Narayanaswami,
Industrialist,
S/o. Sri T. S. Srinivasa Iyer,
No 2,
Sir C. P. Ramaswami Iyer
Road,
Madras-18.

3. Sri K. Palani,
Industrialist,
S/o. Sri Kumaraswami,
25, Venkatanarayana Road,
Thyagarayanagar,
Madras-17.

4. Sri N. S. Sethuraman,
Engineer and Businessman,
S/o. Sri N. S. Sundaram Iyer,
62, St. Mary's Road,
Madras-18.

5. Sri V. Srinivasan, B.E.,
(Hons.),
Engineer and Businessman,
S/o. Sri M. R. Venkataram,
2, Satyanarayana Avenue,
Madras-28.

Director:
The India Cements Ltd.
Industrial Chemicals Ltd.
The Madras Aluminium Co., Ltd.
The Madras Industrial and Investment Corp. Ltd.
Zenith Lamps and Electricals Ltd.
Chemicals and Plastics India Ltd.

Director:
The India Cements Ltd.
Industrial Chemicals Ltd.
The Madras Aluminium Co., Ltd.
J. V. Gokul & Co. Private Ltd.
Chemicals and Plastics India Ltd.
Nataraj Spinning and Weaving Mills Ltd.

Proprietor:
Sethuraman Thiagarajan & Co.
Electrical and Mechanical Engineers
Electro Lighting Co.
Managing Partner:
W. S. Industries (Managing Agents for W. S. Insulators of India Ltd.)

Partner:
W. S. Industries (Managing Agents for W. S. Insulators of India Ltd.)

MANAGING AGENTS

Messrs W. S. Industries, 272/273, Angappa Naicken Street, Madras-1

TECHNICAL COLLABORATORS

Messrs WESTINGHOUSE ELECTRIC INTERNATIONAL CO., NEW YORK, N.Y. (U.S.A.)

BANKERS:

1. The Punjab National Bank Ltd., Madras.
2. The Canara Bank Ltd., Madras.
3. The Canara Industrial and Banking Syndicate Ltd., Madras.

BROKERS:

Madras M/s. Paterson & Co., 22, Errabalu Chetti Street, Madras-1. M/s. Chitra & Co., 322-23, Linghi Chetty Street, Madras-1. M/s. Maconochie & Co., Mercantile Bank Buildings, First Line Beach, Madras-1. M/s. Subramanian & Co., 14, Second Line Beach, Madras-1. M/s. Dalal & Co., 632-C, N. S. C. Bose Road, Madras-1.	Calcutta M/s. G. M. Pyne, Allahabad Bank Building, 14, India Exchange Place, Calcutta-1. M/s. Place Siddons & Gough Private Ltd., 6, Lyons Range, Calcutta.
Bangalore M/s. P. R. Subramanyam, "Shree Siva", Plot 6, 4th Street Benson Cross Rd., Bangalore-6.	New Delhi M/s. H. P. Mehta & Co., Connaught House, 1st Floor, Connaught Place, New Delhi.

(Continued on next page)

M/s. Harbans Singh,
Mehta & Co.,
33, Regal Building,
Parliament Street,
New Delhi-1.
M/s. Raj Paul Chadha &
Co.,
Delite Cinema Building,
Asaf Ali Road, New Delhi.

Bombay

M/s. Batlivala & Karani,
Union Bank Building,
Dalal St., Fort, Bombay-1.
M/s. Harkisondass Lukhmi-
dass,
Stock Exchange Building,
5th Floor, Apollo Street,
Fort, Bombay-1.

AUDITORS

Messrs. S. Viswanathan,
Chartered Accountants, Indian Chamber Buildings, Madras-1.

LEGAL ADVISER

Sri T. Raghavan, Advocate,
11-B, Mowbrays Road, Madras-18.

REGISTERED OFFICE

No. 33, Errabalu Chetti Street, Madras-1.

OBJECTS

The Company was incorporated on 23rd August 1961 for carrying out the several objects, set out in its Memorandum of Association. The main objects of the Company are as set out in the Memorandum of Association, a printed copy of which is available for inspection and include inter-alia the following:

To manufacture, buy, sell, exchange, alter, improve manipulate, prepare for market, import or export or otherwise deal in all kinds of insulators of all types and of all voltages from low tension to high tension voltages upto 330 K. V. and above, porcelain supports, separators, baffles, fixtures, bushings, condensers of all makes and of all types for all industrial, domestic and other uses, apparatus insulators, condenser bushings, transformers and circuit breakers for voltages upto 330 K. V. and above, distribution transformer bushings, bulk type transformer bushings, capacitor bushings, fuse cutout porcelain, voltage regulator bushings, potential and current transformer bushings, wall bushings, ceramic condensers, switch, bus, station and post insulators for outdoor voltages upto 330 K. V. and above, indoor switch and bus insulators, station porcelain insulators, distribution insulators, guy strain insulators, H. V. and L. V. type insulators, suspension type insulators, line post insulators, spool type insulators upto 330 K. V. and above, telegraph and telephone insulators, insulators for Railway requirements, Insulators for Electronic and Radio Industries, Fuse Units, Outdoor and Indoor Fuse Cutouts of all voltages and ranges, L. T. and H. T. Switchgear insulating materials, switch bases and all kinds of porcelain and other insulating products, disconnecting and air break switches of all types and descriptions.

To carry on the business of manufacturing, buying, selling, reselling, altering, importing, exporting, improving, assembling, distributing lightning arresters, or surge divertors of all voltages and of all types ranging from low tension to high tension voltages upto 330 K. V. and above, distribution type lightning arresters, station type lightning arresters, auto-valve

M/s. Lewis & Jones,
Bank of Baroda Building,
Apollo St., Fort, Bombay-1.
M/s. P. R. Subramanyam,
70-A, Stock Exchange
Building,
Apollo St., Fort, Bombay-1.
M/s. Merwanjee Bomman-
jee Dalal,
Allahabad Bank Building,
Apollo St., Fort, Bombay-1.
Mahadevia Bros.,
P.O. No. 424,
Stock Exchange Old
Building,
Dalal St., Fort, Bombay-1.
M/s. A. B. Pandit & Co.,
32, Apollo Street, Fort,
Bombay-1.

lightning arresters, encapsulation type lightning arresters and all other types and designs of lightning arresters required for the electrical trade industry, power stations, substations, distribution networks and for all other allied uses.

To carry on the business of manufacture of Porcelain fuse cutouts of all types and Enclosed, open and distribution bypass switches and of all voltages.

SCOPE AND PROSPECTS

Electric Power Generation, Transmission and Distribution in India are to be more than doubled during the third Five-Year Plan. The installed generating capacity by the end of the third Five Year Plan will be 12.69 million K. W. as against 5.7 million K. W. in the Second Five-Year Plan. No large scale transmission and distribution of electrical power is possible without insulators and lightning arresters. The present installed capacity for H. T. and L. T. insulators in the country is about 13,250 tons. However, only about 8,500 tons of Insulators are manufactured. The demand anticipated by 1965 is 30,000 tons and by 1970 it is likely to be about 47,000 tons.

This factory proposes to manufacture High Tension Insulators of all types from 11 K. V. to 220 K. V. Apart from systems, there is a growing demand for Apparatus Insulators like busbar supports, bushings for current, potential and high voltage transformers and for circuit breakers and switchgears. These are at present mainly imported and will have to be met by future production. The company, therefore expects to satisfy to a very large extent the present demand for these products at prices which will be attractive to the consumers.

TECHNICAL COLLABORATION

The Company has concluded a technical collaboration agreement with the approval of the Government of India with U.S.A. The period of the agreement will be for 10 years in the first instance. The Collaborators besides providing the sign and manufacture of licensed products have agreed to train necessary Indian personnel at their works in the U.S.A. The agreement provides for the payment, in two equal instalments of U.S. \$30,000 to "Westinghouse" towards the Know-how charges and for the training of three Indian personnel for a period of 4 months each. The Company will get the benefit of all Westinghouse patents for these products and also of the research continuously carried on by over 6,000 scientists and engineers in the Westinghouse Laboratories, which are spread over the World.

In the field of Electrical Porcelain, over 80% of all major design developments have been made by Westinghouse. A tremendous store of experience goes with the manufacture of Westinghouse Electrical Porcelain.

LOAN CAPITAL

The Industrial Credit and Investment Corporation of India Limited have agreed in principle as per their letter No. PW/12342 dated October 19, 1962 to lend to the Company an amount in foreign currencies equivalent to U.S. \$1,218,000 (about Rs. 58 lakhs) subject to the approval of the Agency for International Development U.S.A. and a rupee loan of Rs. 10 lakhs to meet the capital cost of putting up a plant.

FACTORY SITE

The Company has taken possession of about 40 acres of land sanctioned for acquisition by the Government of Madras in Porur Village, Saidapet Taluk, Chingleput District, Madras State on the St. Thomas Mount-Poonamallee Trunk Road. The site has the advantage of road and rail (metre and broad

gauge) transport facilities. Madras Port facilities can also be availed of for export promotion.

INDUSTRIAL LICENCE

The Government of India have issued an Industrial Licence for the establishment of a new industrial undertaking with a capacity of 2,400 tons per annum of H.T. and L.T. Insulators, Lightning Arresters, Condenser Bushings, etc. on a single shift basis.

The Company also holds an Industrial Licence for the manufacture of Fuse Cutouts, Distribution By-Pass Switches, etc. with a capacity of 1,200 Nos. per annum.

EXPANSION

It may be mentioned that the Company has also received an Industrial Licence for doubling the capacity.

PLANT AND MACHINERY

It is estimated that the total cost of Plant and Machinery will be about Rs. 81.7 lakhs (erected at site). Out of the above Plant and Machinery the equipment to be imported amounting to Rs. 58 lakhs will be paid out of the ICICI loan as aforesaid.

The American Suppliers of Plant and Machinery have offered very favourable delivery periods, which will enable the Plant to go into production at an early date.

IMPORT LICENCE

The Import Licence has been received and further action is being taken to import the machinery.

RAW MATERIALS

Raw materials required like china clay, ball clay (partly), quartz, feldspar, etc. are available in South India; Silicon Carbide and part of ball clay have to be imported. The Company is making necessary arrangements for the timely supply of these raw materials.

POWER AND WATER SUPPLY

The Madras State Electricity Board has agreed to supply electric power to an extent of 1,250 KVA maximum demand. Adequate water is available from wells at site.

PRODUCTION AND PROFITABILITY

Production is expected to commence by the end of 1964. The Plant and machinery to be installed will make this Plant one of the most modern industries in the World. With the Westinghouse collaboration the scheme is expected to be very successful.

TAX BENEFITS

The Company will be entitled to the tax benefits under Section 33 and 84 of the Income-tax Act, 1961 and the Shareholders will be entitled to the benefits under Section 85 of the above Act. It may also be noted that the shareholders, who are Companies, will be entitled to exemption from Super-tax under Section 99 (i) (iv) of the Income-tax Act, 1961.

MINIMUM SUBSCRIPTION

The minimum subscription on which the Directors will proceed to allot shares offered by this prospectus to the public for subscription is Rs. 50,00,000. Subscription of this amount is assured in term of the underwriting arrangement referred to below.

UNDERWRITING COMMISSION AND BROKERAGE

Underwriting Commission at the rate of 2½ per cent on the nominal value of the share underwritten is payable to the Underwriters. In addition to the said commission, brokerage at the rate of 1 per cent on the nominal value of the shares on allotments made in respect of applications made or procured by them provided that the relative forms of applications bear their respective stamps.

Brokerage at the rate of 1 per cent on the nominal value of the shares will be paid on allotment in respect of application bearing the stamp of a Bank or of a member of a recognised Stock Exchange.

No underwriting commission or brokerage will be allowed on shares which have been agreed to be subscribed by the Promoters, Directors, their friends and associates Managing Agents and foreign collaborators.

MANAGING AGENTS

Messrs. W. S. Industries, Madras, have been appointed as Managing Agents of the Company for a period of 10 years from the date of appointment on terms defined in the prospectus.

APPLICATION FOR ALLOTMENT OF SHARES

The application forms duly completed together with cheques or drafts for the full amount of Rs. 2-50 per Share for Equity Shares and Rs. 25/- per share for Preference Share payable on application must be delivered before the closing of the subscription list to the Registered Office of the Company at No. 33, Errabalu Chetti Street, Madras-1, or the Office of the Underwriters or Brokers to the issue or to any one of the Company's Bankers or their Branches.

Application sent to the Registered Office of the Company and accompanied by cheques drawn on the offices of any of the scheduled banks only at the following places will be considered:

MADRAS, BOMBAY, CALCUTTA, BANGALORE, NEW DELHI, HYDERABAD, AHMEDABAD AND INDORE

Cheques or demand drafts should be made payable to "W. S. INSULATORS OF INDIA LIMITED, Equity Issue/Preference Issue". Alternatively, cheques may be made in favour of one of the Bankers to the issue drawn on any scheduled bank at the places where the applications are submitted: "A/c W. S. INSULATORS OF INDIA LIMITED, Equity Issue/Preference Issue".

For the applicants' protection, cheques or drafts should be crossed "Account Payee only".

A separate cheque or draft must accompany each application.

GROW MORE**SAVE MORE****WORK MORE**

RECORDS AND STATISTICS

Industrial Profits in 1962-63

THE CALCUTTA Stock Exchange has made a study of the balance sheets of companies issued after the 31st March, 1963, to discover the impact of taxation on the retained profits of the companies concerned. The results of the study are given below:

Table I shows that though some companies have made more profits in 1962-63, their net and retained profits have dwindled considerably because of absorption of a greater portion of their profits by way of taxation.

Table II shows that some companies on account of their lesser income in 1962-63 have earned lesser profits with the consequent reduction in their retained profits. The results would not have been so worse if the tax percentage would not have gone up.

Table III shows that some companies have earned

more profits in 1962-63 and consequently have secured more net and retained profits than in previous year. Here again the results would have been still better, if the tax percentage would not have gone up. Very few companies have shown separately tax liability for S.P.T. in their balance-sheets; as such, its full impact could not be ascertained. An effort has been made to show the effect of taxation on the capacity of companies to plough back funds for modernisation or expansion.

Because the percentage of retained profits of the companies has fallen during 1962-63 it must not, however, be supposed that the distribution by way of dividends had any influence on the same. As a matter of fact during the year most companies either reduced their dividends or were merely able to keep them unchanged.

TABLE I

Name of Company	Year	Pre-tax Profit	Tax	Tax %	(Rs. Lakhs)		
					Net Profit	Retained Profit	Retained Profit %
1. Dunlop Rubber	Dec. '62	330.38	234.78	71.0	95.59	45.88	13.8
	Dec. '61	306.12	141.36	46.1	164.75	87.88	28.7
2. Guest, Keen Williams	Dec. '62	133.63	55.60	41.6	78.03	6.14	4.6
	Dec. '61	110.48	30.50	27.6	79.98	11.23	10.1
3. Associated Battery	Aug. '62	50.77	29.10	57.2	21.67	7.18	14.1
	Aug. '61	45.56	21.58	47.3	23.98	11.24	24.6
4. Jessop & Co.	Oct. '62	125.67	79.07	62.9	46.60	23.01	18.3
	Oct. '61	116.62	48.78	41.8	67.84	42.92	36.8
5. Metal Distributors	Dec. '62	18.81	12.19	64.8	7.64	0.42	2.23
	Dec. '61	18.07	9.75	53.5	8.31	1.34	7.41
6. J. K. Cotton Manufacturers	Sept. '62	19.96	13.00	65.0	6.96	2.43	12.1
	Sept. '61	16.33	6.85	41.7	9.48	4.02	24.6
7. The Ganges Rope Co.	Dec. '62	12.19	8.32	68.0	3.87	0.17	1.39
	Dec. '61	6.52	2.60	40.0	3.92	0.46	7.05
8. New Cinnatolia Tea	Dec. '62	5.86	3.40	57.6	2.46	0.11	1.87
	Dec. '61	3.02	—	00.0	3.02	0.52	17.2
9. Bateli Tea Co.	Dec. '62	3.73	1.85	48.6	1.88	0.51	13.6
	Dec. '61	3.53	1.51	42.8	2.02	1.18	33.4
10. Dbrugarh Tea	Dec. '62	5.86	3.27	55.0	2.59	0.22	3.75
	Dec. '61	5.29	2.26	43.3	3.03	0.24	4.53
11. United Flour Mills	Nov. '62	2.25	1.92	86.3	0.33	0.06	2.66
	Nov. '61	1.15	0.80	72.7	0.34	0.10	8.69
12. Raymond Woollen Mills	Dec. '62	50.43	30.30	60.1	20.13	11.46	22.7
	Dec. '61	44.80	21.00	46.8	23.80	13.34	29.7
13. Baghmari Tea	Dec. '62	1.91	1.10	57.8	0.81	0.02	1.04
	Dec. '61	1.61	0.66	37.5	0.95	0.54	33.5
14. Ananda (Assam) Tea	Dec. '62	5.11	2.70	52.9	2.27	1.67	32.7
	Dec. '61	4.62	1.85	39.1	2.77	1.90	31.1
15. Jutlibari Tea	Dec. '62	6.31	3.72	58.7	2.59	0.62	9.82
	Dec. '61	5.82	2.69	46.5	3.13	1.09	18.7
16. Dimakushi Tea	Dec. '62	2.69	1.40	51.1	1.29	1.79	66.5
	Dec. '61	2.24	0.90	40.9	1.34	1.82	81.2
17. Dufflaghur Tea	Dec. '62	5.25	3.34	63.4	1.91	0.92	17.5
	Dec. '61	3.91	1.50	38.4	2.41	3.22	82.3
18. Sone Valley Portland Cement	Dec. '62	16.83	8.80	52.3	8.03	0.25	1.48
	Dec. '61	16.28	3.70	22.7	12.58	8.95	54.9
19. Bararee Coke Co. Works Ltd.	March '63	10.64	7.00	65.7	3.33	2.31	21.7
	March '62	9.56	3.17	23.1	5.39	3.33	34.8
20. Dyer Meakin Breweries	March '63	108.11	62.00	57.3	46.11	46.28	42.8
	March '62	106.53	47.00	44.1	59.53	44.30	41.5

(Rs. Lakhs)

Name of Company	Year	Pre-tax Profit	Tax	Tax %	Net Profit	Retained Profit	Retained Profit %
21. Hindustan Motors Ltd.	March '63	350.00	222.50	63.5	127.50	34.75	9.92
	March '62	313.19	150.00	47.8	163.19	61.50	19.6
22. Indian Plastics Ltd.	March '63	2.60	1.50	57.6	1.10	0.46	17.6
	March '62	2.32	0.71	30.6	1.61	0.38	16.3
23. Kusum Products	March '63	12.82	8.30	64.7	4.52	3.10	14.1
	March '62	11.09	5.95	53.6	5.14	2.50	22.5
TABLE II							
1. Martin Burn	Sept. '62	78.17	36.50	46.7	41.67	3.44	4.40
	Sept. '61	81.01	33.50	41.3	47.51	7.45	9.19
2. Alkali & Chemical	Sept. '62	71.72	27.22	37.9	44.50	1.37	1.91
	Sept. '61	141.28	52.50	37.1	88.78	41.66	29.4
3. Orissa Cement	Dec. '62	98.75	51.00	51.6	47.75	17.57	17.7
	Dec. '61	115.66	44.00	38.0	71.66	31.80	26.1
4. Voltas	Aug. '62	137.48	71.00	51.6	66.48	22.96	16.7
	Aug. '61	139.55	66.50	47.6	73.05	28.82	20.6
5. Bowreah Cotton	Dec. '62	21.74	7.00	32.2	14.74	6.94	31.9
	Dec. '61	23.91	Nil	0.0	23.91	15.65	65.4
6. Dunbar Mills	Dec. '62	32.83	20.00	60.9	12.83	4.95	15.07
	Dec. '61	40.11	20.75	51.7	29.36	6.79	16.9
7. Rallis India	Aug. '62	43.80	21.97	50.0	21.82	3.23	7.37
	Aug. '61	54.44	24.33	42.8	30.11	9.35	17.1
8. Ananda Bag Tea	Dec. '62	3.45	1.98	55.8	1.47	0.49	14.2
	Dec. '61	4.86	1.81	45.0	2.17	0.85	17.4
9. Rungamatee Tea	Dec. '62	0.60	0.36	60.0	0.24	0.04	6.66
	Dec. '61	1.02	0.35	30.0	0.67	0.21	20.5
10. Tengpani Tea	Dec. '62	4.19	2.35	56.0	1.84	0.40	9.54
	Dec. '61	4.61	2.11	45.7	2.50	0.67	14.5
11. Moradabad Water Supply	Oct. '62	0.64	0.34	53.1	0.29	0.01	1.56
	Oct. '61	0.69	0.29	42.0	0.40	0.06	8.69
12. Engo Tea Co.	Dec. '62	0.81	0.35	43.2	0.46	0.04	4.93
	Dec. '61	1.15	0.47	40.8	0.68	0.33	28.6
13. Banarhat Tea	Dec. '62	11.19	4.95	44.2	6.24	0.91	8.13
	Dec. '61	11.55	4.35	37.6	7.20	1.70	14.7
14. Indo-Burma Petroleum	Dec. '62	54.63	31.28	57.2	23.35	1.19	2.17
	Dec. '61	63.36	31.32	49.5	32.03	7.00	11.0
15. Basmatia Tea Co.	Dec. '62	3.93	2.41	61.3	1.52	0.47	11.9
	Dec. '61	4.49	1.90	42.0	2.59	1.18	16.2
16. Ramnugger Cane & Sugar	Aug. '62	17.27	8.80	50.9	8.47	3.39	19.6
	Aug. '61	22.89	9.90	43.2	12.99	5.61	24.5
17. Bhartia Sons Ltd.	Sept. '62	0.22	0.10	45.0	0.12	0.06	27.2
	Sept. '61	0.44	Nil	0.0	0.44	0.88	18.1
18. Shree Niwas Cotton Mills	Dec. '62	35.49	13.40	37.7	22.09	0.51	1.43
	Dec. '61	61.50	21.75	35.3	39.75	12.06	19.6
19. Swadeshi Cotton Mills	Dec. '62	36.69	19.00	51.7	17.69	9.15	24.9
	Dec. '61	58.69	23.00	39.1	35.69	14.33	24.4
20. Birds Investments	Sept. '62	2.87	0.94	32.7	1.93	0.03	1.04
	Sept. '61	4.61	0.85	18.4	3.76	1.15	24.9
21. National Pipes & Tubes	Sept. '62	22.10	12.37	55.9	9.72	2.52	11.4
	Sept. '61	26.55	12.00	45.1	14.55	5.67	21.3
22. Bharat Commerce & Industries	Dec. '62	26.04	6.25	24.0	19.79	0.17	0.65
	Dec. '61	53.78	8.50	15.8	45.28	1.45	2.69
23. Bhartia Co. Ltd.	March '63	1.74	0.75	43.1	0.99	—	—
	March '62	3.95	1.20	20.3	2.75	—	—
24. Gwalior Rayon Silk Mfg.	March '63	304.90	—	—	304.90	127.39	31.7
	March '62	374.61	15.15	4.21	359.46	292.40	78.0
25. Hindustan National Glass Mfg.	March '63	9.30	6.50	69.8	2.80	1.00	10.7
	March '62	20.55	11.10	54.0	9.45	5.00	24.3
26. Metal Box Co. of India Ltd.	March '63	123.59	79.00	63.9	44.59	42.38	34.2
	March '62	113.74	58.10	51.0	55.64	44.03	38.7
27. Jiyajeerao Cotton Mills	March '63	87.13	38.50	44.18	48.63	15.86	18.2
	March '62	111.03	55.55	5.03	55.48	22.49	20.2
28. Orient Paper Mills	March '63	140.08	70.00	49.9	70.08	20.50	14.6
	March '62	141.20	65.00	36.0	76.20	27.50	19.4
29. Teesta Valley Tea	Feb. '63	0.35	0.17	48.5	0.18	0.01	2.8
	Feb. '62	0.54	0.16	29.6	0.38	0.18	33.3

** No amount is set aside for tax liability. The M.P. High Court has upheld the company's claim for exemption from taxes.

TABLE III

Name of Company	Year	(Rs. Lakhs)					
		Pre-tax Profit	Tax	Tax %	Net Profit	Retained Profit	Retained Profit %
1. Shree Gopal Paper	Dec. '62	115.62	60.00	52.17	55.62	64.76	56.0
	Dec. '61	58.83	22.50	38	36.33	31.55	53.6
2. Kumardhubi Engg.	Nov. '62	21.99	13.15	60	8.84	3.28	14.9
	Nov. '61	7.79	3.65	46.7	4.14	0.13	1.6
3. Budge Budge Jute	Oct. '62	37.69	19.40	51.6	18.29	1.85	4.9
	Oct. '61	Nil	Nil	00.0	Nil	Nil	00.0
4. Borpukhuri Tea	Dec. '62	1.15	0.16	13.9	0.98	0.74	64.3
	Dec. '61	0.78	Nil	00.0	0.78	0.53	67.9
5. Rajabhat Tea Co.	Dec. '62	2.08	0.75	36.5	1.32	0.49	23.5
	Dec. '61	0.67	0.10	15	0.57	Nil	00.0
6. Ethelbari Tea	Dec. '62	0.93	0.50	53.76	0.43	0.13	13.9
	Dec. '61	0.50	0.20	40	0.30	0.08	16.0
7. Tezpore Tea	Dec. '62	8.36	4.80	57.4	3.55	6.41	76.5
	Dec. '61	5.26	2.22	42.2	2.93	0.25	4.7
8. Tyroon Tea Co.	Dec. '62	7.60	4.26	56	3.34	2.71	35.6
	Dec. '61	2.51	0.78	31	1.73	1.66	66.1
9. Teloiyan Tea Co.	Dec. '62	5.06	2.70	53.36	2.36	0.06	1.1
	Dec. '61	2.55	1.12	43.9	1.43	0.00	00.0
10. Margaret's Hope Tea	Dec. '62	2.23	1.13	50.67	1.10	1.30	58.2
	Dec. '61	1.01	0.42	41.58	0.59	0.82	81.1
11. The Mim Tea Co.	Dec. '62	1.53	0.81	53	0.72	0.42	27.4
	Dec. '61	0.77	0.31	40.26	0.46	0.29	37.6
12. Soom Tea Co.	Dec. '62	3.54	1.68	47.5	1.86	2.01	56.7
	Dec. '61	2.70	1.08	40	1.62	1.60	59.2
13. Lingia Tea	Dec. '62	3.83	1.75	43	2.08	1.04	27.1
	Dec. '61	1.30	0.50	38.46	0.80	0.36	27.6
14. New Samanbagh Tea Co.	Dec. '62	12.93	9.84	76.02	2.09	2.06	15.9
	Dec. '61	3.44	7.24	210.4	Nil	Nil	00.0
15. Rajnagar Tea Co.	Dec. '62	3.07	2.08	67.6	1.99	2.23	72.6
	Dec. '61	Nil	1.52	00.0	Nil	Nil	00.0
16. Presidency Jute	Dec. '62	7.54	3.56	47.4	3.98	1.37	18.1
	Dec. '61	2.17	1.00	46	1.17	0.04	1.8
17. Nellimarla Jute Mills Co.	July '62	14.01	7.10	50	6.91	3.11	22.1
	July '61	5.90	2.50	42.4	3.40	0.59	10.0
18. Bengal Jute Co.	June '62	7.64	4.10	53.8	3.54	1.36	17.8
	June '61	4.55	1.91	42	2.64	0.62	13.6
19. Delta Jute Mills Co.	Nov. '62	36.49	11.90	33	24.59	2.12	5.9
	Nov. '61	Nil	Nil	00.0	Nil	Nil	00.0
20. Cheviot Mills	Nov. '62	40.07	10.50	26	29.57	13.54	33.7
	Nov. '61	Nil	Nil	00.0	Nil	1.21	00.0
21. East India Tea Co.	Dec. '62	2.56	0.50	19.5	2.06	2.20	85.9
	Dec. '61	1.85	Nil	00.0	1.85	0.96	51.89
22. Seajuli Tea Co.	Dec. '62	3.67	2.19	59.7	1.48	2.24	61.00
	Dec. '61	1.31	0.50	48.1	0.81	1.18	90.00
23. Esso Standard Refining	Dec. '62	376.25	182.32	48.4	193.93	183.24	48.7
	Dec. '61	326.40	144.52	44.17	181.88	170.65	52.6
24. Baradighi Tea Co.	Dec. '62	6.66	2.76	41.4	3.83	4.63	69.5
	Dec. '61	6.62	2.89	43.4	3.73	1.46	22.00
25. Hansqua Tea	Dec. '62	2.30	1.51	65.7	1.67	0.18	7.8
	Dec. '61	2.10	0.97	46.2	1.12	0.14	6.66
26. Rajgarh Tea Co.	Dec. '62	3.62	2.25	62.15	1.37	0.78	21.5
	Dec. '61	1.75	0.80	45.7	0.95	0.71	40.5
27. Electric Construction	Oct. '62	19.35	8.80	45.4	10.55	2.92	15.00
	Oct. '61	13.08	5.75	43.8	7.33	1.58	12.08
28. Darbhanga Sugar	Aug. '62	2.77	1.03	37.2	1.74	1.97	71.1
	Aug. '61	0.13	Nil	00.0	0.13	0.12	92.3
29. Hoolungooree Tea	Dec. '62	4.51	2.13	47.2	2.38	1.13	25.05
	Dec. '61	0.87	0.10	11.5	0.77	0.58	66.6
30. Indian Wood Products	Sept. '62	21.71	11.80	54.3	9.91	5.76	26.5
	Sept. '61	16.32	7.25	44.4	9.06	4.35	26.6
31. Malhati Tea	Dec. '62	5.22	2.50	47.8	2.72	1.10	21.07
	Dec. '61	2.38	0.81	34.0	1.57	0.96	40.03
32. Sen Raleigh Industries	Sept. '62	23.36	11.85	50.7	11.51	0.13	.55
	Sept. '61	21.56	10.08	46.7	11.48	0.07	.32

(Rs. Lakhs)

Name of Company	Year	Pre-tax Profit	Tax	Tax %	Net Profit	Retained Profit	Retained Profit %
33. Bhartia Electric Steel	Dec. '62	34.13	22.30	65.3	11.83	12.05	35.3
	Dec. '61	10.11	4.65	45.9	5.46	0.47	4.6
34. Bengal Flour Mills	Dec. '62	10.87	6.83	62.8	4.04	2.90	26.6
	Dec. '61	7.30	3.27	44.7	4.02	2.68	36.7
35. Alexandra Jute Mills	Dec. '62	22.41	15.85	70.7	6.56	3.82	17.00
	Dec. '61	2.57	1.48	57.5	1.09	1.40	54.9
36. Britannia Engineering	Dec. '62	24.17	9.10	37.6	15.07	1.85	7.6
	Dec. '61	11.48	4.00	34.8	7.48	1.11	9.6
37. National Screw & Wire Pducts.	Dec. '62	9.86	6.60	66.9	3.26	1.75	17.7
	Dec. '61	5.39	2.55	47.3	2.84	1.09	20.2
38. Binani Metal Works	Dec. '62	14.80	8.09	54.6	6.70	1.69	11.4
	Dec. '61	12.36	6.00	48.5	6.36	1.52	12.3
39. Auckland Jute	March '63	39.08	21.21	54.27	17.87	5.47	13.9
	March '62	-5.54	Nil	—	-5.54	—	Nil
40. Agarpara Coy.	March '63	32.27	13.70	57.9	13.57	8.37	25.9
	March '62	0.59	0.70	—	-0.11	—	—
41. Anglo-India Jute	March '63	73.57	38.14	51.8	35.43	28.64	38.9
	March '62	20.60	9.00	44.3	11.60	6.29	30.5
42. Bharat Jute Mills	March '63	17.74	0.24	1.3	17.50	—	—
	March '62	4.83	0.61	12.6	4.22	-31.16	—
43. Bally Jute	March '63	31.79	19.70	62.0	12.09	5.69	17.8
	March '62	13.67	6.90	50.5	6.77	0.60	43.9
44. Birla Jute	March '63	139.86	60.00	42.9	79.86	47.66	34.00
	March '62	96.66	42.00	43.4	54.66	23.22	24.02
45. Bengal Chemical & Pharma- ceuticals Works Ltd.	March '63	14.30	7.25	50.6	7.05	1.06	7.41
	March '62	9.15	5.00	44.6	4.15	0.99	10.8
46. Bharat Starch & Chem. Ltd.	March '63	5.32	0.06	1.12	5.26	0.36	6.76
	March '62	1.29	—	—	1.29	0.07	5.42
47. Dalhousie Jute	March '63	22.77	5.08	22.3	17.69	6.82	29.9
	March '62	-0.61	Nil	—	-0.61	-0.62	—
48. Ft. Gloster Industries	March '63	88.00	51.60	58.8	36.40	22.19	25.2
	March '62	26.14	12.30	47.0	13.84	5.46	20.8
49. Gourepore Company	March '63	74.09	47.10	63.57	26.99	15.61	11.06
	March '62	12.24	4.00	32.68	8.24	0.49	4.00
50. Greaves Cotton & Company	March '63	54.52	23.00	42.1	31.52	13.00	23.8
	March '62	52.85	22.25	42.1	30.60	10.99	20.7
51. Gopalpur Tea	March '63	2.00	0.12	6.00	1.88	0.27	13.5
	March '62	-1.19	—	—	-1.19	—	—
52. Howrah Mills	March '63	58.34	30.00	51.4	28.34	3.38	5.79
	March '62	10.97	—	—	10.97	-13.61	—
53. Hastings Mills	March '63	42.85	22.50	52.5	20.35	17.58	31.00
	March '62	6.28	1.60	25.4	4.68	4.17	66.4
54. Hukumchand Jute	March '63	84.82	57.00	67.20	30.82	29.10	34.3
	March '62	25.63	9.00	35.10	16.63	0.57	2.22
55. India Jute	March '63	58.75	31.00	52.7	27.75	14.17	24.1
	March '62	7.44	2.42	32.5	5.02	3.18	32.7
56. Indian Iron	March '63	911.00	356.00	39.0	555.00	386.38	42.4
	March '62	918.00	395.00	43.0	523.00	345.59	37.6
57. Imperial Tobacco	March '63	443.50	266.05	49.9	177.45	83.52	18.8
	March '62	316.73	176.82	55.8	139.91	26.85	8.47
58. Indian Paper Pulp	March '63	40.65	22.00	44.1	18.65	5.60	13.7
	March '62	23.47	11.55	49.2	12.92	1.51	6.43
59. Jardine Henderson	March '63	41.86	17.11	40.8	24.77	12.71	30.3
	March '62	16.43	4.61	28.0	11.82	4.78	29.0
60. Khardah Co.	March '63	68.05	25.35	37.2	42.70	10.50	15.4
	March '62	18.30	8.15	44.5	10.15	2.69	14.6
61. Kinnison Jute Mills	March '63	34.01	12.12	35.6	21.89	0.12	0.35
	March '62	-22.59	nil	—	-22.59	-21.89	—
62. Lansdowne Jute	March '63	13.51	0.63	4.66	12.88	1.34	8.91
	March '62	-15.57	0.07	—	-15.64	-6.84	—
63. Lawrence Jute	March '63	12.93	8.47	65.5	4.46	2.186	16.9
	March '62	8.02	5.52	68.8	2.50	2.60	32.4
64. Megna Mills	March '63	107.61	0.24	0.22	107.37	97.82	90.9
	March '62	-17.83	nil	—	-17.83	-4.26	—

Name of Company	Year	Pre-tax Profit	Tax	Tax %	Net Profit	Retained Profit	Retained Profit %
65. Naihati Jute Mills	March '63	19.08	3.10	26.7	15.98	12.79	66.5
	March '62	1.92	nil	—	1.92	1.79	93.2
66. Nuddea Mill Co. Ltd.	March '63	39.43	17.90	45.3	21.53	15.36	38.9
	March '62	4.25	nil	—	4.25	1.82	28.1
67. North Brooke Jute Co.	March '63	33.31	21.59	64.8	11.72	5.17	15.5
	March '62	10.13	6.18	61.0	3.95	0.94	9.27
68. New Chumta Tea	Feb'y. '63	2.24	0.72	32.1	1.52	1.13	50.4
	Feb'y. '62	0.15	0.13	76.6	0.02	0.19	—
69. Reliance Jute Mill	March '63	17.64	1.55	8.78	16.09	4.85	27.4
	March '62	7.31	1.64	22.4	5.67	—25.40	—
70. Union Jute Co.	March '63	31.60	20.10	63.6	11.50	4.75	15.03
	March '62	1.69	1.16	68.6	0.53	0.58	34.3
71. Universal Cables	March '63	4.26	1.29	30.2	2.97	2.42	56.8
	March '62	0.36	1.07	—	—0.21	—	—

FLOW OF FINANCIAL RESOURCES TO DEVELOPING COUNTRIES

TABLE I

(U.S. \$ billion)

Year	Official Net Contributions				Private Flow (2)	Total Official and Private Net
	Bilateral Grants (1)	Bilateral Net Lending	Multilateral Contributions	Total Official		
1950-55 (Annual average)	1.8	0.1	1.9	1.6	3.5	
1956	2.6	0.5	3.3	2.9	6.2	
1957	3.0	0.4	3.9	3.6	7.5	
1958	3.2	0.8	4.4	2.9	7.3	
1959	3.1	0.9	4.3	2.7	7.1	
1960	3.6	0.6	4.9	3.0	7.9	
1961	3.9	1.3	6.1	3.0	9.1	

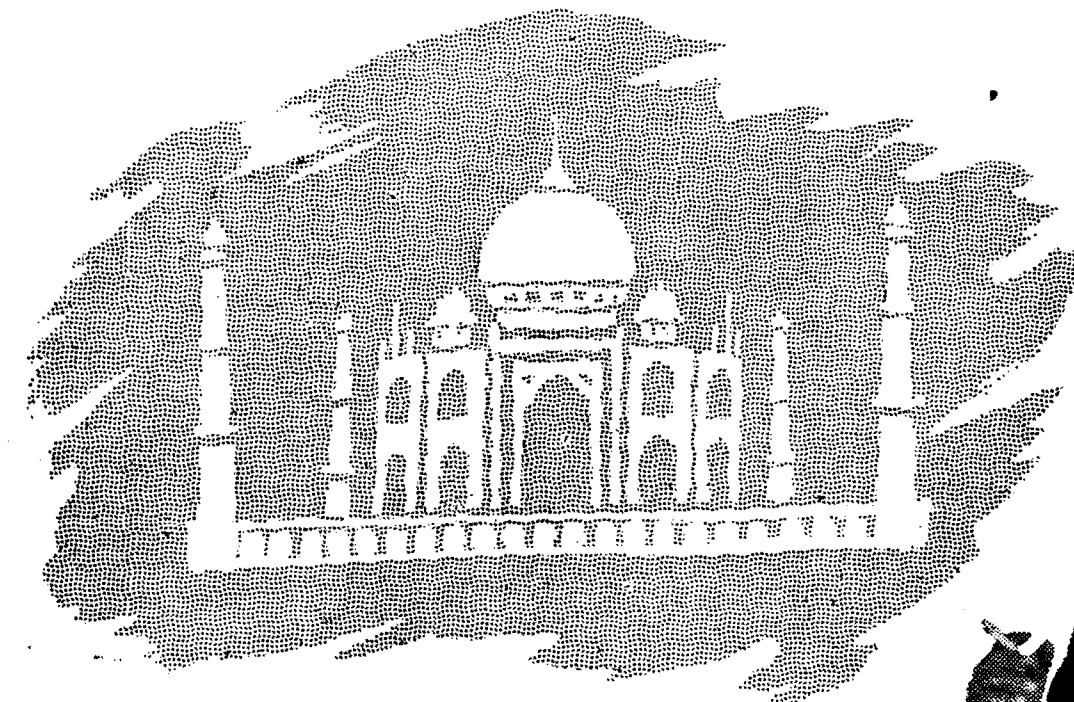
(1) Including reparations, net loans repayable in recipients' currencies and net transfers of resources through sales for recipients' currencies. (2) Including private multilateral contributions.

TABLE II

(U.S. \$million)

Countries	Official Bilateral Net Contributions		Official Multilateral Contributions		Private Capital Flow (1)		Total Flow	
	1960	1961	1960	1961	1960	1961	1960	1961
Austria	—	0.5	—0.1	1.7	5.1	15.6	5.1	17.8
Belgium	82.0	69.5	19.0	22.6	78.0	n.a.	179.0	n.a.
Canada	48.1	45.1	27.1	16.4	60.6	n.a.	135.8	n.a.
Denmark	0.7	1.2	4.3	6.0	24.4	14.5	29.9	21.7
France	783.6	870.0	64.7	73.3	449.8	462.5	1298.1	1405.8
Germany	241.6	329.1	101.0	286.2	273.0	219.3	615.6	834.6
Iceland	—	—	0.7	1.3	—	—	0.7	1.3
Ireland	—	—	0.7	1.3	—	—	0.7	1.3
Italy	76.7	70.4	26.6	14.9	175.0	167.9	278.3	253.2
Japan	114.6	210.0	30.3	11.4	101.2	160.0	246.1	381.4
Luxembourg	—	—	0.6	3.3	n.a.	n.a.	n.a.	n.a.
Netherlands	24.5	30.4	22.2	38.9	198.4	149.6	245.1	218.9
Norway	1.2	1.3	8.9	7.7	0.4	0.8	10.5	9.8
Portugal	36.9	35.8	—	8.0	n.a.	n.a.	n.a.	n.a.
Sweden	1.0	1.5	5.7	6.9	38.2	42.5	44.9	50.9
Switzerland	1.7	6.5	1.8	16.9	146.9	156.8	150.4	180.2
United Kingdom	312.0	400.0	95.0	40.0	418.0	398.0	825.0	838.0
United States	2545.0	3203.0	256.0	285.1	1040.0	1038.0	3641.0	4526.0
Total of above O.E.C.D. Countries and Japan	4269.6	5274.3	565.0	841.8	3009.0	3020.9 (2)	7943.6	9137.0 (2)

(1) Including private contribution to multilateral agencies. (2) Including Secretariat estimates for private capital flow for Belgium, Canada and Portugal.



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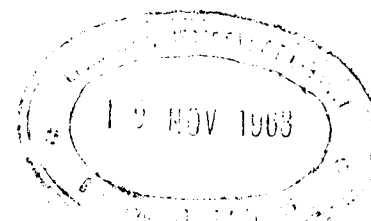
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The Prime Minister said that although he was partly responsible for the statement on socialism and democracy, after reading it he felt that it was "devoid of the necessary sense of urgency."

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Strike Me Pink

IT WAS a harried party that met at Jaipur to try sincerely, if somewhat desperately, to close its ranks against the confusion that threatens. Charity apart, it would be less than realistic to see it as a war between the factions. Those who believe in historical forces must live in fear of them, anxiously scanning the east and west and waiting for the fitful wind to change its direction. The Chinese betrayal along with the Cabinet changes and the election reverses that followed were man-made but they hit the Party, psychologically unprepared for them, like elemental forces. Reverentially, Mr. Nehru let them take over and work themselves out and, on occasion, stepped in to effect a minor but prudent change in direction.

The mood was duly penitent; the pronouncements on the working of the Kamaraj Plan, on the shifting influence of the Party with the country's young hopefuls, on corruption and foreign policy and, above all, the draft paper on democratic socialism evidenced not so much any malignant or unyielding purpose on the part of the leadership but a bewildered search for intelligibility after the breathless events had passed it by. Those who have been looking for exciting changes in high places have naturally stressed the negative aspect of the Kamaraj Plan, and it is only fitting that Mr. Morarji Desai should have moved a resolution giving it positive content. While it would be premature to pronounce on its success, the Plan has at least been instrumental in the emergence of energetic and possibly stable ministries in Bihar and Madhya Pradesh, and a smaller Central Cabinet is now better equipped to "act out" freely uninhibited by silent and conflicting reservations. The chastened and self-critical mood was echoed by Mr. Nanda when he argued, in his report on the election reverses, that the role of the Congress in the freedom movement no longer gave it cause for pride or pre-emption in the eyes of the people; the scars from forgotten battles cannot now be flaunted as virtue, a smug and overweening consciousness of which has hindered aliveness to the needs of the present. The non-controversial foreign policy resolution owed its easy passage to Mr. Nehru's prestige and to the party's single-minded pre-occupation with problems of organization. That the foreign press has been concertedly silent on India's refusal to treat the alliance of China and Soviet Russia as monolithic and her pioneering contribution towards bringing about a better realization, in Russia, of China's aggressive intentions which are incompatible with the realities of modern warfare is understandable; that the point has not been touched on in the Indian press is perhaps less than just.

The resolution on democratic socialism sounds less meaningful. What was it intended to achieve? The occasion is not an obvious one for the pious re-assertion of the Karachi and Avadi declarations. Mr. Nehru is being truer to Hindu tradition, of which he presumably disapproves, than he knows. In this tradition incantation has always been preferred to good works as a source of merit. Alternatively, if the resolution was meant to provide an ultimate principle of stability which will hold together the Right and the Left, the outlook is still not a clean landscape lit up in fair weather. For the Menons and Malavias will continue to strain at the extremities. If, like the Church of England, it is comprehension the Congress seeks within its ranks, in which High Churchmen and Wesleyans live in a nodding and uneasy but fruitful amity, Mr. Nehru's repeated strictures on Congressmen who have no faith in socialism ill accords with

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his objective. Nor does it seem realistic to expect that he will succeed, by this means, in cleansing the party of the resilient unbelievers, staying on in the hope that the summit Socialism will soon pass. In the context of unfulfilled plan targets and a stagnant economy, the paper on democratic socialism does sound like nervous, lonely whistling in the dark.

The declaration of war on want is commendable, but where are these heroic campaigns being fought? We have still to establish an adequate supply of food for our people. The standard of living may have improved, but it has done so only marginally over large sections of the community. National consumption standards, even in the case of such bare essentials as minimum clothing, footwear, shelter, basic transport, or the use of essential leisure, have come nowhere near civilized human existence. Unemployment has not decreased; on the contrary, educated unemployment is growing menacingly. The halting increase in National Income is just managing to keep ahead of the increasing population. Mass poverty remains massive and India continues to be possibly the poorest country in the world. Millions of people live without social security while thousands are condemned to shift for themselves on street pavements in the cities or hovels in the villages, not knowing where the next meal is to come from.

The AICC notes truly enough that the foremost aim for the country has to be the removal of poverty with all its attendant evils. It concedes that this aim calls for rapid economic development with continuing rise in production, agricultural as well as industrial. It realises that the slow growth of our economy has hitherto been due to our inability to make full use of our manpower and industrial resources and it notes that this inability springs from our failure to take sufficient advantage of the advance in science and technology. But, at this point, its wisdom seems to falter. It is all very well to say that a modern apparatus of production has to be built up in the quickest possible time so that the economy of the country may be transformed into a modern and efficient one with a high level of production. The task is to define and determine how this is to be accomplished. This country no doubt must find its own answers as others have done in their contexts, but the AICC does not even seem to be asking itself the right questions yet.

It is not enough to say that the achievement of higher living standards and the provision of social justice and social security would depend on our success in securing rapid economic development which, in turn, would become possible only by full utilisation of science and technology. The expanding and intensive application of science and technology either in industry or agriculture would mean, in effect, the employment of more capital in the fields and in the factories. Production as well as productivity are determined by the extent to which the community is con-

cerned to accumulate and employ capital efficiently. It is true that a developing country is weakened from the start by the fact that its reserves of capital are negligible or non-existent while its current production is barely sufficient to cover its current consumption. Here, in other words, is the classic vicious circle of poverty breeding more poverty. Fortunately, it is not as if the circle cannot be broken. On the contrary, again and again, in the course of the historic process through which many nations of the world have broken through from poverty to affluence, means have been found of generating the capital that is required for the "take off" of the various national economies.

The point is whether sufficient priority is in fact being given in this country to this crucial problem of capital in the field of political or economic policy-making. There has always been and there definitely now is room for choice. We may, if we choose, follow such policies as will promote domestic capital formation by encouraging people to work more, earn more, save more and invest more. We may also, if we choose, take a realistic note of the terms on which foreign capital could be attracted to this country on a larger scale and then proceed to create the appropriate climate for that influx. Or, we may elect not to act purposively in these directions but be content to muddle through imagining that pious intentions or bold words could be a substitute for practical conduct of the nation's economic affairs. It is perhaps not an unfair reading of the AICC paper on Democratic Socialism that it suggests that the Congress leadership has not still arrived at the stage of facing the facts of our economic life squarely. How else are we to explain its indulgence in the cant and catchwords which speak of the threat of monopolistic trends or its obsession with the risk of wealth concentrating or economic disparities widening? The Wealth Tax statistics for 1961-62, (which is the latest year for which this data is available) show that the number of individuals assessed to this tax was less than 24,000 in a population of 459 million. Is it seriously suggested that our national policy should be more pre-occupied with how to destroy the wealth of these 24,000 rather than with the question of how to improve the lot of the 459 million people in this country?

Although there has been much ranting from various political platforms, it has never been convincingly shown that the fact of there being a few thousand rich men in this country is coming in the way of our agricultural yields increasing or there being more science and technology in the working of our industries. On the contrary, it is because there is at least this limited accumulation of capital, some of it in the entrepreneurial and investing sections of the society, that even the little industrialisation we have been having is made possible. This is true as much of industrial expansion in the public sector as it is of industries in the private for the simple reason that a very large proportion of Government revenues is derived either directly or indirectly from

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these sections of the community. It has been said often enough, even from Congress platforms, that socialism does not mean the redistribution of poverty. Why then is it that, on occasions such as these, the Congress leadership should encourage a false sense of values and a wrong sense of priorities, by attempting to make it appear as though the war that must be waged on the nation's economic front is not on the poverty of 459 million people, but on the wealth of 24,000?

The country is being conditioned to believe to its disadvantage that the rich becoming richer somehow necessarily involves the poor becoming poorer. Few have cared to ask why this should be so. Fewer still have stopped to see whether this is in fact so. And yet it is an elementary fact—and one which we may readily notice all over the world—that the economic well-being and progress of a community is not tested by the question, "How few of its people are poor?", but by the question, "How many of its people are rich?". The sensible and only worthwhile purpose of economic development is the rescue of the poor from their poverty, not the persecution of the rich for their wealth.

The Arithmetic of Hunger

EVER SINCE its establishment in October 1945, the Food and Agriculture Organisation of the United Nations has produced every year a review of the food and agricultural conditions in the world. *The State of Food and Agriculture*, 1963, released recently has once again focussed attention on the well-known fact that the ever-increasing population of the developing countries has continued its upward march and that whatever increase in output was recorded, was insufficient to keep pace with the fast multiplying numbers. During the last five years in particular, the world production of food has remained unchanged on *per capita* basis and, "in fact, the increase in total food production in the less developed regions has matched that in the more developed parts of the world, but their populations have been rising much faster". The Director-General of F.A.O., Mr. B. R. Sen, has drawn pointed attention to the World Food Congress which was held in Washington in June this year and where the "historic" declaration was made that "the persistence of hunger and malnutrition was unacceptable morally and socially" and that elimination of hunger from the world was the "primary task of this generation".

While these pious declarations at international gatherings do provide some mental satisfaction to the leaders of the developed countries, they hardly go far in bridging the gap between demand and supply of food in the developing countries. Projections made by the research staff of F.A.O. have confirmed that the hiatus between production and consumption of cereals in the case of the low-income countries is likely to increase — as a result of past trends based on the low-

This is for the simple reason that any policy which is unduly obsessed with the war on wealth is not only irrelevant to but even inconsistent with the true dynamics of economic expansion which is the increasing application of capital and consequently the intensive harnessing of science and technology to the processes of agriculture and industry. History has yet to show us an example of a country which has taken poverty away from its millions by the simple process of taking wealth away from its thousands. Even in the case of the Soviet Union, the immediate post-Revolution onslaught on property was more a political pogrom than an economic programme and it is probably true that the economic and psychological consequences of that onslaught were at least one explanation why it took so much time and involved so much mass suffering, strain and deprivation for the Soviet economy to find its bearings again in the mainstream of modern economic progress. From this point of view it could be suggested perhaps that the AICC paper is a profoundly unhistorical and depressingly unscientific document. Platitudinous and cliché-ridden, it not merely lacks a sense of urgency, but is wanting even in a feeling of contemporaneity.

income assumptions — from 8 million tons per annum during 1957-59 to 28 million tons in 1970 while the surplus in the case of the high-income countries will increase from 21 million tons to 63 million tons during the same period. In overall terms, the non-communist world will have, without doubt, more food than it needs though the weaker nations will continue to depend upon doles from the prosperous ones. Table I (page 998) taken from "Agricultural Commodities — Projections for 1970" — a publication of F.A.O. released last year — shows that the imbalance in the case of wheat in low-income countries will remain almost unchanged in 1970 on both low-income and high-income assumptions.

The underlying cause of the failure of the food crops to improve in the developing countries is described in the FAO reports as sluggishness in productivity, but the chapter devoted to productivity in agriculture stresses the obvious that "it is only by a larger output per man that farm incomes can be increased and the mass of the rural population relieved from the glaring poverty which now oppresses them." It is conceded that raising agricultural productivity is at once a technical and a social problem. It is also a problem of organization. How to organize the use of the latest techniques in raising agricultural productivity is the crux of the whole problem.

In the developed countries, the increase in production has been brought about primarily by raising the productivity of land. On the other hand, the developing countries have increased their output mostly by extending the agricultural area. Long-term studies made in regard to yield of wheat between 1909-13 and 1958-60 set out

in Table II below show that during the period under consideration, except for a handful of under-developed countries, yields have increased in varying degrees all over the world. It is estimated that in India and Pakistan in the half century under discussion, the yield of wheat fell by 6 per cent. At the other end of the scale are Bulgaria and Mexico which registered increases of more than 100 per cent. The United States, Argentina, Australia, Japan and New Zealand recorded increases in productivity by 50 to 100 per cent. While it is true that the rate of growth of wheat yields is a complex phenomenon resulting from a large number of factors, the fact remains that the improvement in yields has been decisively influenced by the technological revolution which has taken place in many countries.

The productivity of land needs to be studied along with efficiency of agricultural labour to know how hard the people in the developed

countries and the developing countries work in order to produce the same volume of food. In the under-developed countries, the average time used to produce 100 kg. of various farm products, is higher than in the developed countries. For example, in the United States, working time required to raise 100 kg. of output of farm products was not more than one hour as against 35 hours in Colombia and 46.3 hours in Japan (see table III). Figures are not available in regard to some of the under-developed countries including India, but they are definitely much higher than that of the developed countries. The lesson of this comparison is that the farmer in the developing countries has to put in more man hours than his counterpart in the developed countries but he continues to get a lower return.

Since World War II, there have been some changes in output per man in agriculture. In many countries the gross output per man (and often net output as well)

TABLE I
THE PROJECTIONS FOR CEREALS: 1957-59 — 1970.

Commodity	High-income Countries			Low-income Countries		
	Production	Consumption	Balance	Production	Consumption	Balance
Wheat						
1957-59	91	77	+14	43	54	-11
1970 Low	115	83	+32	59	71	-18
High	115	82	+33	66	83	-17
Coarse grains						
1957-59	218	212	+6	86	83	+3
1970 Low	280	255	+25	106	109	-3
High	280	260	+20	125	108	+17
Rice						
1957-59	19	18	+1	111	111	0
1970 Low	26	20	+6	149	156	-7
High	21	20	+1	173	167	+6
ALL grains						
1957-59	328	307	+21	240	248	-8
1970 Low	421	358	+63	314	342	-28
High	416	362	+54	364	358	+6

Source: "Agricultural Commodities — Projections for 1970" — F.A.O.

TABLE II
PERCENTAGE CHANGE IN YIELDS OF WHEAT, 1909-13 TO 1958-60

Fall in Yield %		Increase in Yield by:			
		Up to 20%	20 — 50%	50 — 100%	Over 100%
Morocco	23	Peru	—	Portugal	21
Rumania	9	Algeria	3	Denmark	30
India/Pakistan	6	Spain	7	Poland	34
Chile	4	Ireland	8	U.A.R.	37
Canada	4	Sweden	13	Belgium	47
		South Africa	14	Switzerland	47
		Uruguay	16		
		Hungary	17		
		Tunisia	19		
				Brazil	52
				Greece	56
				U.S.S.R.	59
				Australia	60
				U.K.	61
				Finland	63
				Austria	66
				Italy	70
				U.S.	71
				Japan	74
				New Zealand	75
				Netherlands	78
				France	83
				Argentina	89
				Bulgaria	181
				Mexico	282

has risen much faster than the per capita national income indicating increasing efficiency of the agricultural sector (see table IV). In this country, the rate of rise in per capita income was almost the same as in agriculture; it means that India had not shared the happy experience of other countries such as Mexico, Colombia, the United States, Canada, the United Kingdom, Sweden, Italy, etc. where the average annual percentage rise in agriculture scored over the per capita rise in national income. A glaring exception to this rule

TABLE III
AVERAGE LABOUR TIME USED TO PRODUCE 100 KG. OF FARM PRODUCTS
(Hours of work per 100 Kg.)

Country	Date of estimate	Wheat	Barley	Maize	Rice	Sugar-cane
United States	1950-53	1.0	1.0	1.3	1.3	6.0
Argentina	1955	1.8	1.8	4.8	—	—
U.S.S.R. (State farms)	1956-57	1.8	—	—	—	—
U.K.	1948-49	3.1	2.7	3.6	—	—
Belgium	1950	4.2	4.7	—	—	—
France	1951	5.8	—	—	—	—
U.S.S.R. (Collective farms)	1956-57	7.3	—	—	—	—
Mexico	1949	11.14	—	33.0	8.33	—
Chile	1948-50	17.0	12.0	30.0	14.0	—
Greece	1955	18.9	—	40.5	25.2	—
Colombia	1953	35.0	26.0	47.0	34.0	8.0
China (Taiwan)	1931-34	—	—	—	41.0	—
Japan	1955-59	46.3	—	44.2	44.5	—
Ecuador (a)	1955	—	—	—	55.0	45.0
(b)	1955	—	—	—	12.0	6.0

(Source: The State of Food and Agriculture, Table III-8, page 114).

was Japan where industrial expansion took such rapid strides that the fine performance in the agricultural sector was over-shadowed by achievements in the other sectors.

Capital is another important element in raising the productivity of agriculture. F.A.O. has attempted, on the basis of information available, an assessment of the sectoral capital-output ratios (see table V) for a few countries. It is seen that agriculture is not the "bargain sector" which it is usually supposed to be. Except for India and the U.S.A. where the ratios are around unity, all the other countries indicate significantly high levels. For every unit of agricultural output, 2.1 units of capital are needed in South Africa, 3.4 units in Argentina and 2.8 units in Colombia. The ratio in the case of this country is low not only because the value of capital in the form of implements is not large but also because of the large volume of non-monetised investment, an evaluation of which is extremely difficult if not impossible.

The land in the developing countries is tired i.e. it

has been denuded of all its nutrient contents and is in urgent need of replacement of some of the essential components. This can be achieved through the application of chemical fertilizers but their use is not spreading at the desired rate. In the first place, there are the usual social and economic barricades which need to be overcome. The comparative backwardness of the people in taking to the use of the new fertilizers has been found to be a big hurdle and unless a programme of wide publicity through demonstrations is carried on in these countries, the fertilizers, even if made available to the people, would not bring about the desired results. Whereas in a developed country the new techniques are made use of because the farmers know all the benefits accruing from them and have the knowledge as well as the patience to use them in the proper ways, the same situation does not exist in the developing countries. The increasing application of agricultural science will no doubt solve this problem, but the fertilizer use — rightly described as the spearhead of the agricultural development — needs much more careful study and handling than has been the case so far.

The use of fertilizers throughout the world has been sharply rising in recent years. At the beginning of the century only 2 million tonnes of fertilizers were being used in the world; by 1962 the use of fertilizers increased

TABLE IV
POST-WAR CHANGES IN OUTPUT PER MAN IN AGRICULTURE
(Average Annual Percentage Change)

Country	Period	Gross Output	Net Output	Per Capita National Income
Austria	1952-54	4.5	4.4	6.8
	1955-59			
Belgium	"	7.2	7.5	2.2
Denmark	"	7.0	5.7	2.9
Finland	"	3.6	2.1	3.2
France	"	4.3	2.6	3.7
West Germany	"	8.5	6.6	7.4
Ireland	"	2.9	2.7	1.6
Italy	"	4.8	4.0	6.3
Netherlands	"	6.1	3.6	4.0
Norway	"	5.4	3.5	2.0
Sweden	"	4.2	2.9	3.1
U.K.	"	5.4	4.5	2.3
Canada	1951-59	3.1	—	1.9
Puerto Rico	1950-61	7.1	—	4.5
United States	1950-59	7.3	—	1.2
Argentina	1945-49	—	0.6	-0.1
	1955-57			
Colombia	1945-53	2.8	—	2.4
Mexico	1950-58	4.0	—	1.7
Venezuela	1950-58	—	4.1	6.2
India	1951-58	1.6	—	1.6
Japan	1950-59	4.3	—	8.5

(Source: The State of Food and Agriculture, 1963, Table III-12, page 119).

to 29 million tonnes. In recent years, the consumption of fertilizers has increased, on the average, by about one million tonnes per year.

Whereas many factors are instrumental in raising crop productivity and in this list must be stated improved seed varieties, pest and disease control, irrigation, improved drainage, mechanisation etc., the use of chemical fertilizers has played, without any doubt, a dominant role. Table VI below shows the effect of fertilizers on yields of selected crops under carefully planned experiments in

some of the countries. Tea production in India (experimental farms only) increased by 92 per cent in ten years and output of tapioca by 197 per cent in one year. Similar encouraging results have been recorded in the case of other crops also. Paucity of training facilities for farmers in the proper use of fertilizers is one of the hurdles. Another difficulty is the extremely low purchasing power of farmers. Recommendations have already been made by various visiting teams to the developing nations including India that in order to encourage the widespread use of fertilizers, an effort

TABLE V.

SECTORAL CAPITAL OUTPUT RATIOS (EXCLUDING LAND) IN NINE COUNTRIES

	Type of Ratio	Agriculture	Mining	Manufacturing	Transport & Communications	Public Utilities	Housing	Total
A. Recent Average Ratios								
India (1950-51)	Net	1.07	1.57	3.10	8.74	—	11.00	1.79
S. Africa (1944-53)	Net	2.1	1.9	0.9	—	—	—	—
U.S.A. (1938)	Net	0.72	0.49	—	—	3.26	—	—
Argentina (1950-54)	Gross	3.4	1.9	—	—	4.3	—	—
Colombia (1953)	Gross	2.8	1.7	2.0	4.8	—	—	3.4
								2.9
B. Long-term incremental ratios								
Norway (1900 to 1953)	Net	2.5	2.3	—	2.9	—	—	—
U.S.A. (1880 to 1948)	Net	2.2	1.1	—	—	1.9	35.2	3.0
Argentina (1900-09 to 1955)	Gross	6.4	4.5	—	14.9	—	9.6	—
								8.3
Australia 1861-70 to 1930-39)	Gross	5.9	5.1	—	—	—	16.5	—
Canada (1927-29 to 1951-55)	Gross	10.9	3.3	—	8.2	—	30.1	—
Sweden (1861 to 1950)	Gross	5.2	2.6	—	105	—	24.4	5.8
								4.3

Source: The State of Food & Agriculture, table III-15, page 122.

TABLE VI.

EFFECT OF FERTILIZER ON YIELDS OF SELECTED CROPS

	Crop	Duration of Experiment (Years)	Fertilizer (N+P ₂ O ₅ +K ₂ O)	Yield/ha on Checks	Yield/ha on Fertilizer	Per cent increase
			Kg/ha		Kg	%
India	Tea	10	135	59	1,134	92
Germany (West)	Hay	10	240	3,560	8,740	146
India	Tapioca	1	370	8,510	25,310	197
Tanganyika	Pigeon pea	1	210	581	1,840	217
			(+manure)			
U.S.A.	Wheat	4	200	659	2,285	247
Puerto Rico	Sugarcane	5	400	9,856	41,216	318

Source: The State of Food & Agriculture, 1963, table IV-2, page 140.

should be made to make available cheap credit to the farmers. The farmer will also need all possible help in determining the types of fertilizers needed by the soil as also the precise quantities in which they should

Initiative in Kerala

IT GOES to the credit of its energetic Chairman, Mr. K. R. K. Menon, that the Kerala Industrial Development Corporation Ltd., which has just produced its second annual report, has been able so quickly to assume definite purpose and direction. Even in narrow financial terms, the progress has been encouraging. As against a net loss of Rs. 26,850 in the first year, the Corporation earned a profit of Rs. 90,987 in 1962-63. The entire issued capital of Rs. 1 crore having been contributed by the Government of Kerala, the Controller of Capital Issues has agreed to sanction a further issue of capital to the extent of Rs. 95 lakhs, thereby enabling the Corporation to secure more funds for extending increased assistance to industrial expansion in Kerala.

In the second year of its functioning, the Corporation has sanctioned Rs. 24.36 lakhs in all to four companies as direct participation in their capital. The aggregate capital outlay on these four projects amounts to Rs. 156.50 lakhs. The Corporation had also agreed to underwrite shares of the face value of Rs. 64 lakhs. The total capital outlay of the four projects assisted in this manner is estimated at Rs. 716.76 lakhs. Besides this, the Corporation has sanctioned long-term loans to five parties to a total of Rs. 42.10 lakhs. Its directors have also agreed to provide guarantee for deferred payment of machinery to be procured from outside India to the value of Rs. 7.22 lakhs.

It will be seen that, despite its modest, initial resources, the Corporation is already functioning along the lines of a comprehensive institution for development financing and that the availability of Mr. Menon's experience as a former Chairman of the Industrial Finance Corporation of India is being put to good use. It is interesting that, even within the limitations of a beginner's small-scale operations, the Corporation is trying to diversify its interests, which is certainly the right thing since it would also help to diversify the pattern of industries in the State. Among the products which the assisted companies are engaged or are interested in manufacturing are steel bars and rods, steel wire ropes, calcium carbide, electricity and water meters, cotton yarn, titanium products, packaging paper and automobile tyres and tubes. Of particular interest is the formation of two companies, the Packaging Paper Corporation Ltd. and the Development Corporation Rubber Company Ltd. with the Kerala State Industrial Development Corporation as the major shareholder, in each case.

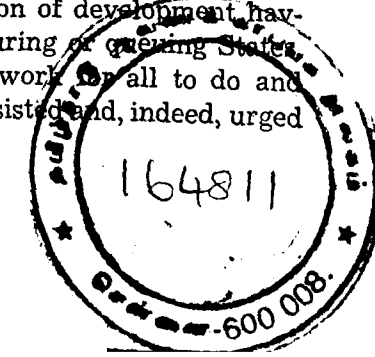
Good for a start as all this progress undoubtedly is, Mr. Menon has rightly said in his speech at the

be used. Unless the availability of fertilizers is coupled with easy access to technical knowledge, the broader objective of increased use of fertilizers is not likely to be attained.

second annual general meeting that the real test of the Corporation is not how much direct assistance it renders to industry, but whether, through its activities, it helps to create progressively a congenial climate in the State for expansion of existing industrial units and institution of new ones. Mr. Menon has tactfully referred to the aspect of political stability and we might agree with him that the much-discussed vulnerability of Kerala in this respect can be greatly exaggerated. At the same time it stands to reason that States which have a settled political leadership and a good and stable administration do have a hedge over others less fortunate where the preferences of investors or entrepreneurs are concerned. We are sure that Mr. Menon appreciates this point. He himself has emphasised in a very enlightened manner the important truth that States such as Kerala, "the internal" resources of which clearly have to be supplemented by "outside capital", ought to be sensitive to business sentiment in other parts of the country if substantial industrialization is to be achieved by them. To quote Mr. Menon, "The crucial — in essence fundamental — economic problem of our State today is the problem of attracting outside capital for our industrial expansion, which alone helps us to tackle our problems of poverty and unemployment."

Mr. Menon was speaking of Kerala within India. But there is in what he said also this larger truth that India itself and as a whole needs foreign assistance in a similar way. In both contexts action is required at two levels. In the first place there has to be a domestic effort to attract the outsider and in the second the outsider himself will necessarily have to develop a co-operative and even a liberal attitude. From this point of view Mr. Menon's appeal to the Central Government to show special consideration to Kerala in the issue of industrial licences cannot be lightly pushed aside although, for our part, we would certainly hesitate to agree with him that the reservation of licences on a regional basis can be considered to be among more suitable ways of achieving what is described as balanced regional industrial development. Reservations in other spheres have proved notoriously ineffective either in upgrading the privileged section or benefiting the community as a whole. In any case if the industrialisation of the nation is planned and pursued on the large scale on which it can and should be done, there will be no question of development having to be rationed among clamouring or queuing States. On the contrary, there will be work for all to do and each and every region must be assisted and, indeed, urged to do as much as possible.

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Highlights of the Week

FINANCE MINISTERS CONFER

THE STATE Finance Ministers, assembled at New Delhi last week at a Conference convened by the Union Finance Minister, Mr. T. T. Krishnamachari, are said to have discussed a wide range of subjects, including measures to accelerate the growth of the economy and problems relating to sales tax, agricultural income-tax, urban property values and market borrowings. No specific decisions except one, however, have been announced, presumably because most of them have a direct or indirect bearing on the next year's budget proposals. The decision announced is to the effect that the ceiling applied after the declaration of the emergency last year, on the quantum of States' share in small savings collections will no longer be operative. The States will now get two-thirds of these collections in their respective areas without any upper limit. The small savings collections, it is stated, have been gathering momentum particularly after the withdrawal of the Compulsory Deposit Scheme. Criticisms of C.D.S. on the score that it would hamper voluntary savings, has, thus, been vindicated to a great extent.

The other important decision believed to have been taken relates to urban properties which have appreciated in value a good deal during the past few years. These properties may come in for taxation by States in the near future, although it is not going to be an easy and simple affair. In regard to market borrowings, divergent views are said to have been voiced at the Conference. Some States favoured the last year's system of floating joint loans by them and the Centre, while other — presumably those whose borrowing programmes have been meeting with an unqualified success — expressed themselves against it on the ground that a separate borrowing programme by them should be more helpful in augmenting their finances. The Union Government appears to be favouring the latter view, probably because under a joint borrowing programme, the States do not exert themselves fully. Last year, it is stated, nearly Rs. 82 crores worth of securities floated had to be taken up by the Reserve Bank. The States which do not have as yet sinking funds for redemption of their debts, have been advised to create such funds. At present, sinking funds are there only in three States — West Bengal, Gujarat and Orissa.

The State Finance Ministers are understood to have again turned down the plea often made by the trade for expanding the list of commodities on which sales tax should be replaced by additional excise duties, to include such items of general consumption as vanaspati, paper, cement and kerosene. In the interest of imparting uniformity in sales tax rates, however, the pattern being worked out by the Northern Regional Council may be adopted. About agricultural income-tax, the suggestion made by the Taxation Enquiry Commission that it should be merged with the Central Income-Tax, does not appear to have carried much weight at the Conference. It was, of course, proposed that rationalisation should be effected in this legislation for securing some measure of uniformity in the country as a whole.

With a view to stepping up the tempo of economic development, while stress was laid on energetically implementing the short-term agricultural programme drawn up by the Union Ministry of Food and Agriculture, it was felt that the rigours of the licensing system should be removed and a partial de-scheduling of industries brought about to foster the growth of small and medium-sized units. It was also suggested that in locating new industries, the natural advantages enjoyed by certain regions should not be sacrificed in the interest of balanced regional development.

The social security programme and development of tourism may be expected to receive a fillip as a result of this Conference.

Mr. T. T. Krishnamachari has suggested that the States should initiate action at an early date for providing social security first to the Government employees and then to others, sector by sector, so that fear from the minds of the people could be driven out within the next decade or so. The Central social security programme may be extended likewise (after Delhi, it has been applied on a limited scale to Bombay last week). In regard to tourism, the Union Finance Minister held out the promise of help to State Governments for construction of hotels, buildings and acquisition of lands, etc., and also for improvement of the places of tourist interest.

INDO-CZECH TRADE

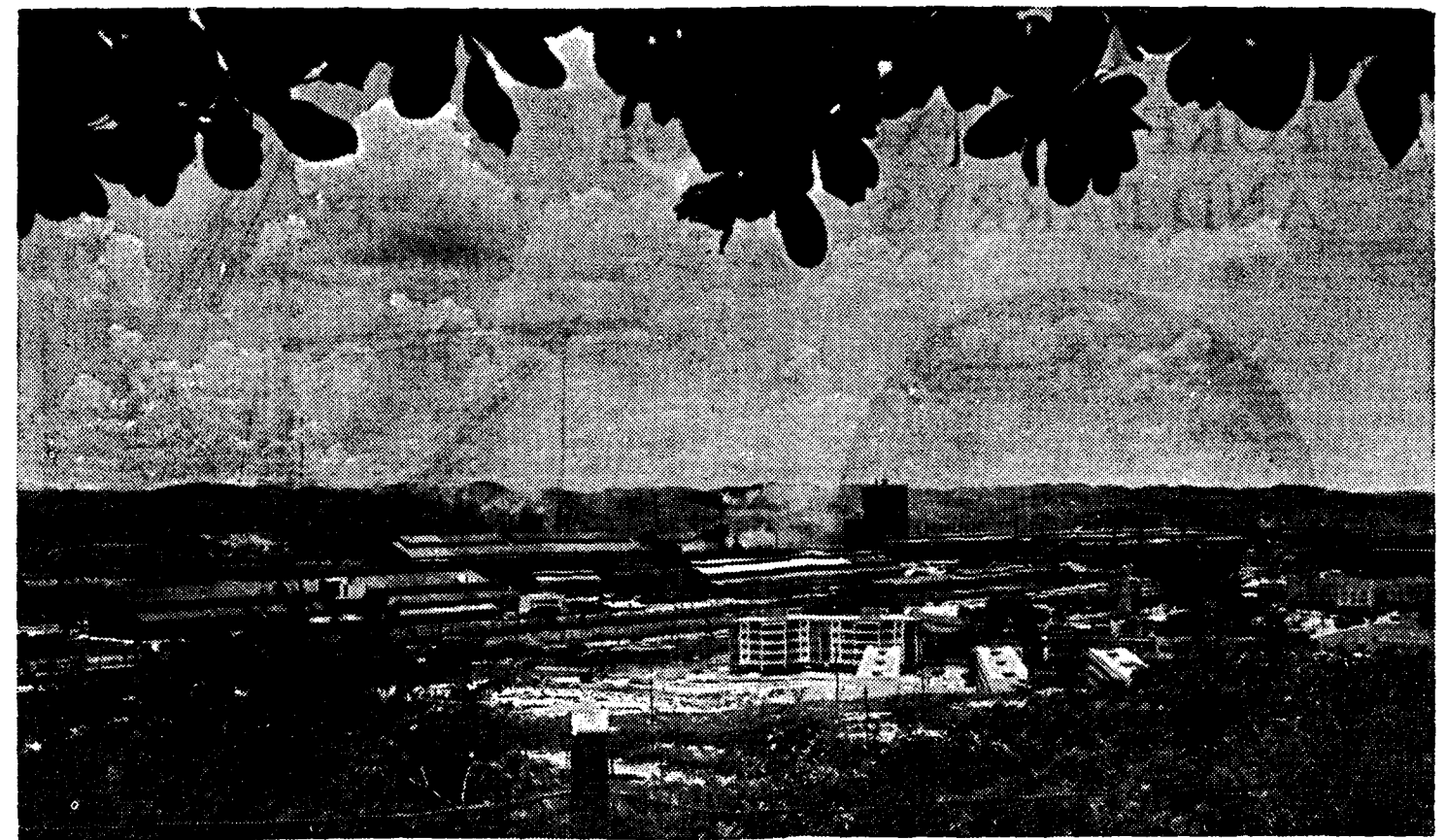
A FIVE-YEAR trade pact, effective from January 1, 1964, has been concluded between India and Czechoslovakia to replace the existing three-year Trade and Payments Agreement between the two countries. The new agreement envisages doubling of the current trade either way — approximately Rs. 12.5 crores — in a period of three years. The targets fixed for 1964, 1965 and 1966 are Rs. 19.5 crores, Rs. 23.5 crores and Rs. 24.5 crores worth of trade each way, respectively. As under the existing arrangements, the trade between the two countries is to be on a balanced basis, payments being made only in Indian rupees.

Exports from India will include both traditional and non-traditional items. A significant feature is that nearly 10 per cent of these exports will be in non-traditional items. This list includes chemicals and drugs; tyres and tubes; asbestos; textiles and manufactures; rolled steel products; steel castings and forgings; plastic goods; plywood and veneers; jute; abrasives; paints; enamels and varnishes; leather manufactures including leather footwear; linoleum; tooth brushes; cigars and cigarettes; cotton textiles; readymade garments and shirts; nylon socks; tinned fruits, juices and concentrates; tinned sardines and other tinned fish; coir manufactures and ropes. The traditional items that will be exported from India include iron ore, jute products, textiles, tea, H.P.S. groundnuts, cashewnuts, coffee and tanned and semi-tanned hides and skins.

Import from Czechoslovakia will consist mainly of machine tools, heavy machinery and equipment for power projects and other heavy industries such as tractors. Czechoslovakia will also be supplying increasing quantities of tool, alloy and special steels, rolled steel products, ball bearings, chemicals, dye-intermediates and various other industrial raw materials and components.

The full benefit of the provision for engineering goods imports by Czechoslovakia can be derived only if the Indian exporters take special care to provide service facilities and spare parts for them. In regard to iron ore exports, the increase over the current level of about one million tons is proposed to be 20 per cent. Czechoslovakia has offered to receive iron ore deliveries in Indian bottoms. It is, however, doubtful if any large quantities of this commodity can be shipped in Indian vessels. This facility, no doubt, should help in getting a better price for our iron ore. But since the payment for the shipping service will be in rupees — it forms a part of the overall trade pattern — it may correspondingly cut down offtake by Czechoslovakia of other items of export. Further, the Indian shipping space can be utilised otherwise for earning or saving a good deal of convertible foreign exchange. The issue, however, has been left open for decision by the Government of India.

Czechoslovakia has also offered a new line of credit to the tune of \$50 million (nearly Rs. 24 crores) for financing



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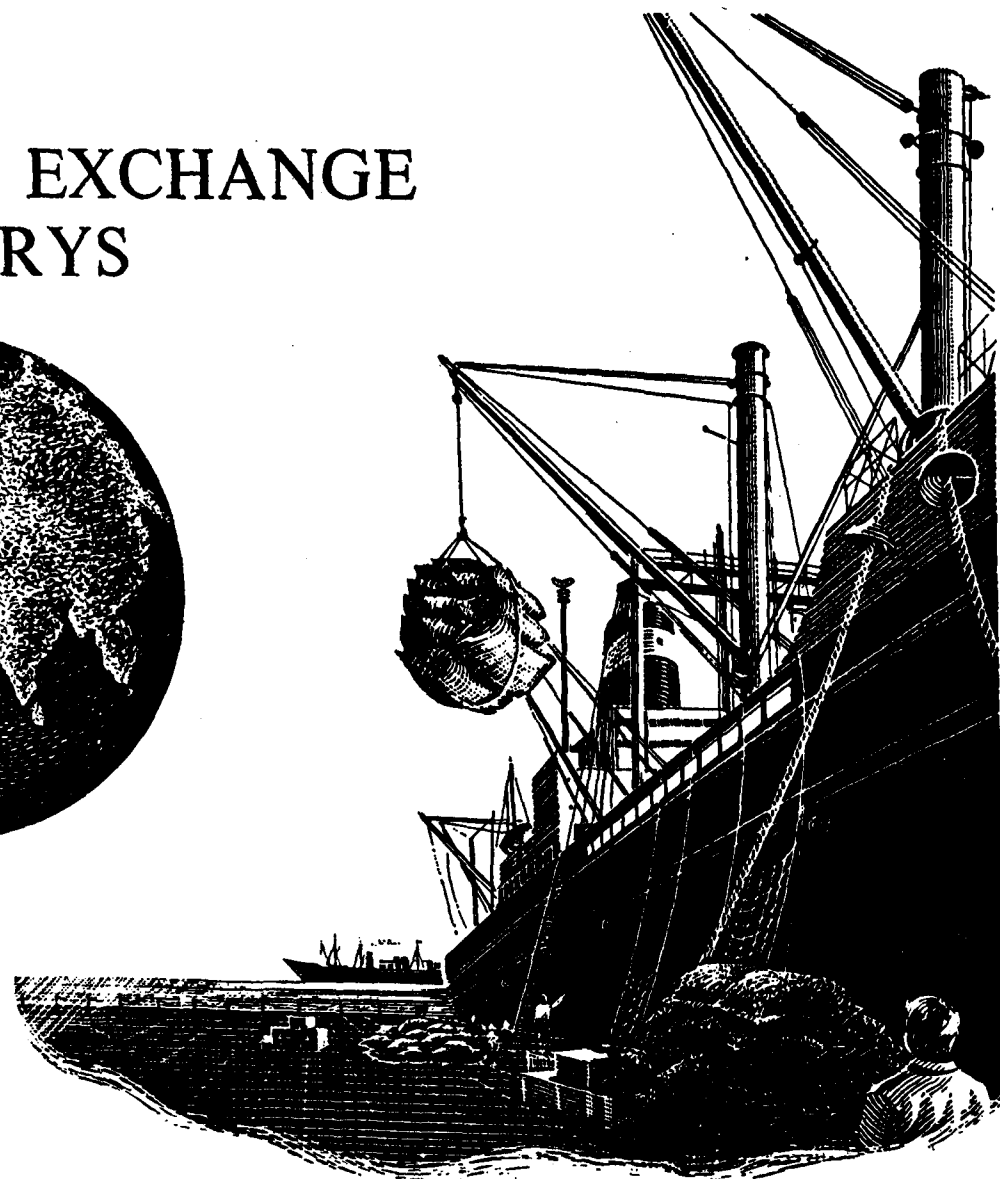
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some projects during the fourth Plan period. The details about these are yet to be worked out. The Government of India has expressed the hope that this credit will also be doubled in line with the 100 per cent increase proposed in the trade between the two countries. Czechoslovakia, according to Mr. F. Hamouz, the Czech Minister of Foreign Trade, considers India a good country with which aid arrangements for specific projects can be concluded. In view of this, it is not unreasonable to expect that the \$50 million new credit offered will be stepped up substantially.

FIGHTING CORRUPTION

CORRUPTION IS an age-old phenomenon and in certain departments of Government time-honoured too. But there is little doubt that the evil has seeped much deeper into the fabric of the Indian administration in the post-Independence era than was the case earlier, thanks largely to the expansion of State activity in the economic sphere. It is encouraging to note that the Union Government has now decided to take energetic measures to eradicate this evil. Following the Santhanam Committee's recommendation in its interim report submitted about six months ago, it is proposed to set up soon a Central Vigilance Commission, headed by an eminent public man or a senior civilian. This agency will be supplementing, and not supplanting, the existing anti-corruption machinery in the Union Home Ministry such as the Special Police Establishment. The Santhanam Committee has recommended that the Commission should be given an independent status as in the case of the UPSC or the Election Commission. The Committee has also proposed that the Commission should have the sole authority to decide how a particular case brought before it should be dealt with — whether there should be a departmental enquiry or a prosecution before a court of law. To make its authority felt, it has been recommended that the Central Bureau of Investigation and the other existing vigilance agencies should function under the guidance of the proposed Commission which should be required to submit periodical reports of its activities to Parliament.

A number of other proposals made by the Santhanam Committee are also said to be under the consideration of the Government to fight the evil of corruption in administration. They relate to tightening up of the rules of conduct governing Central Government employees, making it incumbent on them to file annual returns of their assets and liabilities and simplification of procedures to ensure that no departmental enquiry against a Government servant takes more than six months. Proposals for stamping out corruption among Minister and politicians, have been left for the final report which the Santhanam Committee may submit early next year. The penal and administrative measures which may be adopted by the Government on the recommendations of the Santhanam Committee may go some way in striking fear in the minds of the bribe-takers and bribe-givers. But it will be optimistic to assume that they can have a lasting impact if concerted action is not taken simultaneously for simplification of cumbersome departmental procedures and elaborate economic controls. The steady increase in the cost of living, which has hit very hard indeed the fixed income groups — Government employees form an important section of them — has also to be brought under control; it has certainly been one of the primary causes for the spread of corruption at the lower levels in the public services.

PRESIDENT'S NEPAL VISIT

PRESIDENT RADHAKRISHNAN'S last week's visit to Nepal, reciprocating the courtesy of King Mahendra's visit to this country in August-September last, is another milestone in the steady promotion of mutual understanding, good-

will and co-operation between the two countries. The President is stated to have been impressed by the Nepal Government's efforts at promoting the economic and social advancement of the people. At the present juncture, when no small disillusionment has been caused to Kathmandu by the promised Chinese assistance for some industrial projects not materialising, this country's active interest in and readiness to co-operate with the development plans of Nepal need to be emphasized.

Already this has been done to some extent by New Delhi agreeing to Nepal's plea for transit facilities for her trade with Pakistan, without insisting on the bond system governing this trade. Under the Colombo Plan, India has been giving technical assistance to Nepal. If, as a sequel to the recent visit to Kathmandu of a delegation of prominent Indian industrialists, Indian capital and enterprise could help set up industries in the Himalayan Kingdom, the political understanding between the two countries will be strengthened further, thereby reinforcing the national integrity and security of both. On behalf of the Government of India, the President has rightly assured Kathmandu of full and friendly participation in the task of building up Nepal's economy and its people's welfare.

KISHAU DAM — ANOTHER BAKHRA?

MUCH SATISFACTION should obviously be caused by the crossing of the first and the most critical hurdle in the way of building the Kishau Dam on the river Tons, a tributary of the Jamuna. Conceived as long back as in 1943, the progress on this multi-purpose project has been held up due to inter-State rivalries. An agreement is stated to have been now reached at a conference held here last week to share the cost and benefits of this dam by U.P., Himachal Pradesh, Punjab, Rajasthan and Delhi.

The details in this regard will be worked out in due course. The principle agreed to is that the contribution of each State towards the cost of the dam should be in proportion to the benefits accruing to it. The sharing of the cost and benefits will be only in respect of the irrigation and power facilities to be created by the Kishau Dam. For the other power developments in U.P., the cost would be borne by the U.P. Government. Himachal Pradesh shall be free to develop irrigation and power projects unstream of this dam, without, of course, affecting it. Two more dams may be built — one across Giri above its confluence with the Tons and the other on its tributary Jalal. To maintain the existing supply of Jamuna water, a balancing pond may have to be provided when the Giri dam is constructed. This may necessitate the remodelling of the existing barrage at Tajewala or building another one also.

The investigation and preparation of the report on the Kishau Dam as well as its construction will be the task of the U.P. Government. The Himachal Pradesh Government might also be associated with the investigation work. In regard to the Giri and Jalal dams, all the work will be undertaken by the Himachal Pradesh Government. The investigation in respect of the balancing pond will be carried out by the Punjab Administration.

The size of the dam suggests that it will be an ambitious project. It will be 730 ft. high — only 10 ft. lower than the Bakhra Dam. Its catchment area will cover 1,886 sq. miles. The storage capacity created will be nearly 1.7 million acre-ft. According to the rough calculations, the project will help in irrigating 386,000 acres and in generating 227,500 kW. of firm power.

International Comparisons of National Income Statistics

By B. R. SHENOY

NEARLY ALL member-countries of the International Monetary Fund, which number 86, have now a running series of national income statistics, available for ready reference in the "International Financial Statistics". But international comparisons of these statistics may not be strictly valid or safe. First, the techniques and the principles of their computation may vary. Secondly, the goods and services content of a given unit of income may not be the same in all the countries whose national income statistics are brought under comparison.

The first limitation may, in due course, cease to have full validity with the increasing adherence by countries to international conventions in the use of national income concepts, terminology and the techniques of their computation. The Communist countries being slow in or averse to accepting these conventions, this limitation may persist in the comparison of the statistics of the free and the Communist countries.

The second limitation may have much wider and more lasting applicability. In the under-developed countries, the comparatively better-to-do groups of individuals may be able to command various personal services which may be generally beyond the reach of individuals in the same income categories in the richer countries. Thus, in Western Europe, North America and in the highly industrialised parts of the rest of the world, most people generally polish their own shoes, wash their own clothes, do the house-hold chores and the 'mali' work themselves, carry their own baggages in the air-ports and railway stations and so on. In the economically under-developed countries, middle-class people may not like to be seen doing these things themselves, apart from fashionable hobbies such as light gardening, now and again.

Costly Services

The explanation lies perhaps in the comparative riches of the industrialised countries. Riches imply high wages, wages being the workers' share of the national income. The richer a country the higher the wages and, therefore, the more costly are personal services. Under the compulsion of costs, more and more people prefer to "do-it-themselves" as national income grows, using the income thus "saved" to meet the endless series of other needs. Every house-holder becomes as a result a general "mistry" (mechanic) — he knows something of plumbing, carpentry, cycle and car repairs, house painting and he may mend and use garden tools with striking dexterity—with the garage or basement as his workshop; and every house-wife becomes a maid-of-all work, demanding and getting the meek assistance of the husband and teen-age children in the discharge of routine house-hold drudgeries. Dishwashing, carpet cleaning and lawn mowing are not strange experiences to the gentlemen of England, of Western Europe, of the more prosperous parts of the Commonwealth and of the USA. With domestic help at 4s. an hour and the laundering of a shirt costing 2s. 6d., self-help in house-hold work becomes a natural and normal phenomenon.

Growing riches and higher wages also explain — while being at the same time an evidence of growing riches — the manifold house-hold gadgets and the semi-processed foods, which reduce the time and the trouble of the daily cooking and of the other tyrannies of the house-wife. As national income moves up the ladder of affluence, the demand for the gadgets and the semi-processed foods becomes near universal. The disappearance of the house-maid kept pace with the emergence of the washing machine, the vacuum cleaner and the electric heaters; these, together with the television set and the family car—all adults in the family use it by arrangement—are the new symbols of good living for a growing propor-

"Eastern Economist" is glad to announce that Professor B. R. Shenoy, the well-known economist, who is now in Britain for an extended stay as a visiting professor in the University of London under the Commonwealth Exchange Scheme, has agreed to write regularly in these columns during his sojourn abroad. The first article in this series is published here.

tion of the masses.

Democracy and Communism may not have succeeded in bringing into being a classless society which their prophets are never tired of elaborating on. But the Western world today is a servantless society of super-markets. The term servant has almost disappeared from common usage; the rare practitioners of this unedifying profession wish to be described by other names and may like to refer to their employers as "clients"; like the advice of the legal luminaries and the Harley Street specialists, it is but the few that can afford a full-time help in the house, except, of course, under duress such as illness or other disability. Shop assistants being expensive, the customers serve themselves in the super-markets; they pick up into trollies their weekly assortments of the standardised mass-produced goods of daily consumption.

Retarding Economic Growth

Possibly, the virtual absence of the servant class may be a factor holding back the continued acceleration of the economic growth of the high-income communities. It is quite common for people of talent to be engaged like common workmen much of the time at home and frequently like secretaries part of the time in the office; though some physical work may be recreative and health-giving, an undue imposition of it on all may cost heavily to the national product; if relieved of some of these drudgeries, they may devote more time to pursuits in their special fields with much better advantage to themselves and to the national product. If so, the large Negro population of the USA may be viewed as a national asset speeding up the economic growth of the country. By taking over work which any man can do, they enable people with high production capacities to give to the community the full benefit of their abilities.

This reasoning suggests that a relaxation of the restrictions which prevail in some high-income economies on immigration from the under-developed parts of world may be in the long-term interests of the richer countries themselves. This may permit the most advantageous deployment of the human resources of the country. The mass support to the restrictions on immigration, like the protectionist measures on commodity imports, would seem to rest largely on the common fallacy that they are essential to the preservation of employment and incomes at a high level. The relaxation of the restrictions on immigration may also help to relieve the population pressures in the under-developed countries.

On the other hand, in the industrially advanced countries, manufactured goods are generally cheaper and of better quality. If the services content of the same range of income is larger in the under-developed countries, its manufactured goods content may be larger in the industrially advanced countries; this may militate in the opposite direction international comparisons of national income statistics.

This last factor has assumed undue importance in recent years. Indian visitors to the United Kingdom who run a house-hold establishment of their own, may find that the living costs in London are perhaps about

be even somewhat less than, in Bombay, Calcutta or Delhi. Rents seem lower, the cost of milk and milk-products may be about the same and manufactured articles are distinctly cheaper.

This strange experience is, however, deceptive. It is a misleading outcome of the unrealistic rate of exchange between rupees and sterling. A three-bed room house costing £50 a month, a refrigerator of the same value, or the miscellaneous house-hold expenditure of a like amount, at the present exchange rate, each amounts to Rs. 866.50. But it would be wholly delusory to jump from this to the conclusion that living costs in UK compare very well with living costs in India. The pounds sterling is worth much more than Rs. 13.33, its value in the official market. In the free markets for foreign exchange abroad, and in the black market in India, it is at a substantial premium, being at one time rated around Rs. 20. Even the free-market rate does not indicate the correct (the equilibrium) value of sterling in terms of Indian money. If the equilibrium rate should be say, Rs. 25=£1, an expenditure outlay of £50 on rent, on a refrigerator, or on house-hold needs at once become worth Rs. 1,250 each and the false picture of the comparative cheapness of London changes.

The optic illusion of the cost distortions ensuing from the exchange-rate over-valuation apart, ordinarily, the price disparity of manufactured goods as between the industrially advanced and the under-developed economies may not be larger than the costs of transport and the incidental payments, which, highly protected commodities apart, may not be very considerable under normal conditions of freedom in international trade. More usually, therefore, the goods and services content, of the incomes of the middle-class and the upper-income groups may be noticeably higher in the under-developed economies than in the industrially advanced ones. A family with an income of Rs. 500 per month in many respects is perhaps more comfortable in India, Burma, Ceylon and Pakistan than a family with the same income in the

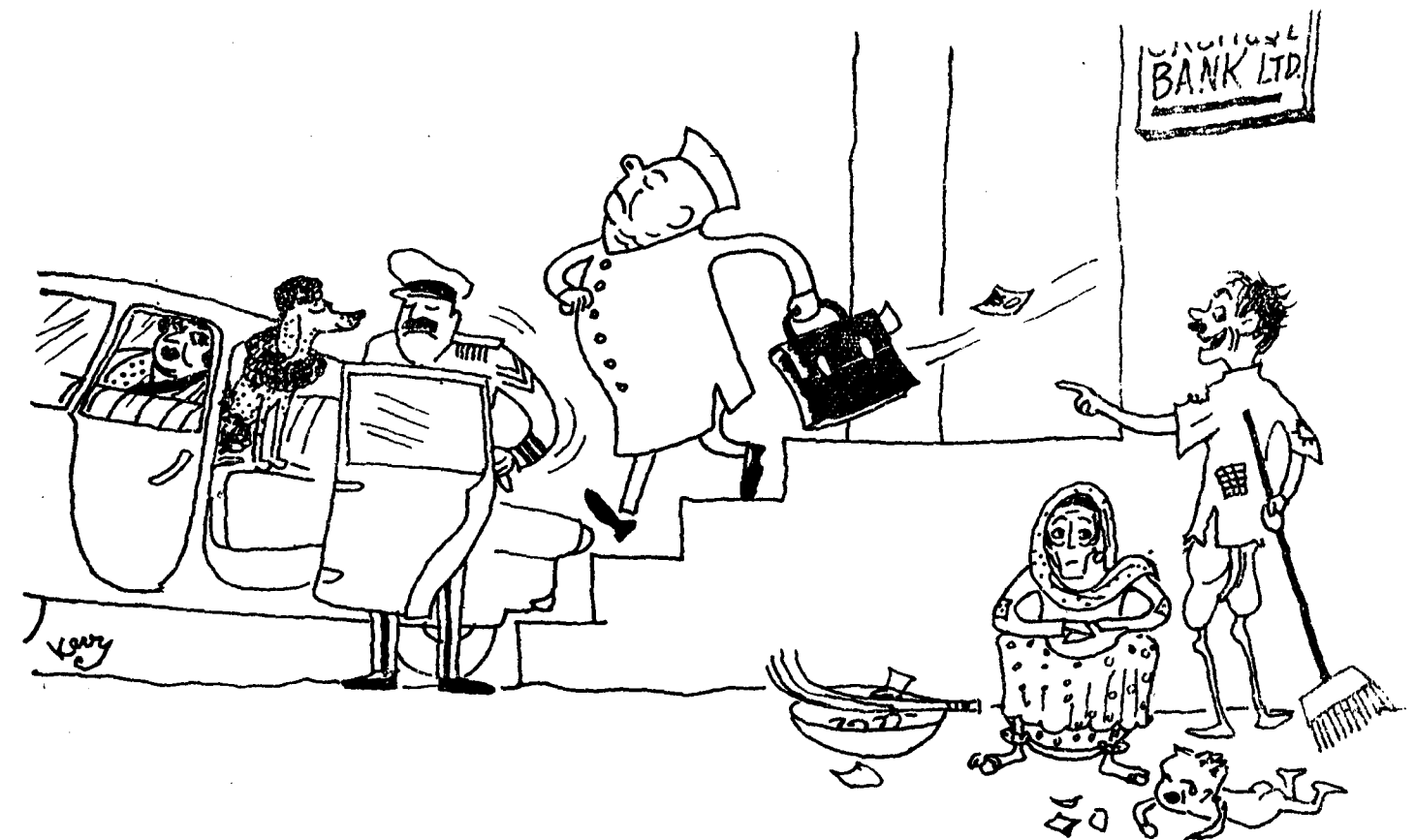
industrialised West. In the former, such a family may have a part-time servant doing the more irksome house-hold jobs; in the rural areas it may own a house, though it may not have much of furniture. A millionaire in the under-developed countries probably lives in many respects like a multi-millionaire in the high-income economies of the West.

Despite these limitations of the international comparisons of national income statistics, India would seem to be about the poorest part of the world. Viewing the Indian people as a whole, in 1960, per capita income in India was about Rs. 294. In the same year per capita income in the USA was about Rs. 10,900, in Japan about Rs. 2,110, in Sweden about Rs. 8,500 and in Israel about Rs. 2,825.

Per capita income in India has also been rising at about the slowest pace in the world; from 1951 to 1959 this rise averaged a mere 1.3 per cent per year, the corresponding percentage being 7.2 in Japan, 6.1 in West Germany, 5.2 in Italy 5.0 in Israel and 3.6 in Burma. Few countries had a smaller rate of increase than India.

This underlines the immensity of the task before the Indian economy. It has a long way to go before the masses of the people may reach and move beyond the line of reasonable comfort for all; in the meanwhile, the industrially advanced parts of the world will have travelled leagues further ahead. The gaps between us and the others will have widened, unless the progress of the latter should get halted and reversed by a catastrophe or by the adoption of statist "planning".

This underlines, too, the great need to step up national savings and to avoid wasteful uses of savings, as economic development is a function of wisely invested savings. Our policies need to be oriented to stimulate savings and to ensure the most productive investment of savings. This is far from being the case. The Indian economic scene presents a picture of private and public extravagance, in the context of an acute scarcity of capital both in the private and the public sectors. This is largely the outcome of mis-guided policy measures.



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WINDOW ON THE WORLD

War in the Sahara

From Our Special Correspondent

RABAT (Morocco):

THERE EXIST certain superficial resemblances between the border conflict now raging in the Sahara Desert, where Algeria meets Morocco, and the frontier conflict that opposes India and China. In both cases, a long, rambling, arbitrary frontier running through sparsely populated or quite unsettled regions becomes, at points, vague enough to allow contestation in more or less good faith — though good faith would require that differences of opinion be confronted in an amicable negotiation, and in both cases one party has refused that, preferring to press its claims by force of arms. Such vagueness about the delineation of the frontier, however, is in both cases only occasional: for the most part, the border is clear enough, but one party contests the manner in which it was determined. It argues, specifically, that the border was fixed, in those sections where it is clearly marked on the maps, by the imperialist power of yesterday and is thus not necessarily binding on the independent successor-States of today.

To call in question in this way all the frontier agreements of the past on the grounds that one did not like the regimes responsible for them would mean (as the Russians lately told the Chinese, apropos their own border with China) hell let loose all around the globe. For once you start on that line, there is no stopping: one can always appeal to some previous frontier arrangement as more suitable, and then to an earlier one, until (in Moscow's phrase) you get right back to the Old Testament. The point is that all historical frontiers are "unjust", depending on the accident of victory in days long gone by, but nations acquiesce in them for all that because they know that to arrange a new carve-up of the continents would not produce any better solution, but only (after immense suffering) new arbitrary border based on the accident of tomorrow's victories. No nation in Continental Europe today considers that it has its just or ideal frontiers (certainly not Switzerland, or Holland, or Spain, or France, or Italy, or Austria). Minor adjustments are still being negotiated amicably, as this year between France and Switzerland, and between Holland and West Germany. But the matter arouses little interest, because nations now know that their prestige and prosperity depend more on what goes on inside their borders, and on how they co-operate across their borders, than on territorial aggrandisement or frontier rectifications.

Specious Claims

To that general argument, China and Morocco reply that there is a quite specific and recent injustice to be remedied: the imposition of an unfavourable frontier on a weak nation ruled by men who were at the time the plaything of the imperialist installed in a neighbouring region. The Moroccans, for example, deny all value to the frontiers drawn by the French when they were the ruling power in Algeria and at the same time the "protector" of a puppet sultanate in Morocco. The claim is specious and does not really escape the objections made to all efforts to re-draw the map in order to repair historical accidents. Moreover, the Moroccans have discredited themselves by the extravagance of their claims, which go far beyond the few border posts now in dispute between themselves and the Algerians. They extend, indeed, to the huge tracts of the Algerian Sahara in the south and east, and then south across the Spanish possessions and Mauritania to Saint Louis du Senegal. (It was these latter claim that led to Rabat's refusal to recognise the independence of Mauritania, a republic that is now a member of the United Nations

and of the organisation of African States, despite Moroccan opposition).

At this point, all analogy between the Algero-Moroccan difference and the Sino-Indian conflict ceases. The areas in dispute in the Sahara have seen vast population movements (not in the sense that many people were involved but in that petty "empires" expanded and contracted over immense distances), and these shifts and changes can be held to warrant all sorts of conflicting "historical claims". Indeed such movements are still going on in our day, for the sparse populations involved are nomadic, and fluctuating in their allegiance to various suzerains. Tunisia, for example, has in reserve claims on the Algerian Sahara scarcely less extravagant than Morocco's, and when it comes to settling the southern borders of Algeria, where the Sahara runs into Negro Africa, affairs will be no less complicated.

Contrasting Features

More important is the contrasting political sense of the Algero-Moroccan conflict. For here (quite the reverse of the Sino-Indian dispute), the nation that is geographically expansionist (Morocco) is politically moderate if not conservative, whereas the Algerians, who want to solidify the borders left by imperialism are politically revolutionary. While refusing the more or less considerable territorial adjustments sought by Morocco, they have in view a frankly imperial design: the constitution of a North African unity in which the present regimes of Morocco and Tunisia (and later Libya) would be swallowed up in a revolutionary empire ruled from Algiers, or at least dominated by the ideology of Ben Bella.

That is why the armed skirmishes now going on around isolated Saharan outposts are of much less interest than the propaganda onslaught of the Algerians, of which the avowed aim is the overthrow of the Moroccan monarchy. Though it is the Moroccans who, no doubt foolishly, opened the frontier question and to that extent are formally the aggressors, it is the Algerians who are seeking to subvert the moderate regimes in neighbouring countries, and thus would eventually have been the aggressors even if the borders had been uncontested. The proof is that Mr. Bourguiba has not pressed his territorial claims (apparently on American advice) but has nevertheless been the target of conspiracies inspired from Algiers. The fantastic exaggeration of the border troubles by the Algerians (whereas in this country the affairs is taken calmly) shows that the dispute is serving as the occasion for a political challenge that was bound to be made in any event.

In the absence of foreign intervention (though this is perhaps an optimistic assumption, since Colonel Nasser is already intervening materially on the Algerian side), the future course of events could fairly safely be predicted. Lacking the means to enforce its extraordinary territorial pretensions, Rabat would probably abandon them as it is doing as regards Mauritania, and a satisfactory arrangement could be found for the Algero-Moroccan frontier. With less confidence but still fairly surely one could predict that the Algerian attempt to overthrow the Moroccan regime would similarly prove impossible of realisation, at least for many years. The monarchy in this country is not the "sick man" that the revolutionaries in Algiers imagine, and is, to be frank, more popular and solidly based than Ben Bella's own regime. Its economic achievements are not negligible, and would be notable were it not for the sacrifices that Morocco made in favour of Algerian independence. Nor are they discredited

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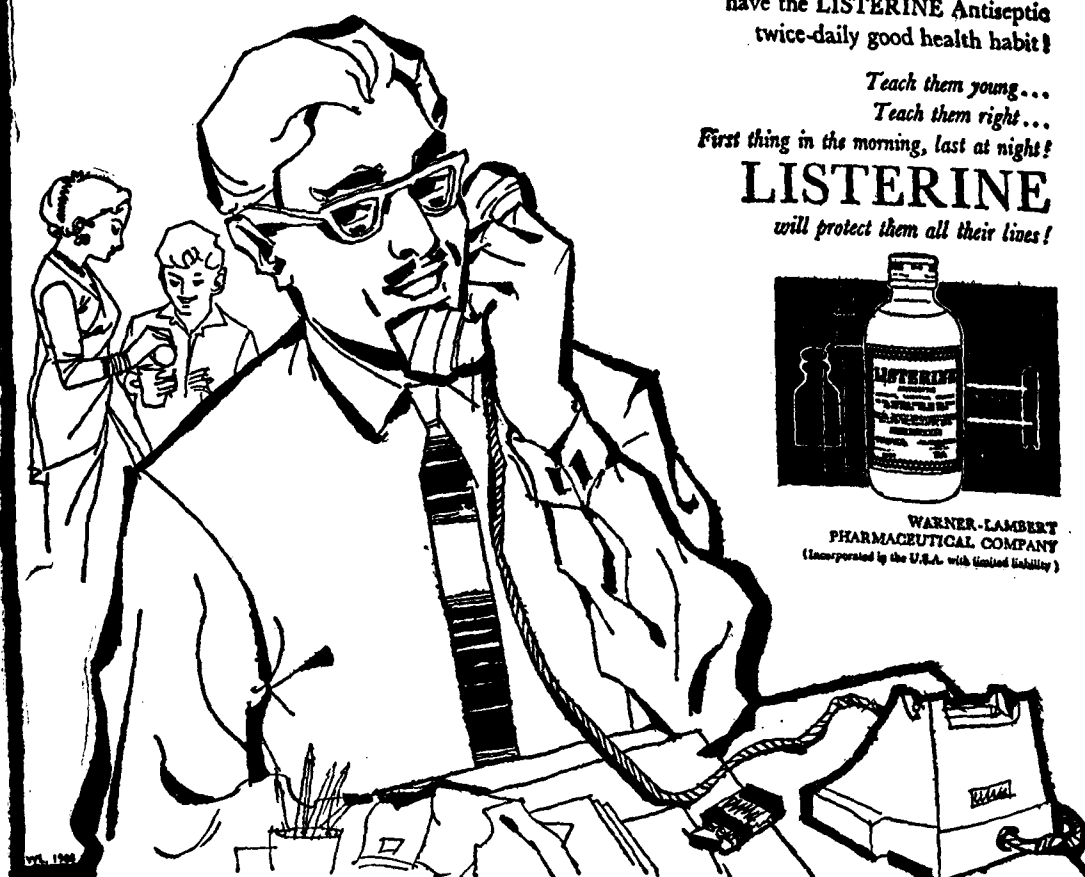
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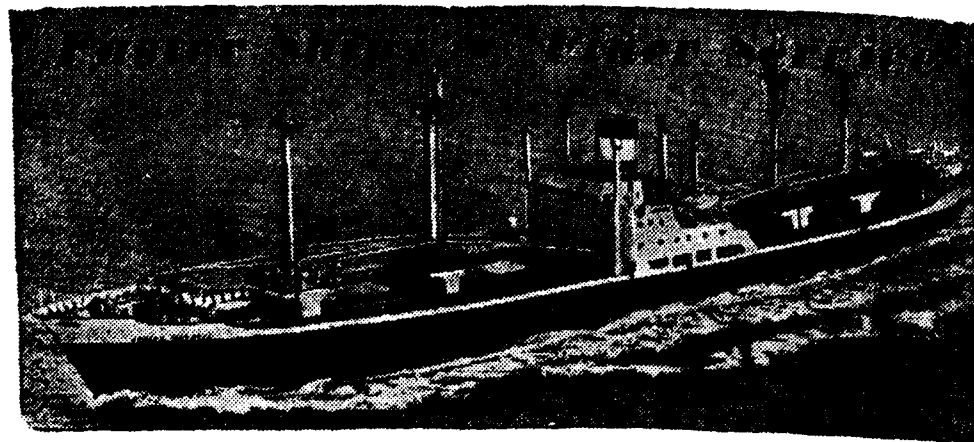
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by the accusation that Morocco submits to neo-colonialism, meaning simply that it has welcomed foreign investment where this is consistent with its five-year plan of national development.

From this dual forecast that Moroccan territorial ambitions are as little liable to be realised as Algerian political designs, the European power most solicited to intervene, namely France, draws the conclusion that the wisest policy is strict neutrality and continued co-operation with both countries until the affair blows over. The British view of the case seems no different, and many African representatives here share the hope that events will take this course. The two super-Powers have a rather different opinion, and unless they prove in North Africa that they can co-operate in extending the area of detente, the Moroccan-Algerian conflict could have unpredictable results. The reason is that each of the super-Powers approaches the affair with its particular obsession: for the Americans, Fidelism, and for the Russians, the Chinese heresy.

More explicitly, the Algerian design of a revolutionary Maghreb built on the ruins of the present Moroccan and Tunisian regimes suggests to the Americans the danger of a new and greater Cuba at Europe's doorstep. The ferment in North Africa suggests to the Russians, in contrast (or is it really a contrast, in view of Fidel Castro's sympathy with the Chinese?) the danger of an immense progress of the

Chinese heresy in this part of the world. Already the Kabyle ultra-socialists who have challenged Ben Bella in Algeria are benefiting from Chinese support, and in the atmosphere of a revolutionary crusade against the "corrupt, neo-colonialist puppets" of Morocco and Tunisia, the Chinese variety of Communism would surely make further gains.

The temptation, then, would be for the Russians to espouse Ben Bella's cause in order to strengthen him against his pro-Chinese ultra-revolutionary opposition, and incidentally to demonstrate that Moscow was no more backward in assisting "anti-imperialist" demagoguery than Peking. The USA, in turn, is inclined to counter the Fidelist menace not so much by openly supporting the King of Morocco as by financing a joint exploitation of the disputed Saharan resources by all the North African States under disinterested (and expensive) American auspices. For all its seeming rationality, such a proposal at this point would probably only feed Algerian propaganda about Morocco being the instrument of "international capitalism and neo-colonialism". Rightly or wrongly, any Western plan for joint exploitation of the Sahara would be interpreted in Algiers as bolstering the "reactionary" governments of Morocco and Tunisia, and if this coincided with overt Russian support for Ben Bella, we would have another clash of the super-Powers — in a conflict that, left to itself, might well fizzle out in the desert.

Manna from Heaven

By JOSSLEYN HENNESSY

LONDON:

WITH AN election due next year, all three political parties are promising the earth, and more than all its fruits, to the electors.

We are to have more subsidised houses, more schools, the school age is to be raised to 16, the Robbins report on higher education (a document in four bulky, obviously unread, volumes which the government accepted overnight) raises the number of those in colleges and universities from their present total of 235,000 to 328,000 by 1967, and to 390,000 by 1973, more hospitals, new main roads, expansion of electricity and gas, higher old age pensions — the whole intoxicating caboodle in fact.

The electors are enthusiastically cheering on the politicians to vie with each other, under the fond impression that all these blessings will fall on them like manna from heaven, free, gratis, and for nothing. It is a sobering reflection on the success of teachers of astronomy that if any politician dared to proclaim that the earth was flat, he would be greeted with roars of derision. What have we economists taught the multitudes? Nothing. No politician dares to explain that it is the electors who will have to pay up. They can pay up by, e.g., abolishing restrictive price agreements and restrictive union practices, lowering tariffs, and working longer hours to produce the bigger national income needed to foot the bills. Unless the national income grows at so spectacular a rate that it becomes big enough to enable the masses simultaneously to spend on consumption as before and to provide for the new cornucopia of social benefits, it will be necessary to divert resources away from personal consumption and this can only be done by steeply increased taxes (promised by no party) or by inflation, which will force savings on the masses as the government creates credit for itself to buy the social services at whatever price is necessary, while making the masses pay higher prices for the same, or indeed possibly a smaller, volume of consumption goods and services.

The Chancellor of the Exchequer gave warning of these possibilities when he said that the increases that the government has already set on foot were on "a vast scale" — an increase of 20 per cent this year and a further seven per cent next year. "We have," he said, "reached the limits of

what can be done; to try to do more would result only in delay and rapidly rising prices". He added that the agreed programme of expansion could indeed be maintained but only if costs were kept stable and only if the country "chose steady growth with incomes rising at the satisfactory rate at which our economy is capable," instead of succumbing to the temptation to rush ahead too fast.

Have we then come to the end of our "Go" and are we on the verge of another "Stop"? Analysis of the facts suggests that if a pinch is to come, it is unlikely to be felt until the autumn of 1964.

Expansion in Electricity

The 20 per cent increase in public investment is unlikely to press on the limits of resources this year because of the big margin of under utilised capacity existing in 1962-63. Half of the extra £400 million to be spent in 1963-64 is allocated to the expansion of electricity, which combines a lower than average proportion of building work with a higher than average proportion of plant and machinery. This is fortunate because steel and heavy engineering have plenty of spare capacity. It is the Electricity Board's huge orders which have sent up engineering orders in recent months.

The extra load on building from other sources is nevertheless not to be sneezed at. The Tories' aim of 400,000 houses a year (needless to say the Liberals and Labour offer many more) falls on building, which is going ahead fast. The new universities, schools, hospitals and roads also fall mainly on building. It can at least be said that if demand for building expands faster than the industry's capacity, it does not lead (as do consumer goods) to a rise in imports, and so put the I.M.F. and Zurich's bankers in a tizzy, but it does cause a rise in prices which overflows into many other industries. So much effort has, however, been put into improving building techniques that responsible observers believe that the industry can keep pace with requirements until around the autumn of 1964 before strains set in which could lead to wider price repercussions.

No one foresees that Mr. Maudling can reduce taxes in next April's pre-election budget, but the chances are that with nine months breathing space before strains may really

set in, we will be able to get by without any increase in taxation (much as we, in our carefree acceptance of electoral largesse, deserve it). In that interval, the government could do much to improve the economy's prospects (and its own) by setting up priorities for public investment. The "Treasury Bulletin for Industry" for October gave a hint of this by pointing out that when public expenditure is absorbing a rising proportion of the gross national product, there is less for private consumption, private investment and for exports. The Treasury stressed that it was vital that private investment and export should not be starved if growth was to be sustained. (The Treasury

refrained from pointing out, as it rightly could have, that it is the U.K.'s private industry, and not the nationalised industries, which provides most of the taxation to finance the social services, and which pays for imports). "This consideration", said the Treasury significantly, "in effect limits the rate at which public expenditure should be allowed to rise." Priorities are necessary, "since a rapid expansion simultaneously on all fronts could place intolerable strains on the economy".

It is, however, relevant to note that, unlike the Denning Report, the "Treasury Bulletin for Industry" is not a best seller.

Upsurge in U. S. Exports

By GUY SIMS FITCH

WASHINGTON:

REPORTED improvement in the U.S. balance of international payments is underscored by the recent upsurge in the nation's exports.

The balance of payments is the relationship between total payments and receipts, and the large surplus of exports over imports is the major item on the plus side of the U.S. ledger. Export growth is being counted on to offset in large measure the heavy outflow of funds for such purposes as government assistance and private investment, which has been responsible for the continuing deficits in the U.S. payments position.

The latest government report shows that U.S. exports again spurted in September to a seasonally-adjusted monthly total of \$1,991 million. This is five per cent ahead of August, which itself was seven per cent over July. From current trends, U.S. officials estimate the 1963 export total may well reach a high of \$22,000 million, five per cent over 1962.

Buttressing Factors

The recent monthly export gains may represent the early stages of a substantial rise in U.S. shipments abroad. Buttressing the U.S. export potential are several special factors. One is the liberalization of import policies in several important trading nations. Another is the growing competitiveness of U.S. products in world markets, perhaps reflecting general price stability at home and rising wage and price levels abroad, notably in Western Europe.

The principal factor in U.S. export strength, however, seems to be the general increase in economic activity and demand throughout the free world, with emphasis on industrial nations which normally have been the largest buyers of American goods. This rising demand, it should be borne in mind, also extends to the United States, where the sustained upturn of the past few years shows no signs of abating and is, in fact, continuing to climb to new highs.

This sustained vigour of the domestic economy figures to be a source of continued strength for U.S. imports, which have been entering the country at a rate some four per cent above last year's. As the U.S. economy continues to flourish, so does the demand for more goods from abroad.

As a result, some caution is being expressed about any exuberant predictions of substantial improvement in the export surplus this year. Nevertheless, the estimates are that the surplus may approach \$5,000 million in 1963, against \$4,500 million in 1962.

These trade developments reaffirm in convincing fashion the U.S. treasury's assessment that the United States has its balance of payments problem "clearly under control." This statement was made in Paris recently by Treasury Under Secretary Robert V. Roosa, who is Chairman of the

10-nation group — the "Paris Committee of Ten" — which is studying long-range international monetary problems. According to Mr. Roosa, the U.S. deficit dropped sharply during the third quarter of the year, to an annual rate of less than \$2,000 million from the second quarter rate of about \$5,000 million.

A basic objective of U.S. policy is to end its international payments deficit as speedily as possible. But it intends to do this in an orderly manner, without retreating from its international responsibilities, and without the kind of abrupt action that might create serious problems for other countries.

Export expansion is but the element of the U.S. policy. In Paris, Mr. Roosa pointed particularly to the encouraging effects of policies aimed primarily at curbing the troublesome outflow of private capital from the United States and at encouraging the expansion of European capital markets. These included the increase in interest rates at home and the proposed U.S. tax on American purchases of foreign securities.

The current marked improvement in the U.S. balance of payments, coupled with the large export surplus and the firmness of U.S. policy, serve to reinforce the confidence in the readiness and ability of the United States to bring its international accounts into equilibrium. All this helps provide a favourable backdrop for the study of international monetary questions which has begun in Paris.

Eastern Economist 20 Years Ago

NOVEMBER 12, 1943

It was the late Professor Alfred Marshall who once astonished a British audience by his paradoxical statement that the British Factory Acts were a standing disgrace to the country. What he meant was that the necessity to have statutory legislation for the welfare of industrial workers reflected a lack of sense of their own duty on the part of the employers and if only employers had done their duty by the workers, there was no need for legislation at all. Whether or not this sort of obligation calls for a sublimated sense of social responsibility too great to be hoped for we cannot tell. But there is no doubt that the new Bill introduced in the Assembly last Monday providing for the compulsory recognition of trade unions is certainly a reflection on both the employers and the workers and is a measure of their failure to adjust their differences amicably without inviting the intervention of the Government.

LISTENING POSTS

Valentina's Week

By Our Special Correspondent

NEW DELHI:

THERE IS little doubt that this is Valentina's week. Three Soviet cosmonauts — Valentina Tereshkova, Andrian Nikolayev and Valery Bykovsky — are now in this country at the invitation of the Government of India. If the welcome given to them in the capital is any indication, they must be among the most popular State guests to have come to India. Valentina Tereshkova and Andrian Nikolayev are here immediately after their marriage and the honeymoon touch has certainly given a boost to their visit. Valery Bykovsky is accompanied by his wife who is also named Valentina.

As Ambassador Benediktov pointed out at the Press Conference which the "Space Trio" gave on Sunday, New Delhi is the only national capital (not counting Moscow) which has the distinction of having played host to five out of the six Soviet space travellers.

Coincident with the visit of the Soviet cosmonauts to this country, Premier Khrushchev has controverted an impression that seemed to have gained ground in Western Capitals that the Soviet Union was calling off its race to the Moon. The visiting cosmonauts themselves did not seem to be in doubt that the Soviet space programme will be pursued with full vigour and vision. Bykovsky, for instance, claimed that the successful flight of the new space vehicle, Polyot, has shown that the Soviet Union has developed techniques for putting space ships into orbit close to each other and controlling their movements and directions so that their further assembly in outer space for continuing the journey to the planets could be contemplated. To quote Bykovsky: ".... but let us not guess, it may be a few years or perhaps only months before it takes to launch such space ships". Words and thoughts such as these have certainly given a new dimension to the ideas and imagination of the people of Delhi these days. But let me not be misunderstood. The most agreeable and also the most impressive things about the visiting cosmonauts is that they do not give you the impression that they are a race of super-humans. Valentina could be the girl next door, and that I would say is the best of the Soviet Union's achievement in this grand business of the exploration of space.

★★

The Government of India has accepted the tender of the International Telephone and Telegraph Corporation of the United States for setting up a telephone switching factory in this country. Late in 1962, the World Bank granted a loan to India of 42 million dollars for the purchase from abroad of equipment to expand and improve telecommunications. This loan was intended to finance three projects, viz., microwave equipment, telephone switching and cables. Under this loan new telephone exchanges were planned at Delhi, Bombay and Madras for which equipment has to be imported. As part of development, the Government had decided to set up in this country a telephone switching factory in financial and technical collaboration with the successful tenderer, which, according to the decision now taken, is the International Telephone and Telegraph Corporation.

In the final selection, ITT, Nippon Electric Company of Japan and LN Ericsson of Sweden were the main competitors. A technical committee of three, which was appointed by the Government to recommend whose tender was to be accepted was divided, each member favouring a different tenderer. The former Secretary of the Ministry of Communications, Mr. M. M. Phillips, who examined the technical commit-

tee's report, recommended the acceptance of the tender of ITT for purchase of equipment and for collaboration in setting up the telephone switching factory. The Government has accepted this recommendation. It may be recalled that the Government had earlier decided to adopt the Continental switching system which is based on the use of crossbar switches utilising the indirect switching technique. The ITT tender was through its Belgian organisation. Its acceptance should enable the Government to utilise the Belgian credit for financing the factory project.

★★

Indo-German financial talks connected with the present negotiations on an investment promotion agreement are being continued in Bonn. The talks will concern a German promise to the Aid India Club to grant India additional assistance over and above the Rs. 60 crores for the first year of the current five-year Plan and the Rs. 108 crores for the Plan's second year (Rs. 33.8 crores, third year). The Government of India, it is reported, proposes to split up this additional assistance according to the following priorities (the names of the German supplier-firms are given within brackets): 1. Rourkela armour plant (Rheinstahl); 2. Mysore Iron and Steel Works (DEMAG, AEG and Boehler); 3. Shaktiman truck factory (MAN); 4. Krupp-MAN bridging; 5. Machine tools for the private sector; 6. Hindustan Shipyard (including MAN engines); 7. Research requirements of Atomic Energy Department; and 8. Power transmission and distribution (AEG, Siemens).

Indian estimates for the above items total roughly Rs. 17 crores, out of which supplier credit guarantees equivalent to Rs. 14 crores would constitute the additional assistance which is under negotiation now.

★★

The Union Ministry of Food and Agriculture expects that the situation on the rice and sugar fronts will ease to a considerable extent next year. The latest reports received by the Ministry indicate that West Bengal will have a bumper rice crop. The crops in Orissa and Madhya Pradesh too are said to be much better than last year when they suffered heavy losses due to floods and draught. The prospects in the South also are stated to be quite bright. The all-India rice output this year is expected to be of the order of 35 million tons.

A notable feature of this year's rice procurement programme will be its extension to interior and remote areas where distress sales of paddy take place because of absence of competition among buyers or middle-men. Arrangements for purchasing paddy in these areas are stated to be progressing well. This should help in increasing rice procurement for Central stocks. It is expected that the total procurement next year will go up to 1.5 million tons. Nearly two million tons are proposed to be purchased on Government account in Punjab.

The rabi crop outlook is also stated to be promising. The Ministry holds the view that there is absolutely no justification for the recent hardening tendency in wheat prices in Punjab. It is pointed out that the Centre has nearly 1.8 million tons of wheat which could be released to fair-price shops to curb any undue uptrend in the prices of this grain.

At the meeting of the National Development Council last week, there was a great deal of discussion on increasing agricultural production. For the first time some concrete measures have been suggested by the State Governments for

boosting agricultural output. The Agricultural Production Board, the setting up of which was announced at the NDC meeting, is expected to hold its first session here on November 16, before the Food and Agriculture Minister, Sardar Swaran Singh, proceeds abroad for the FAO Conference. There is a growing appreciation on the part of the State Governments of the need for forging close co-ordination between the various agencies connected with agricultural development, although it is not considered practicable that one State Minister should be entrusted with this task as has been done at the Centre. Co-ordination is envisaged to be effected between the various agencies looking after agrarian development at all the crucial levels — State, district as well as village. It is felt that all the developmental activity at the district level should be centred around the Collector who has the pivotal position in administration. The State Chief Ministers are expected to take more interest in agricultural development even if they do not take over this responsibility directly. The stress being laid now is on the 10-point Programme drawn up by the Union Ministry of Agriculture recently, under which concentrated efforts are to be made in promising areas and on implementation of measures which can yield quick results. These include programmes of soil conservation, seed multiplication and distribution, minor irrigation and distribution of chemical fertilizers. Financial sanction procedures for agricultural development are also proposed to be streamlined and simplified.

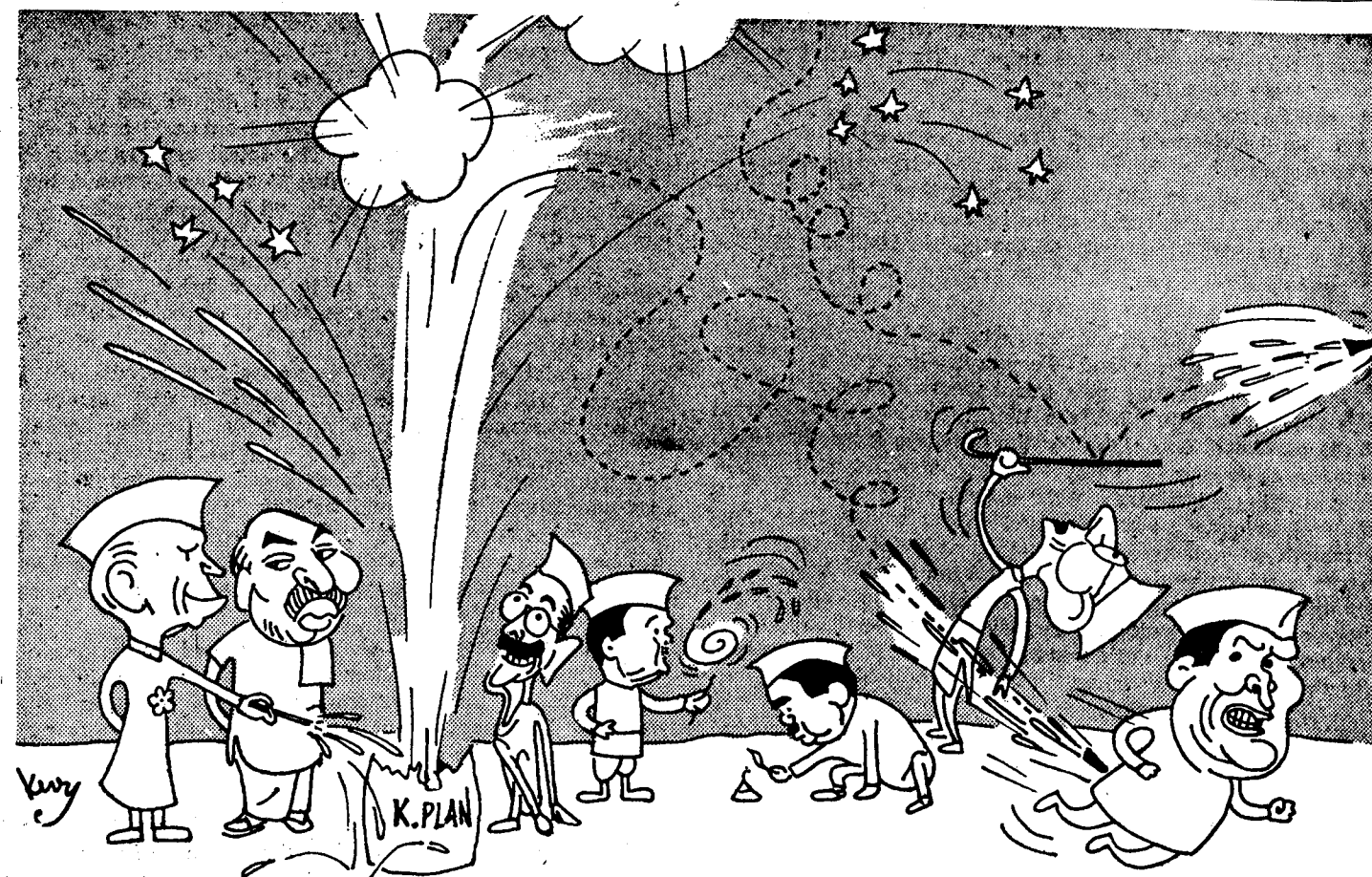
As regards sugar, the expectation now is that not only an output of three million tons will be achieved, but even the original target of raising production to 3.3 million tons may be realised. The latest advices reveal that already 69 sugar factories have gone into production this year, as against 49 at this time last year. In West U.P. alone, which accounted for a substantial fall in sugar output during the last crushing

season, as many as 27 factories have started production as against 15 last year. Although the international price of sugar has hardened to £105 per ton and is expected to go up further, no change in the present programme of exporting only 300,000 tons of sugar for which commitments have already been made, is envisaged till the supply position in the domestic market improves and there are clear indications that at no time during the next year shortages will develop. For putting the sugar industry on a sound footing from the long-term point of view, thought is being given to the improvement of sugarcane in yield and quantity, especially in North India, modernisation and rehabilitation of the industry and creation of another half a million tons capacity in the next two or three years. The Experts Committee which is going into the question of modernisation is expected to submit its report shortly. Indications are that the approach to the modernisation of the sugar industry will be similar to the one adopted in the case of cotton textiles. The indigenous sugar machinery manufacturing capacity, it is hoped, will be able to supply equipment for the 500,000 tons additional capacity proposed to be installed by the end of the third Plan period.

★★

Income-Tax Officers may be clothed with more powers for checking tax evasion. An indication to this effect was given by Mr. T. T. Krishnamachari, Union Minister for Finance, while addressing a four-day meeting of the Income-tax officials here last week. The new powers that may be conferred on these officers will enable them to make on-the-spot inquiries.

Two other measures are also contemplated for netting in those who are at present dodging this tax. These are simplification of the Income-tax Law and creation of a service agency in every tax office. Simplification of the Law is to be attempted for making it easily comprehensible so that unneces-



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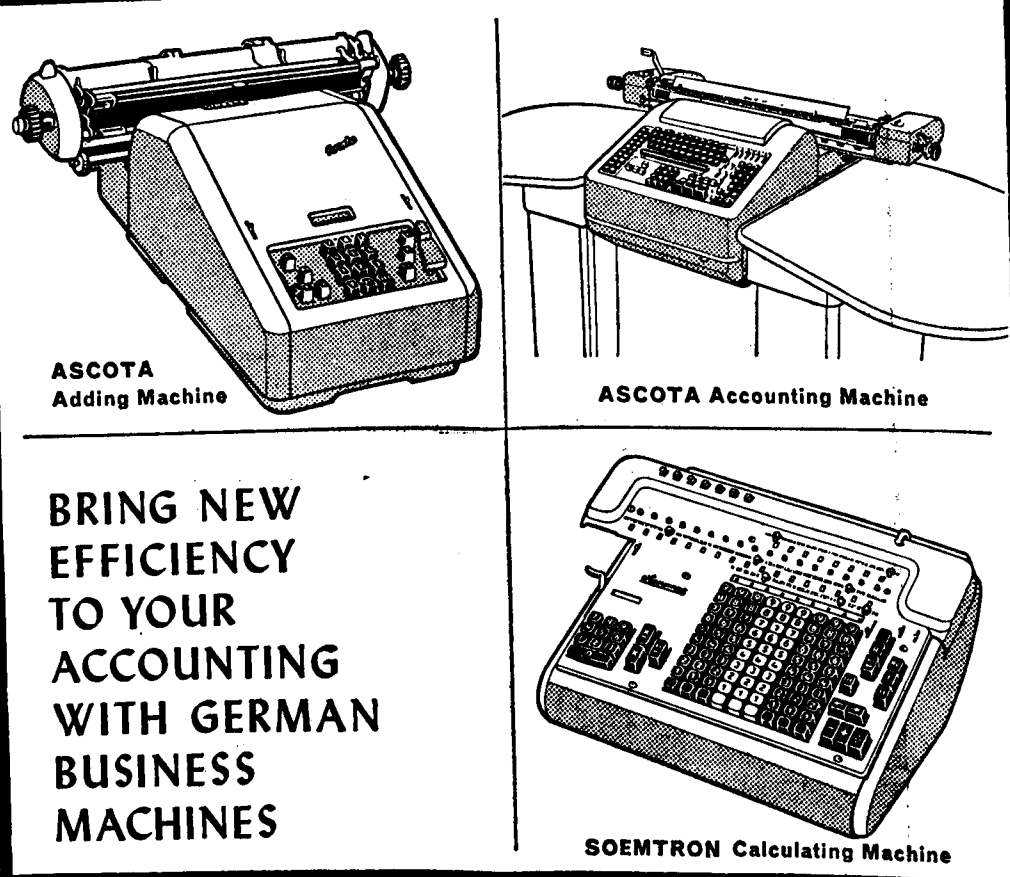
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sary harassment of the tax-payer is avoided. The creation of the service agency is thought necessary for properly guiding assessee in such matters as filing returns.

Various estimates have been made in the recent past of the extent to which income-tax is evaded in this country. Prof. Kaldor, a few years ago, assessed it at Rs. 200 crores. But the Central Board of Revenue has been of the opinion that tax evasion may be of the order of Rs. 20 to 30 crores. The Finance Minister holds the view that the rate of income-tax realisation currently is around 40 per cent. If it can be stepped up even to about 70 per cent, it should be easier for the Finance Ministry to contemplate reliefs and lower taxation. At the same time it should not be overlooked that excessive tax rates are themselves an incitement to evasion. Lower rates may lead to larger revenues in due course.

The problem of arrears was also discussed. Effective arrears of income tax are stated to have risen to nearly Rs. 175 crores. According to the Public Accounts Committee, the arrears on March 31, 1961, amounted to about Rs. 137 crores.

The Central Board of Revenue is being streamlined. Mr. B. D. Pande has taken over as its new Chairman, replacing Mr. V. V. Chari who becomes Additional Secretary in the Department of Expenditure. Mr. B. N. Banerji has been made Vice-Chairman of the Board for Indirect Taxes. His place as Member for Central Excise has been taken by Mr. R. S. Mishra. Another post of Vice-Chairman for Direct Taxes is being created. It is likely to be filled by Mr. J. P. Singh, at present Member in charge of Estate Duty. Mr. Narayana Rao, Commissioner of Income-tax, Bombay, will be shortly joining the C.B.R. as Member in charge of Income-tax Affairs.

Mr. K. F. Landegger, President of the well-known American firm of Parsons and Whittemore, Incorporated, New York, who is now visiting this country is convinced that the importance of sugarcane bagasse and other "annual" fibres as the raw material for paper-making is bound to grow rapidly. According to him this trend has become clear in many countries of the world and as the availability of bamboo becomes more and more inadequate for meeting the demands of the expanding paper industry in this country, new paper-making plants will have to be designed for the utilisation of bagasse. Parsons and Whittemore have, in fact, collaborated with the Mandya National Paper Mills in Mysore State in the construction of a plant based on the utilisation of bagasse. According to Mr. Landegger, the Mandya plant has already successfully used 80 per cent bagasse in some trial runs, while its average utilisation of bagasse is 71 per cent, which, according to Mr. Landegger, is no mean achievement. In the United States, Mr. Landegger claims, good writing paper is being manufactured using 100 per cent bagasse and he sees no reason why this cannot be repeated in this country as well as the relevant techniques are mastered. Parsons and Whittemore have also participated in putting up a plant for Seshasayee Paper Mills in Madras State. This new plant is claimed to be already producing more than its rated capacity. Negotiations have now been reportedly completed with a leading sugar manufacturer in Western U.P. for the construction of a paper plant which would utilise the bagasse available from the sugar factory belonging to the same group.

Parsons and Whittemore are also stated to be interested in promoting an industrial undertaking for the manufacture of machinery for paper plants. An industrial licence has been granted for this project and discussions regarding the formation of a company in which Parsons and Whittemore will have a large financial interest, are now stated to be in progress between the Union Government and the promoters.

A seminar-cum-workshop on buyer and seller relations was held at New Delhi last week under the joint auspices of

the National Association of Purchasing Executives, the Rotary Club of Delhi and the Eastern Purchasing Journal. The seminar was inaugurated by Mr. A. K. Roy, Comptroller and Auditor-General of India, who laid stress on the evolution of proper procedures for purchasing and selling because it could lead to the saving of vast sums of money and improvement in the quality of output. Present at the seminar were buyers and sellers from both the public and private sectors. They had a free exchange of ideas regarding sound relationships between buyers and sellers, including a code of ethics. Mr. A. R. Palit explained with concrete instance how the price line could be held in check by the adoption of latest techniques. What was needed was to ensure continuity of production with the minimum possible investment so as to attain maximum productivity. A few figures were pressed into service at the seminar to illustrate the magnitude of the problem. It is estimated that Indian industries spend, on the average, 64 paise out of each sale of a rupee on purchased items while the balance is absorbed by wages and salaries, overhead expenses, management and profit. Again, about 90 per cent of the "working capital" in Indian industries is tied up in inventories which account for not less than Rs. 1,000 crores. New methods on materials management such as quality control, standardisation, etc. can reduce the volume of inventories and thus reduce costs. In Japan a materials management institute exists and it has done good service to the industry. The seminar arrived at the conclusion that a Steering Committee should implement the findings of the

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seminar and endeavour to bring into being an institute for material management in this country as well.

★★

The Inter-State Transport Commission has directed the State Transport authorities of West Bengal and Delhi to issue permits for public carriers for Delhi-Calcutta inter-State route up to a maximum number of 60, 30 for each State. The Commission has also laid down conditions which the State Governments have to enforce in the selection of operators for grant of these permits. One of the conditions is that preference should be given to transport co-operatives.

The Ministry of Community Development and Co-operation has therefore requested the two State Governments to take up immediately the question of organising transport co-operatives so that they may benefit by the preference which the Inter-State Transport Commission has decided to accord to co-operatives in the grant of these permits.

★★

A Trade Delegation from Hungary led by Dr. L. Ujhazy, Director-General, Ministry of Foreign Trade, is now in New Delhi to negotiate a long-term trade and payments agreement between India and Hungary and also to fix the quantum of trade for the next three years.

The Hungarian Minister for Foreign Trade, Mr. J. Incze, will be arriving here soon when he will sign the trade agreement on behalf of his Government. From the Indian side Mr. Manubhai Shah, Minister for International Trade, will sign the agreement.

As a result of the current negotiations it is hoped that

the volume of Indo-Hungarian trade, which is now of the order of Rs. 883 lakhs each way, will be doubled towards the end of 1966.

★★

Mr. Walter Scheel, Minister for Economic Co-operation in the Federal Republic of Germany, is arriving in New Delhi on November 23, 1963 on a fortnight's visit to this country at the invitation of the Government of India. He will be accompanied by a team of senior officials.

Mr. Scheel is expected to tour some parts of the country visiting some industrial plants including the steel plant and the fertilizer factory at Rourkela as well as some German aided industrial establishments. He will also visit the Prototype Technical Centre, Okhla, and the agricultural project at Mandi in Punjab.

Mr. Scheel will leave for Germany on December 8, 1963.

★★

A ten-member delegation from Poland led by Mr. F. Modrzewski, Vice-Minister of Foreign Trade, is arriving on the 18th of this month. It will hold discussions for a long-term trade agreement with India.

The present trade and payments agreement which was signed in November 1959 is expiring by the end of December this year.

★★

Oil has been in news again during the week. Following the visit of the Vice-Chairman of the Oil and Natural Gas Commission last month, both Iran and Kuwait have decided to send separate delegations to India within the next few

weeks for further discussion on the proposal for joint exploration for oil. The discussions may cover the question of importing into India crude and petroleum products on long-term basis on special concessional terms.

There has been some loose talk in regard to the proposals of the three oil companies to replace their refinery agreements by industrial licences. It is explained that the three Western oil companies have dual organisations: one, rupee companies owning and managing their refineries and the other, older organisations based on sterling or dollar capital, owning and managing their distribution of petroleum products. The refineries are wholly owned by the Western oil companies, outsiders having some preference shares. The distribution companies are wholly non-Indian.

Two of the oil companies, namely Esso and Caltex, have made proposals to merge their two organisations into one. In the event of their agreement with the Government, the dollar-based distribution companies will cease to exist and will be merged with their rupee refinery companies.

★★

The Export Risks Insurance Corporation has raised its

Banks Cautioned About Advances

From Our Correspondent

BOMBAY:

SOON AFTER the announcement of the new credit policy for the 1963-64 busy season, the Reserve Bank came out with another circular informing scheduled banks that it expects them to make suitable 'adjustments' in their patterns of lending rates, particularly in the higher ranges following the liberalisation of the terms of Reserve Bank accommodation on October 30. There was also a rider in the circular advising the banks to exercise caution in regard to advance against shares and to maintain margins normally considered necessary. Thus the policy of credit liberalisation has been followed by a tip to banks against unrestrained credit expansion in the coming busy season. The object can be achieved, according to the Reserve Bank, firstly, by extinguishing the unutilised limits and secondly, by ensuring that the total of the limits sanctioned by banks bears a realistic relationship to their resources. Scheduled banks should seek to balance their credit with resources and avoid relying heavily on the Reserve Bank accommodation. While the suggestions are welcome, because the earlier circular gave the impression that the Reserve Bank was for providing easy credit for asking in the next busy season (1963-64), the downward adjustment of lending rates may be somewhat impracticable. The prevailing rates are not unduly high when compared with the overall pattern of interest rates in the economy and the upward revision of the Bank rate to 4½ per cent in January last.

★★

The Reserve Bank has directed the scheduled banks to submit by November 15 information on ownership of shares by joint stock companies and other corporate bodies, including the statutory corporations. The data should show details of ownership by banks, general insurance companies and other financial institutions such as the LIC. The immediate provocation for the circular seems to be the need for obtaining information for the proposed amendment of the Banking Companies' Act and the Companies' Act. A study conducted by the Company Law Administration on the question of inter-locking directorships between banks and other joint stock undertakings showed that the concentration was somewhat heavy in the case of the first 'big five' banks in the private sector. Probably the Banking Companies' Act would aim at putting a stop to the possible abuses resulting from

indemnity to banks under its packing credit policy from 50 per cent to 66-2/3 per cent. This is in accordance with the recommendation made some time ago by a study group on export finance, headed by Mr. K. P. Mathrani. The premium rates have not been raised.

The Export Risk Insurance Corporation's packing credit policy is designed to help exporters secure a line of credit from banks for the purpose of buying, processing and packing goods destined for the export market. Formerly, under this scheme the Corporation shared the risk of loss with the lending banks in the ratio of 1:1. Now, under its revised policy, the Corporation will bear the bulk of the risk and cover the banks in the ratio of 2:1. This step will enable banks to liberalise their lending policies. The packing credit policy, which was introduced towards the end of 1960, is becoming increasingly popular with exporters and banks. The value of advances secured by exporters under the Corporation's packing credit policy stood at Rs. 54 lakhs in 1961, but rose sharply to Rs. 2.5 crores in 1962 and is likely to be of the order of Rs. 5 crores at the end of the current year.

the association of banks' directors with various companies.

★★

Savings bank deposits grew more rapidly in centres with a population of below 100,000 than in those with a population of above 100,000, says a study conducted by the Reserve Bank. During the four years ended 1961, the overall growth rate of savings was 44 per cent but the annual rate was far from uniform. Savings deposits stood at Rs. 188 crores in 1957 and increased by Rs. 17 crores or 9 per cent in 1958, by Rs. 12 crores or 6 per cent in 1959, by Rs. 29 crores or 13 per cent in 1960 and by Rs. 25 crores or 10 per cent in 1961. The overall rate of growth of deposits in the smaller centres was 52 per cent as compared to 40 per cent in the larger centres. An important reason for the spurt in deposits was the inten-

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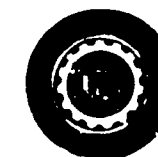
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sive branch expansion programme launched by scheduled banks in the smaller centres. Orissa records the largest percentage increase in savings deposits (143 per cent) followed by Madhya Pradesh (104 per cent), Bombay (62 per cent) and West Bengal (55 per cent). Orissa and Madhya Pradesh were having a low level of deposits, in absolute terms, in 1957 since they are backward. In contrast, the growth of deposits in East Punjab was only 10 per cent. In Rajasthan, the rate was 24 per cent. In Uttar Pradesh and Kashmir it was 25 per cent. There was a sustained rise in the average amount of savings deposits per office in Bombay (from Rs. 783 lakhs in 1957 to Rs. 1019 lakhs in 1961).

★★

The Textile Commissioner's proposal for appointing an inquiry committee to review the working of the price stamping system has a mixed reception in industrial and trade circles. The proposal was to appoint a ten-member committee to review the working of the present system of price stamping of cotton textiles. Leading businessmen and officials are to be associated with the Committee. The price stamping system has failed, in the elementary objective of providing cotton textiles to consumers at a fair price. Some of the leading mill owners however maintain that the system has helped to keep the prices of cotton textiles under check. The trade interests feel that prices of cloth would have been lower but for the price stamping system. Despite price stamping, the ills of illegal premia exist. The consumers interests would be safeguarded only if the system ensures that mills stamp only fair prices. It is however agreed by everybody, mills and the trade, that there is no general shortage of cloth. The general feeling is that the appointment of the Committee should have been preceded by measures to uproot the known evils of the system. The ICMF should be directed and empowered to take suitable action against the erring members. The authorities should examine the possibility of manufacturing the varieties in short supply.

★★

The Government of India's decision to permit the LIC into the general insurance field in a big way is being viewed with anxiety by the general insurance circles. Although the LIC will not edge out private companies from the business, this is what is going to happen in practice. The diversion of business from private companies to the LIC, it is felt, will be the last straw on the back of the general insurance companies. Even now public sector projects insure with the LIC subsidiaries, namely, the National and Oriental; the State Trading Corporation has its own arrangements. The LIC's entry into general insurance cannot however take away the

business of major groups who route them through the insurance companies connected with the groups.

★★

Mr. Lalchand Hirachand, addressing the Thirty-sixth Annual General Meeting of the Maharashtra Chamber of Commerce, Bombay, entered a strong protest against the Constitution (Seventeenth) Amendment Bill. Describing it as a measure which transcends party-politics and raises grave and fundamental issues of a legal and political character, Mr. Lalchand Hirachand said: "This Bill which is calculated to amend Article 31-A of the Constitution, seeks to enlarge the definition of the expression, 'estate' and to embrace for expropriation any land held under ryotwari settlement and land held or left for the purpose of agriculture. It is wrong to say that this amendment is meant to strike at excessive possession of agricultural land. On the contrary, it will, at one stroke, make all farmers and owners of land mere intermediaries taking away their inalienable right to property. The Bill will make the peasant class legally extinct and will bring us very close to Article 6 of the Constitution of U.S.S.R. wherein all land has been held as State Property."

Mr. Lalchand Hirachand referred in this connection to the Land Ceiling Act passed by the Maharashtra Government and pointed out that although the Bombay High Court has declared Section 28 of that Act "ultra vires" of the Constitution on the ground that the Section which provides, "inter alia", for the management of surplus agricultural lands taken over from sugar factories by a State-owned corporation, is discriminatory in the highest degree against the industrial undertakings, the Seventeenth Amendment, if passed, would result in validating this and other such Acts of doubtful validity.

Mr. Lalchand Hirachand also complained that certain measures of State legislation were arbitrary, oppressive and calculated to affect the economy of the State adversely. In his view, the proposed Bill providing for the abolition of special tenures in the City of Bombay and the Bill to replace the present low levy of Town Duty by the Bombay Municipal Corporation by a levy of octroi on a wide range of goods is likely to hit trade and industry to an extent unwarranted by revenue purposes.

Mr. Lalchand Hirachand, however, had good words to say about the Union Finance Minister's recent broadcast which indeed he described as the only redeeming feature "in the prevailing atmosphere of uncertainty and despair". He hoped that the Finance Minister's approach to fiscal and other problems would be positive and realistic and that he would take adequate measures for stimulating the economy.

Jaipur Discounted By Investors

From Our Correspondent

CALCUTTA:

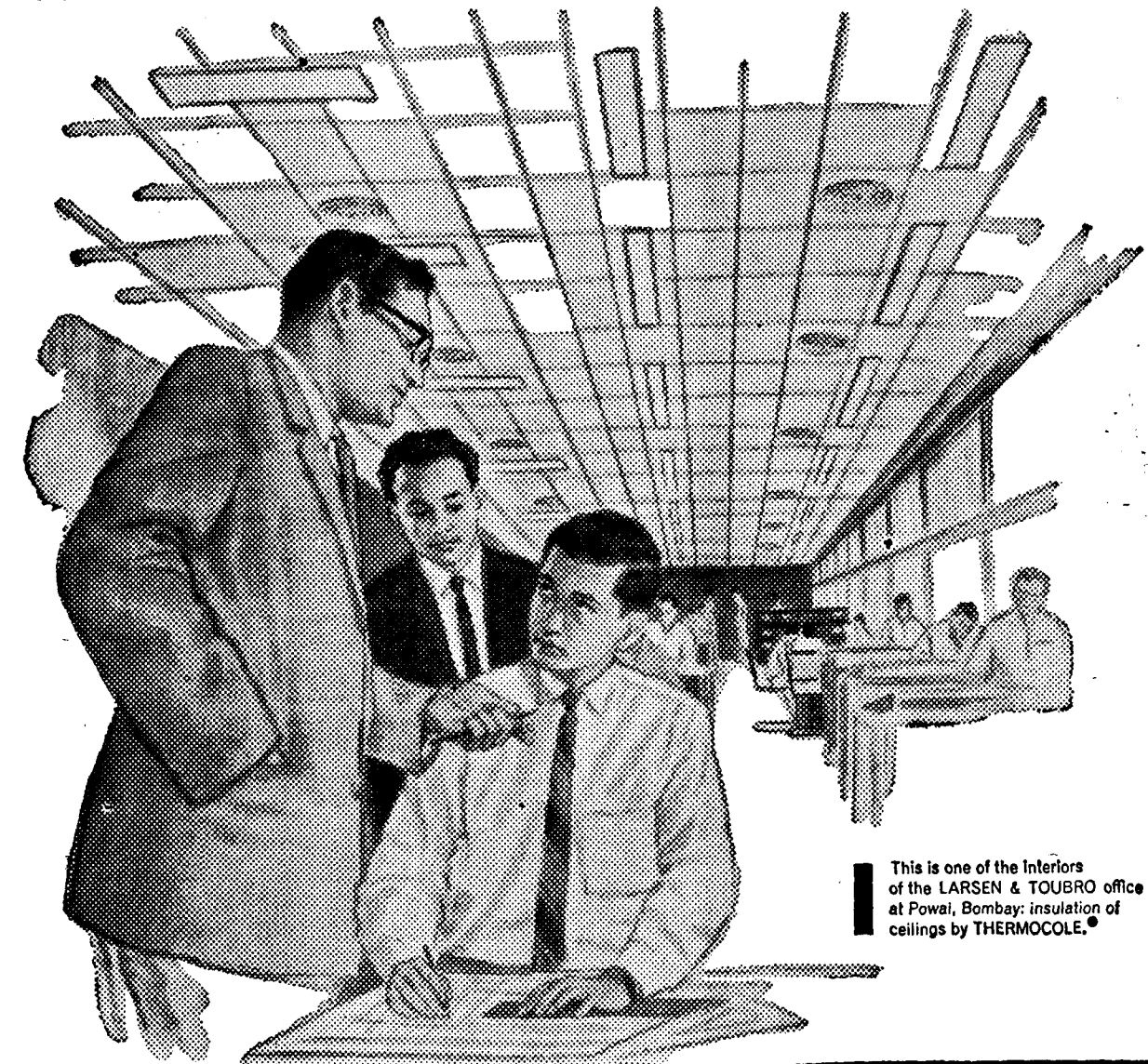
IT IS a measure of the strength of the revived confidence in the stock market that even the speeches at the recent AICC session and the resolution on Socialism have failed to curb the enthusiasm of the bulls. It is no doubt true that when the AICC was in session and the words of the protagonists of rapid socialism were fresh in the memory, there was some hesitation with the result that for some time it appeared that equity prices would cry halt to their upward movement. But the depression proved to be shortlived as both operators and investors have evidently come to the conclusion that what they should care about is not what is being ultimately aimed at but what Government spokesmen have indicated unmistakably as Mr. T. T. Krishnamachari has done since he assumed his new post as Finance Minister. The Finance Minister has not only spoken about the need for activating the economy but has already taken some steps towards realising this objective.

The liberalisation of credit and more particularly the revocation of the restriction as to minimum margin on bank advances against shares has provided fresh incentive to the bullish sentiment.

Corporate news too has been encouraging in that there have been more bonus announcements. Guest, Keen, Williams has applied to the Controller of Capital Issues for permission to issue bonus shares on the basis of one ordinary share for every two existing shares. Another important bonus issue announcement has been from that of Indian Aluminium which proposes to issue one bonus share to every four held. From present indications it would appear that it would require some very strong adverse development to arrest the bulls' exuberance. Careful market analysts, however, have been cautioning investors against overdoing the buying spree in view of the fact that the emergency is still very much with us and that the threat to the security of the country from the

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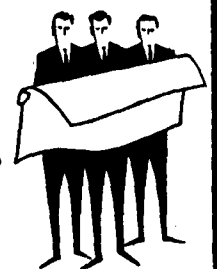
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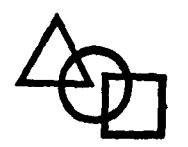
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unfriendly neighbours has not diminished. In other words, the Finance Minister will still be obliged to find the resources both for defence and development at the time of framing his budget in February next. While it may be perhaps safe to assume that the next Budget will not come in the way of industrial expansion, it remains to be seen whether shareholders will be allowed to partake of the increased corporate profits.

★★

The need for lending massive support to the jute market emphasised in this column last week has since been suggested by the Indian Central Jute Committee in its latest issue of the Jute Bulletin. The article has pointed out that though the overall statistical position of jute is sound there is a temporary over-supply in the jute market due to three factors: "First, there has been an early crop this year which makes a big difference to the pattern of marketing in a country where delayed harvesting of jute is the rule on account of retting difficulties. Secondly, growers need ready cash to meet social obligations flowing from the Pujas. Thirdly, the price of paddy has registered an exorbitant increase; this makes the holding of jute by growers for a better market impossible". It is the last factor which has been responsible for the onrush of arrivals in October, despite the announcement of a fairly large compulsory quota for the jute mills and a quota for the Buffer Stock Association. With food prices soaring, the cultivator has naturally been placed in a sad predicament and the only alternative open to him has been to dispose

of his jute so as to buy rice. The Bulletin has rightly warned that, if paddy prices do not ease appreciably by the end of November, jute will possibly pass into the hands of middlemen, thereby defeating the elaborate arrangements that have been made by the authorities to ensure a reasonable return to the jute grower.

To prevent such an undesirable development, the ICJC has called for immediate massive purchase of raw jute for the Jute Buffer Stock Association and the State Trading Corporation to mop up the market surplus. Referring to the size of this year's crop, the ICJC has pointed out that though the area under jute may not have changed much one way or the other, compared to the 1962 acreage, there has been a significant rise in the acre yield because the growing conditions have been very favourable throughout the season. This strengthens the belief that this year's crop will also be a bumper one, and consequently there will be a sizable surplus left over after meeting all requirements. It is possible that the JBBSA will be asked to increase its purchase before long because the long-standing question of turning over of the stock of jute held by it has now been satisfactorily settled. The JBBSA has now decided to turn over 50 per cent of its stocks of the previous season's jute within the next six or seven weeks. Since the State Bank of India which is providing the credit for the JBBSA has made it clear that the turned over stocks should be replaced by new stocks from the new season crop, the JBBSA has necessarily to step up its purchases in coming weeks.

New Deal for Automobile Components?

From Our Correspondent

MADRAS:

THE WORLD Bank team is on a visit to Madras in order to examine the problems confronting automobile producers, ancillary industries and the State Government in developing road transport facilities. On account of the difficult foreign exchange situation, it has not been possible for the Central Government to allot the required foreign exchange for importing raw materials and components and parts to step up output of cars and trucks and components by the ancillary industries. The Highway Department of the State Government has been pointing out that the allotment for improving existing roads and constructing new links has not been adequate and it has been possible to incur expenditure only on projects which had a higher priority. There was also a shortage of road-making equipment.

As a result of the representations made by the Central Government for giving untied loans, it had been expected that the World Bank would be prepared to give a loan of \$90 million out of which \$30 million would be available for meeting the needs of automobile producers and ancillary industries and for purchasing essential machinery and equipment by the Highways Department. The team has had discussions with the Ministers of the State Government and engineers. It has also been meeting representatives of the automobile industry in its various departments and it is hoped, as a result of the intimate discussions held with nearly every manufacturer on a confidential basis, the experts would be able to draw up a plan which would help the producers to step up their output and utilise existing capacity effectively.

It has been complained that the ancillary industries, which have grown at a fast rate in recent years, have not been able to utilise their capacity fully and raw material supplies have been inadequate. The only car manufacturer has not been allotted the required foreign exchange while Ashok Leyland, an important producer of trucks, is also having its problems. These have been to some extent minimised by the grant of a recent loan by the British Government on the basis of the recommendations of Sir Norman Kipping, Director-General of

British Federation of Industries. Even so, with an expansion plan under implementation and a serious scarcity of spare parts, it is felt that the proposed loan of \$30 million should be equitably distributed and that this allotment should be in addition to the existing foreign exchange allocation out of current earnings. In fact, it has been argued that the liberalisation policy should be independent of the non-project assistance secured from the World Bank as the demand for various types of vehicles is greatly unsatisfied and it is difficult also to maintain the existing vehicles and keep them going.

The ancillary industries have been doing very well as in the past two or three years large-sized units have been set up for the manufacture of truck wheels, electrical equipment and air-brakes. Only recently it was indicated by another producer that plans were under way for stepping up output of clutch disc, steering gear system and engine valves. One more big unit is reported to have been granted a licence for manufacturing other components and parts. It is expected that, as a result of these developments, it would be possible to suspend the imports of many essential items though there may be need for importing raw materials till such time that arrangements for indigenous manufacture fructified. It is, however, a matter for gratification that the industry will be in a position to produce up to 85 per cent of components and parts within the country and with the slightly increased foreign exchange allocation it would be possible to increase output significantly. It is emphasised that the automobile industry would be able to achieve a significant increase in its output if, besides a satisfactory quota out of current earnings, the assistance from the World Bank is also utilized for balancing equipment and manufacturing such components and parts as are not being produced in this country. The World Bank team is reported to have been impressed with the work done by some of the bigger producers.

The Madras State Government has a good record in respect of road development, but the Chief Engineer has pointed out that the allotment of about Rs. 4 crores annually for development of road facilities has fallen short of the minimum

of Rs. 4½ crores and construction work has also been impeded to a certain extent by the lack of an adequate number of road rollers and other equipment. The Chief Engineer has emphasised the need for constructing a national highway on the East Coast with the assistance of the World Bank. The work can be completed in a short period as there are only small missing links though the surface of the road will have to be considerably improved and bridges and culverts strengthened. There is, therefore, anxiety to know what exactly will be the eventual outcome as a result of the visit of the World Bank team.

★★

After returning from his foreign tour, the Madras Minister for Industries has been busy examining how new industries can be developed and to what extent the State Government can provide the basic facilities in different districts. So far as Madras is concerned the problem of water supply is expected to become acute if arrangements are not made in a short period to bring water either from Krishna or Cauvery or produce fresh water by desalinising sea water. When he laid the foundation stone for a new factory near Madras for manufacturing lightning arrestors and low tension and high tension porcelain insulators, Mr. R. Venkataraman stated that there was possibility for desalinising on a large scale sea water with the co-operation of Westinghouse International Electric which is one of the leading producers of electrical equipment in the world. This American firm will be co-operating with W. S. Insulators India Limited for manufacturing lightning arrestors and porcelain insulators. This same firm will be asked by the Government to conduct experiments for desalinising sea water so that fresh water supplies can be augmented. The cost of production is still high being 60 cents per 1000 gallons, but it is felt that the steam released in the

process of distillation could be utilised for running a thermal station having a capacity of 100 mW. If a satisfactory process could be evolved for utilising steam the cost of distillation can be reduced appreciably. The addition to water availability would be greatly helpful.

★★

The second factory of India Cements at Sankaridrug, near Salem, was commissioned into production a few days back. This unit, which has an initial capacity of 200,000 tons annually, has been constructed in the record time of 14 months and the layout of the factory has been so designed that the capacity can be doubled to 400,000 tons without incurring any large capital expenditure. This factory has already received a licence for expanding its capacity by 200,000 tons and it is expected that by the beginning of 1965, the expanded plant will be in operation. Already, the company is having a factory at Talaiyuthu in Tirunelveli District with a capacity of 5 lakh tons annually.

Inaugurating the factory, Mr. R. Venkataraman, the Industries Minister, stated that there were plans to increase the output of cement in the next few years in a big way. In Trichy District large limestone deposits are available and a licence has been already issued to the Rajas of Cheetinad for starting a factory with a capacity of 500,000 tons to be achieved in two stages. The necessary arrangements are being made to purchase plant and machinery. It is also being examined whether another cement factory, having a capacity of 200,000 tons, can be started near Rameswaram for utilizing limestone deposits in that area. The promoters of Madras Cements Limited have been carrying out the necessary negotiations with foreign interests for purchasing plant and machinery. A separate company may be formed for this purpose.

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The moving finger writes

I CERTAINLY am not impressed with the show put up by the "Keep Left" brigade at Jaipur. That Messrs Menon and Malaviya, fighting for dear political life, would try their damndest to be noticed was only to be expected and I for one would say that all their vociferous verbal thrashing about only goes to show how nervous and unsure they are of their personal or factional status within the Congress Party. Quite a few Special Correspondents of newspapers have persuaded themselves to describe the Menon-Malaviya performance as "stealing the show", but the "thievery" is unlikely to bring any solid gains to the "thieves". It is just because doctrinaire or double-crossing extremism has been virtually routed in the councils of the Congress Party that its practitioners have been overworking themselves at Jaipur to create an illusion that they and their way of thinking continue to count for something. I am confident that, when the time arrives for the general session at Bhubaneshwar, much of the froth would have blown away.

★★

I said that I was not impressed by what went on in Jaipur, but I am rather depressed. As an exhibition of political infantilism, the wobbling of the Congress leadership could hardly have been worse. The Prime Minister did his usual Hamlet again. I particularly find it difficult to make any sense out of his complaint that the declaration on democratic socialism lacked a sense of urgency. Neither democracy nor democratic socialism can be built up in any country, let alone this one, in a hurry. Whether as political, social or economic institutions or as a way of life, they have to evolve over a period as each generation becomes more civilized, more outward-looking, and more compassionate. This is not a matter of passing a series of resolutions at Congress sessions or even a set of Laws in Parliament. The first step is to secure to the people the primary prerequisites of civilized living, a minimum of food, clothing and shelter, opportunities of education and individual betterment and some easing of the haunting fears of unemployment or pauperism. It is necessary to remind Mr. Nehru that, after sixteen years of Independence, and despite many bold declarations of the ruling party and the Government, this first step is still half way in the air. Let the economic policies and programmes of the ruling party first demonstrate that they are capable of generating enough economic progress within a reasonable period of time to enable the people of this country to start living a civilized life.

★★

It is not easy to appreciate the importance of Mr. Swaran Singh going to Rome with a retinue of Civil Servants to attend the forthcoming Annual Conference of the F.A.O. It is not as if any significant policy decisions are going to be taken at this Conference. One cannot, in fact, imagine the F.A.O. doing anything significant, especially under its present Director-General (appointed in 1956), who, I see, is proposing to stand for re-election for a further term. This most ineffective of the U.N. Agencies has become a mere talking shop. It is a pity that India's Food and Agriculture Minister should find it possible to spare time from his urgent and complicated responsibilities to undertake this jaunt. It is perhaps not irrelevant to point out here that the present

Finance Minister decided to send a Secretary of the Economic Affairs Department of the Finance Ministry to attend the Washington meetings of the I.M.F. and the World Bank rather than go himself. Mr. Krishnamachari obviously reasoned that, having recently become Finance Minister, he had work to do here. I should presume that the same logic applies to Mr. Swaran Singh. It is admitted on all hands that the portfolio of Food and Agriculture needs some very decisive handling. It is also fairly well-known that for medical reasons Mr. Swaran Singh has had to stay away from his work after taking charge of this difficult portfolio. Now that he is happily well again I should have thought that he would have wanted to make up for lost time. All this apart, when the declaration of emergency is still in force, it is only proper that at least Cabinet Ministers deny themselves the luxury of foreign visits, unless such visits are demonstrably unavoidable.

★★

Mr. Krishan Bhatia in "The Statesman" has rightly criticised the lavish and extravagant hospitality organised at the Jaipur Session of the A.I.C.C. as being grossly inconsistent with the formal sermonising on austerity by Congress leaders. But the contrast becomes even more glaring when the free-for-all feasting at the A.I.C.C. canteen is related to the famine now raging in the Bikaner-Jaisalmer areas of Rajasthan. I hear reports that not only are cattle and other livestock perishing in their thousands for want of fodder and water, but also that quite a few hundred thousand people have been confronted with acute scarcity conditions. It appears that there is just not enough water to drink even for the human population in these areas and with winter now coming over these northern deserts, the destitution of those ill-fed, ill-clad and famine-stricken communities will surely be aggravated. It is strange that Rajasthan's Chief Minister, who reportedly went to Bombay to collect money from businessmen for the A.I.C.C. extravaganza is still to exert himself to provide funds for the relief of the distressed in those remote regions of the State.

★★

I see that "Eastern Economist's" description of "The Current's" scare-mongering about bank nationalisation as a "canard" has cut Mr. D. F. Karaka to the quick. It amuses me that in a front-page report in the issue of his weekly last week, Mr. Karaka seems to be much less certain of the Government's alleged intention to nationalize banks than he seemed to be in his earlier story of October 5. It is even more entertaining to find Mr. Karaka claiming that, if his earlier report that the Finance Minister would be nationalising banks at the instance of the Prime Minister fails to be substantiated by events, it will only be because the publicity he has given to Mr. Nehru's intentions has frightened the latter into second thoughts. This is slick journalism indeed. You circulate a false story knowing it to be false and when your bluff is called you pretend that what you said would have happened had you not said that it would happen. "Dim" must indeed be taking a dim view of the intelligence of his readers.

V. B.

Trade Winds

NORTHERN LIGHTS

AT A high level conference presided over by Dr. K. L. Rao, Union Minister of Irrigation and Power, Jammu and Kashmir, Himachal Pradesh, Punjab, Delhi and Rajasthan have agreed to form the Northern Regional Electricity Board. The main function of the Board, which will have an advisory status, will be to plan and ensure integrated operation of the systems in the region in such a manner that at any time the total amount of electricity generated and transmitted gives the maximum possible benefit to the region as a whole.

This is the second Regional Electricity Board which has been constituted. Earlier this week, Madras, Andhra, Mysore and Kerala agreed to form the Southern Regional Electricity Board. It is proposed to have seven regional boards in the country which will operate regional super grids and ultimately help in the formation of an all-India power grid.

The integrated operation of Punjab and Delhi systems alone will result in a saving of 110,000 KW in installed capacity corresponding to the conditions in 1966-67. The approximate capital expenditure that would be incurred if the two systems had to make independent provisions for installing an additional generating capacity of 110,000 KW is estimated to be Rs. 9.9 crores and the annual running charges about Rs. 89 lakhs.

The two transmission lines, which will interlink the power systems of the region, are expected to be completed in about 18 months' time. The transmission lines include a 220 KV single circuit line from Faridabad in Punjab State to Delhi 'C' station and a 220 KV double circuit line from Hissar in Punjab State to Jaipur via Khetri in Rajasthan State.

The scope of the Regional Board, to start with, would be very limited. It will not interfere either in the generation or distribution of electricity within a State or a Union Territory. It will, however, help in reducing the standby capacity which can be distributed among the States. The Board will also ensure supply of electricity in a particular State in case of a power failure.

Ultimately the functions of the Board will include:

- (1) Reviewing the progress of power development schemes in the region.
- (2) Planning and ensuring integrated operation of the systems in the region in such a manner that at any time the total amount of electricity generated and transmitted shall give the maximum possible benefits to the region as a whole.
- (3) Preparation of a co-ordinated overhaul and maintenance programme for the generating plants in the region.
- (4) Determining the generation schedules to be followed by the constituent systems.
- (5) Determining the quanta of power available for exchange from time to time between the States, over and above the requirements of each State.
- (6) Determination of a suitable tariff structure to govern exchanges of power within the region.
- (7) Consideration of any other relevant matter for appropriate action thereon.

The members of the Board would include the Minister of State for Irrigation and Power, Jammu and Kashmir, the Chairman, Punjab State Electricity Board, the Chairman, Rajasthan State Electricity Board, the Chairman, DESU, Chief

Secretary, Himachal Pradesh, a representative of the Central Electricity Authority and a member Secretary.

The Chairman of the Punjab State Electricity Board will be the Chairman of the regional body for the first two years. Afterwards, the representatives of the other States will be the Chairman of the Board by rotation every year. The headquarters of the Board will be located in Delhi.

EXPORTS OF OILSEEDS

Mr. H. R. Raja, the Chairman of the Indian Oil and Produce Exporters Association told the sixth annual general meeting, held in Bombay recently that under the Government's export incentive scheme, the export of oil seeds and their products had been stepped up considerably. In 1962-63 exports of oil seeds, vegetable oils (non-essential) and oil cakes/meal fetched about Rs. 49.31 crores in foreign exchange. The major foreign exchange earner individually at Rs. 31.79 crores was cake/meal. The table below in this context is self revealing. Mr. Raja said that under the export incentive scheme there was good revival of export trade in groundnut oil.

Item	(Rs. lakhs)
	Amount
1. Vegetable Oils (non-essential)	
Groundnut oil	7,82.9
Castor oil	4,28.7
Linseed oil	12.8
Tobacco seed oil	9.4
Mustar oil	4.8
Total (incl. others)	13,17.1
2. Oilseed Cakes and Meal	
Defatted groundnut meal	26,52.0
Groundnut cakes	1,92.5
Cottonseed cakes	1,38.0
Linseed cakes	1,06.5
Total (incl. others)	31,79.1
3. Oilseeds, Oilnuts, and Oil Kernels	
Groundnuts	4,07.2
Poppy seed	3.3
Nigar seed	1.7
Total (incl. others)	4,34.9
Grand Total	49,31.1

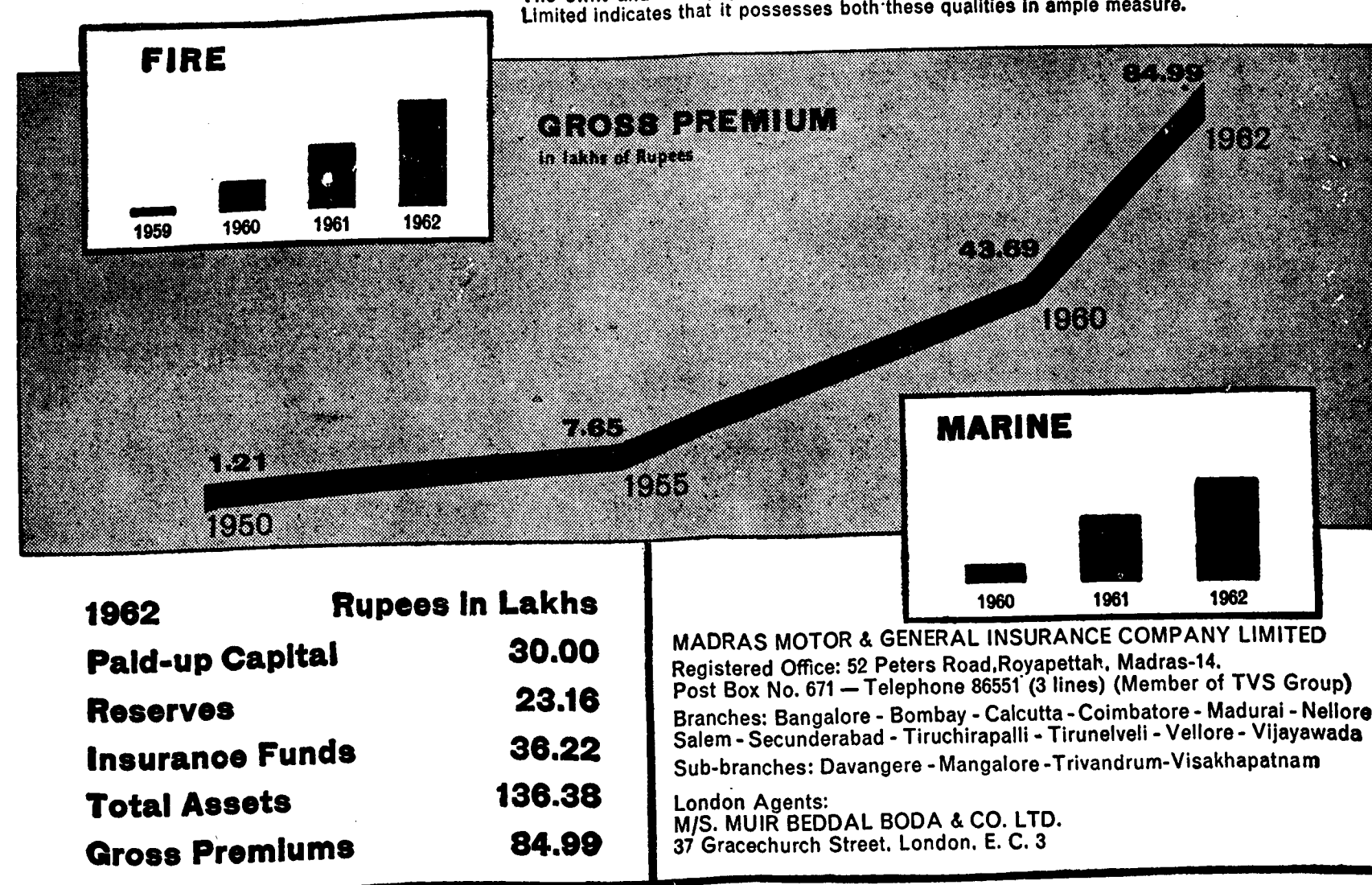
Due to the failure of the olive crop in Spain last year, India was able to build up a good export trade in groundnut oil. It is interesting to note that the current trend indicate further improvement in the pace of exports of these products. Mr. Raja opined that with the development of the solvent extraction industry in the country, the day is not far off when this country would be able to reach the mark of one million tons of export of groundnut extraction. The export of vegetable oils, however, is still handicapped by higher Indian prices.

The Chairman of IOPEA emphasised the need for setting up an export promotion council for oil seeds, vegetable oils and oil cakes/meal. Referring to the production of oil seeds and their products in the country, he pointed out that, even after two years of the third Plan, the country has failed to achieve the target of 76 lakh tons of production of five major oil seeds set for the second Plan. The basic problem, he said has been the low yield per acre — the average yield of groundnut in India is about 640 lbs. per acre as against the world average of 900 lbs. Since the limits of extensive cultivation

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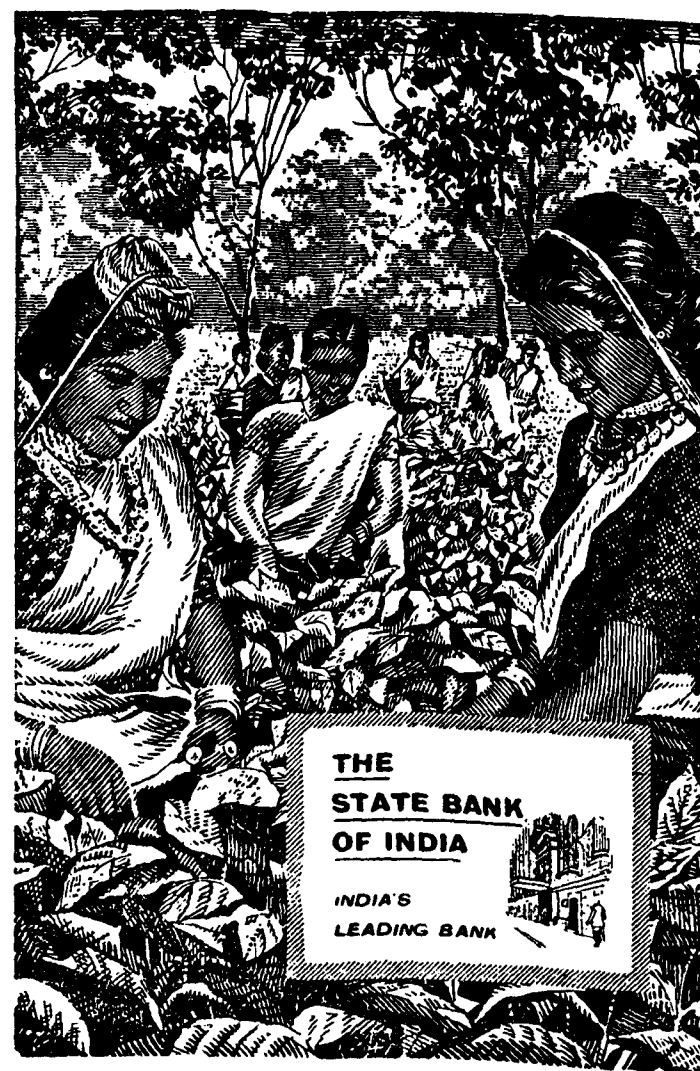
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EASTERN ECONOMIST

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have been reached with regard to these crops, Mr. Raja said that the Government should call for concerted and vigorous efforts to increase per acre yield of oil seeds in our country through intensive cultivation. Unless scientific methods of cultivation are undertaken it is just not possible to achieve the current Plan target of 98 lakh tons of oil seeds.

FORWARD TRADING IN KAPAS

Due to an improvement in the supply position of cotton during the current cotton season 1963-64, the Government of India has decided, as a temporary measure, to remove the ban on futures trading in kapas. The ban was imposed in November, 1962 when the supply position of cotton was acute and prices had touched the ceiling. The Forward Markets Commission is examining the desirability or otherwise of bringing Kapas under the Regulatory Provision of the Forward Contracts (Regulation) Act, 1952. Meanwhile, the Commission will permit resumption of forward trading in Kapas under the auspices of registered associations with certain safeguards such as, requiring them to seek prior permission of the Commission before commencing trade in any delivery, fixation of appropriate maximum prices for Kapas in relation to cotton with the concurrence of the Commission and imposition of such limits on price fluctuations of Kapas as may be conducive to the smooth functioning of the markets. The concerned associations will also be required to submit to the Commission such returns relating to their trading activity as might be prescribed by the Commission. It is notified for the information of the trade that such permission as is granted by the Commission to commence trading in any particular delivery in Kapas will be without prejudice to any action that may be taken by the Central Government to bring Kapas within the Regulatory Provisions of the Forward Contracts (Regulation) Act, 1952.

EXCISE DUTY ON KHANDSARI

The Government of India has revised, with effect from November 1, 1963, the rates of compounded levy of excise duty by 33-1/3 per cent (approximately) in respect of Khand-sari sugar manufactured with and without the aid of sulphitation plants.

THERMAL STATION FOR HARDUAGANJ

A contract was signed recently at Lucknow between the Uttar Pradesh State Electricity Board and the ALL UNION MACHINOEEXPORT TRUST of the Ministry of Foreign Trade of the U.S.S.R. for the construction of a thermal power station in Harduaganj. Simultaneously, an agreement was concluded for the delivery from the U.S.S.R. of building equipment for the station worth Rs. 35,00,000. The Harduaganj thermal power station will have an initial capacity of 100 mW. with two units of 50 mW. each. Its capacity can, however, be extended upto 800 mW. It will be the biggest thermal power station in the western part of U.P. All the major equipments for the station, which will be supplied from the U.S.S.R., have been designed taking into consideration the tropical conditions of the country and the big ash content of the Indian coal that will be used in the boilers.

The detailed project report will provide for using also equipments and materials of Indian manufacture. The high efficiency of the power station will be ensured by using a high pressure steam and a direct-flow water supply system. The water will be supplied from the upper Ganga canal. All the main processes at the station will be automated, which will make it possible to minimise the number of personnel. The power station is to be commissioned during the third five-year Plan i.e., by 1st April, 1966. Erection will be conducted with the technical assistance of Soviet specialists. The power station

will be designed by Teploelektroproekt Institute, which has great experience in designing a number of thermal power stations in India such as, Neyveli, Patratu, Obra, Korba and others. Indian engineers will participate in the designing work.

OUTPUT OF PAINTS PRODUCTS

According to the estimate of the Ad hoc Committee for paint and allied industries which has recently submitted its report to the Union Government, the annual output of paints products by the end of the fourth five-year Plan will have to be stepped up by 380,000 tons from the present rate of 80,000 tons. The Committee is of the view that the paints industry is an ideal one for development in the small-scale sector. It has pointed out that while small-scale industries in many countries play very important part in the production of paints, in India about 10 large-scale firms practically account for 50 per cent of the total production. An investment of Rs. 3.5 lakhs in machinery is considered adequate for manufacturing almost all the different types of paint products provided technical know-how is available. To help the small-scale units to get this technical know-how, the Committee has recommended that proposals for foreign collaboration from small-scale paint units should be sympathetically considered, and that the services of foreign technicians might be obtained by the Central Small Industries Organisation, which should also appoint a panel of Indian consultants, making a beginning through the appointment of two consultants, one in Bombay and another in Calcutta.

In view of the preponderance of government-oriented purchases in India, the Committee has examined the present position with regard to purchases both by the Central and State Governments, inspection procedure, registration with various organisations, earnest money and security deposits, etc. It is of the view that Government-oriented purchases should be restricted to the small-scale sector whenever possible. The Committee has emphasised the need for equipping the small-scale units with up-to-date machinery and recommended that facilities for importing such machinery, as are not manufactured in the country, might be provided. Referring to the decision of the Government that a capacity of 190,000 tons would have to be established by 1966 and about 110,000 tons of capacity would have to be created during the next two to three years, and to the decision of the Licensing Committee to develop an additional capacity of 50,000 tons in the large-scale sector, the Committee has recommended that the remaining capacity of 50,000 to 60,000 tons might be entirely reserved for the small-scale sector. Further, licensing of production of dry distemper, red lead, red oxide, aluminium paints, bitumen paints, wagon blacks, graphite paints and all paste paints should be reserved entirely for the small-scale sector. Recognising the technically complex and wide nature of the paints industry, the Committee has urged the need for centralised control of the industry so that it may develop in a balanced way ensuring maximum utilization of the available resources.

TAXATION AND GROWTH

At the regional conference of the Federation of Indian Chambers of Commerce and Industry held at Kanpur recently, Mr. Bharat Ram, President of the Federation, pointed out that prompt consideration should be given to correcting the stagnation of the economy. The fundamental weakness in the industrial sector, he said, lies in shortage of finance both in terms of foreign exchange and rupee finance. Irksome regulations relating to share participation by foreigners, payment of royalties, technical fees, remuneration to technical personnel, etc., lead to delays. There is over dependence on taxation and over spending the receipts on non-productive

civil uses. The yield from the additional taxation already imposed by the Centre will, over the five years, exceed the target laid down in the third Plan. Additional taxation at the Centre and States in the first three years of the third Plan is expected to raise the ratio of tax revenue to national income from 9.6 per cent to over 13 per cent. This stupendous magnitude of taxation inevitably tells upon the capacity of the private sector to save and invest. As a result of this, there has been a dampening of enthusiasm for new industrial projects. The immediate need, he stressed, is to make our taxation structure investment-oriented, both in regard to principles and content, as far as circumstances permit, so that investment activity may proceed without fear of drastic and frequent changes.

PLANTATION INDUSTRY IN MYSORE

At the fifth annual general meeting of the Mysore State Planters' Association, Mr. P. G. Gurjer, Chairman of the Association, in his speech dwelt at length on many of the problems facing the plantation industry. Criticising high taxation, Mr. Gurjer said that allowing for variations in the size of the incomes, the tax provisions made by plantations in the State now amount to nearly 60 per cent of their income. Mr. Gurjer's view was that the present state of taxation would not leave with the grower the means to lay aside anything for development. The Chairman's complaint was that plantations were not given depreciation for their field assets. Although the Tariff Commission recommended a depreciation allowance for rubber and the Centre endorsed it for the State's consideration, Mysore alone among the rubber growing States has refused to allow depreciation as a legitimate deduction.

In spite of the fact that costs have gone up, no special consideration is being extended to the industry to mitigate its special handicaps. Mr. Gurjer felt that if plantations industry was to progress, the excise duty on its produce should be abolished, octroi and sales-tax should be lightened and taxation, directly and indirectly, levied should be lowered to tolerable levels. Referring to the recent amendment to the Mysore Agricultural Income-Tax Act, Mr. Gurjer stated that the amendment provides for expenditure incurred on upkeep and maintenance of replanted tea upto the time of bearing; for precisely the same expenditure for maintaining immature coffee and rubber areas, no deduction is allowed under the Act. Since the industry is not allowed depreciation on its most important assets, namely, the plants, plantations cannot accumulate resources to replace capital wastage of its planted assets.

MANAGEMENT OF MARKETING

At a seminar held recently by the Calcutta Productivity Council and the Calcutta Management Association, Mr. R. H. Mody, in his inaugural address, dwelt at length on 'management of international marketing'. Mr. Mody pointed out that in spite of the willingness of industry to export and also governmental encouragement, it is necessary to ensure certain other conditions if the export drive is to succeed. The first essential, he underlined, is to know one's market. Although some basic information on consumption habits in importing countries is available, the knowledge is far from adequate. It is only through reasonably comprehensive market surveys that a clear picture of the extent of potential demand, the specific tastes, habits and characteristics of the markets concerned can be obtained. Instances have not been lacking in the past when we have sent goods made to a design without any effort to assess its suitability in the markets concerned, in sharp contrast with the determined efforts to meet customers' preference made by our competitors. Western countries and Japan are particularly careful in this regard. Take for ins-

tance, he said, the case of Nescafe (instant coffee) which is made in no less than 30 different tastes to suit different markets throughout the world. The second point which Mr. Mody highlighted, is high quality and competitive prices for all export goods.

It is also necessary to ensure that when supply is sent to foreign markets, the schedule and regularity of exports is maintained. Equally important is the provision of after sales service. In the development and management of international marketing, sustained publicity and salesmanship are of cardinal importance. There is, finally, need for co-ordinating the work of various export promotion councils.

WAGE SURVEY

The Labour Bureau of the Ministry of Labour and Employment, Government of India has launched the second occupational wage survey. Data will be collected during the course of the survey on the occupational wage rates and earnings of industrial workers employed in 45 major manufacturing, mining and plantation industries. The survey will also make available some information on overtime working and incentive bonus scheme. A similar occupational wage survey was conducted by the Bureau in 1958-59. Besides yielding information on the occupational wage rates and earnings of industrial workers, this survey will also enable an appraisal of the changes in wage rates and earnings since the time of the last survey.

COPYRIGHT ACT EXTENDED TO PERU

In a notification issued in the Gazette of India Extraordinary dated the 25th October, 1963, the Government of India have extended the operation of the Copyright Act, 1957 (14 of 1957), to the works of Peru.

This is consequent on the ratification of the Universal Copyright Convention by the Government of Peru.



Company Affairs

SAKTHI SUGARS ISSUE

SAKTHI SUGARS LTD., a new company incorporated in 1961, with the object of manufacturing and marketing sugar, confectionery, power alcohol, etc., is going ahead with the construction of a sugar factory at Appakudal, about eight miles from Bhavani in Madras State. This is a sugar-cane growing belt fed by Bhavanisagar and the Mettur Dam canals and the Kalingrayan and other irrigation channels. An area of nearly 30,000 acres is under sugarcane cultivation with an average yield of about 40 tons per acre. The company has made arrangements for the supplies of sugar plant and machinery from Walchandnagar Industries Ltd. The project will involve a capital outlay of around Rs. 155 lakhs of which a sum of Rs. 75 lakhs is being raised in the form of 75,000 equity shares of Rs. 100 each. Another sum of Rs. 70 lakhs will be raised by a loan from the Punjab National Bank and the remaining Rs. 10 lakhs by short-term deposits. The factory will start operations from the 1964 season.

The company has entered the capital market with an offer to the public of 39,896 equity shares of Rs. 100 each at par. The subscription list opened on November 11, 1963, to close on November 20, 1963, or earlier at the discretion of the directors but not before November 16, 1963. (Details were published in "Eastern Economist" dated November 8, 1963). The authorised capital is Rs. one crore made up of 75,000 equity shares of Rs. 100 each and 25,000 redeemable cumulative preference shares of Rs. 100 each. The issued capital is Rs. 75 lakhs made up of 75,000 equity shares out of which 35,104 equity shares have been allotted to directors, promoters and their friends and to the signatories to the Memorandum of Association. This issue has been underwritten to the extent of Rs. 20 lakhs by the Madras Industrial Investment Corporation Ltd. and Rs. 5 lakhs by the Life Insurance Corporation of India. In regard to the balance of Rs. 14,89,600, the company has an undertaking from Mr. N. Mahalingam, one of its directors, that in the event of the public subscription falling short of this amount, he would procure subscriptions to make up such deficit.

HINDUSTAN POLYMERS

Hindustan Polymers Limited will enter the capital market shortly with a public issue of 127,400 equity shares of Rs. 100 each at par. Its authorised capital is Rs. five crores made up of 300,000 equity shares of Rs. 100 each and Rs. 200,000 unclassified shares of Rs. 100 each. The entire public issue is underwritten. Out of the issued capital of Rs. three crores constituting 300,000 equity shares, 112,600 shares have been subscribed by the promoters, directors and their friends. Bakelite Xylonite Limited, London, a subsidiary of the technical collaborators has subscribed 20,000 equity shares. Commonwealth Development Finance Co., Ltd., London and the Industrial Credit and Investment Corporation of India Limited, Bombay, have subscribed 20,000 equity shares each. Total subscribed capital up till now is Rs. 1,72,60,000 and the total paid-up capital Rs. 43,30,250.

The immediate object of the company is to manufacture power alcohol, styrene monomer, polystyrene and its copolymers and by-products derived from these items. The Government of India have issued a licence for the manufacture of 10,000 tons of styrene monomer, 7,500 tons of polystyrene and its copolymers and 1.5 million gallons of power alcohol every year. The company has made applications to the Government to obtain licences worth Rs. 2.23 crores for the import of plant, machinery and equipment. It has secured technical assistance and collaboration of Universal Oil Products Co., Inc., of USA and BX Plastics Ltd., England. The Power Gas Corporation Limited, England will be the suppliers of plant and machinery for styrene monomer and polystyrene and will also supervise

its erection. Molasses and benzene will be the basis for the production of styrene monomer and polystyrene. The plant will be located at Visakapatnam where land has already been acquired.

ARUNODAY MILLS

Arunoday Mills Limited have entered the capital market with a public issue of Rs. 17.50 lakhs made up of 125,000 equity shares of Rs. 10 each and 5,000 redeemable cumulative preference shares (9.5 per cent) of Rs. 100 each. The subscription list opened on November 11 to close on November 23, or earlier but not before November 14. The whole issue has been underwritten. The company has an authorised capital of Rs. one crore and an issued capital (including the current issue) of Rs. 30.00 lakhs, out of which shares worth Rs. 12.50 lakhs have been subscribed by the directors, their friends and their associates. The company is putting up a textile mill at Morvi in Gujarat, a cotton growing area. It has been granted industrial licences for a spinning unit of 12,000 spindles and 324 automatic looms.

The present scheme will involve a capital outlay of Rs. 79.50 lakhs including working capital. A sum of Rs. 30.00 lakhs will be raised by share capital, Rs. 5.50 lakhs by 10 years deferred payment of machinery, Rs. 29.50 lakhs by term-loan from Bank of Baroda under arrangement with Refinance Corporation for Industries and Rs. 14.50 lakhs by loans for working capital from Bank of Baroda Limited. The company has a special advantage in the import of machinery as the Government has allowed it to import combers, cane-winners, etc., against foreign exchange obtained by issue of equity shares to non-residents. Out of equity shares worth Rs. 12.50 lakhs subscribed by promoters and their friends, shares worth Rs. 4.45 lakhs are issued to non-residents. Production is expected to start by September, 1964.

ROCKWELL INDIA

Rockwell India Ltd., a new machine tool manufacturing company, proposes to enter the market shortly to raise Rs. 7.35 lakhs by public subscription. The company has a Rs. 57.13 lakh project for the manufacture of wood working and metal working machinery at Udhana in Surat district, with the technical and financial collaboration of Rockwell Manufacturing Company of USA and its subsidiary, Rockwell International S.A., Switzerland. The authorised capital of the company is Rs. one crore and the issued capital is Rs. 30 lakhs. Equity capital of Rs. 22.65 lakhs has been subscribed and fully paid-up — the foreign collaborators have subscribed to the extent of Rs. 14.99 lakhs and Batliboi and Company, the major Indian promoters, to the extent of Rs. 7.65 lakhs. It will now raise Rs. 7.35 lakhs by public subscription and Rs. 27.13 lakhs by a loan from banks and other sources. While approving the project, the Government of India have stipulated that the company should export at least 20 per cent of its products.

INDIAN ALUMINIUM

The directors of Indian Aluminium Company Limited propose to call an extraordinary general meeting on December 16 for the purpose of considering and, if thought fit, passing a resolution which would entitle the holders of ordinary shares, in respect of which par or nominal value has been fully paid up, to one fully paid bonus share of Rs. 10 each for every four shares held as on December 16. An interim dividend of Rs. 0.75 per ordinary share was declared for the year ended December 31, 1963.

ASHOK LEYLAND

Ashok Leyland has finalized the details of its rights issue to finance its phased programme of manufacturing Leyland heavy duty commercial vehicles and diesel engines. The additional capital to be raised is Rs. 55.25 lakhs divided into

11,05,000 equity shares of Rs. 5 each to be offered at par to the existing shareholders in the ratio of one share for every nine shares held on October 31, 1963. Of these shares, Leyland Motors Ltd., UK will be offered 662,777 shares of the value of Rs. 33.14 lakhs at par and will be allotted to them from time to time against supply of plant and machinery. The balance of 441,999 shares of the value of Rs. 22.10 lakhs will be offered to the other shareholders. The shareholders are entitled to apply for additional shares and will be allotted shares not taken up by members other than Leyland Motors Ltd.

The company is now in the process of increasing the output of Comet chassis to 5,000 per annum, with 25 per cent additional capacity in the production of spare parts and in addition an output of 1,200 heavy duty type '680' diesel engines. With the rapid expansion of the factory and for the implementation of the manufacturing programme of the company, heavy capital expenditure by way of plant and machinery and building has to be incurred. A part of this expenditure will be provided by the proposed rights issue.

GUEST, KEEN, WILLIAMS

The directors of Guest, Keen, Williams Ltd. have decided to issue bonus shares, in the proportion of one bonus share for every two shares held, by capitalising reserves. The company has already applied to the Government for necessary sanction. When the bonus shares are issued, the ordinary share capital will be increased by Rs. two crores to Rs. six crores. The prospects for the company are very promising because it intends to diversify its activities. The directors have also declared an interim taxable ordinary dividend of 6 per cent for the year ending December, 1963.

BHARAT BIJLEE

The directors of Bharat Bijlee Ltd., propose to raise additional capital of Rs. 60 lakhs in 30,000 equity shares of Rs. 100 each and 30,000 redeemable cumulative preference shares (9.3 per cent) of Rs. 100 each, subject to the approval of the Controller of Capital Issues, to finance the company's expansion programme. The shares will be offered to the existing shareholders as rights. In addition to this, the company has arranged a bank loan of Rs. 50 lakhs. Arrangements are also being made for foreign exchange accommodation. The year ended June 30, 1963, was encouraging. Sales improved from Rs. 81.36 lakhs last year to Rs. 108.72 lakhs and gross profit consequently reached Rs. 14.21 lakhs, an increase of nearly Rs. 4.49 lakhs over the previous year. The directors have proposed the payment of dividend at the rate of 8 per cent on the old shares and a proportionate distribution of 6 per cent on the new shares absorbing Rs. 1.90 lakhs. The company has made an application to the Maharashtra Industrial Development Corporation for allotment of a large area of land on long-term lease in the Kalwa Industrial Estates.

FORT GLOSTER

Fort Gloster Industries is issuing rights shares in the ratio of one for two at a premium of Rs. 90 per share. The company had to abandon some time ago an earlier plan of making a rights issue to finance a large-scale expansion of its cable division, as the Chinese aggression and developments thereafter had an adverse impact on the capital market. The company's original scheme has been modified in the light of its present needs. It has undertaken to manufacture all types of railway signalling cables with insulation of paper, P.V.C. and rubber and also certain special cables in rubber, P.V.C. and polythene, besides paper insulated and lead covered cables.

TATA CHEMICALS EXPANSION

Mr. J. R. D. Tata, Chairman of Tata Chemicals Limited, has indicated in his statement appended to the annual report for the year ended June 30, 1963, that the company was planning a further expansion after the completion of its previous

expansion programme. Already, its expansion project has enabled its production of soda ash to increase from 57,000 tonnes in 1957 to 128,000 tonnes during the year under review. The production of dense ash which stabilised from January 1962 totalled 21,600 tonnes compared with 5,500 tonnes last year. The production of refined sodium bicarbonate was 6 per cent higher than the previous year and the salt season was also considered exceptionally good; as much as 186,000 tonnes of salt were produced at Mithapur and 65,000 tonnes at Okhamadhi. The Chairman indicated that as against the previous plan of having an increase of the order of around 100 tonnes a day of soda ash at Mithapur, a substantially larger expansion could be undertaken in view of the reduced dependence on supplies of fresh water for technical operations. An increase in salt production was also likely to help this expansion plan. The company has secured approval from the Government for doubling its present capacity of 30,000 tonnes of heavy ash and the Chairman was hopeful that with the proposed expansion, there would be considerable improvement in its profitability. During the year under review, the value of products sold, inclusive of excise duty recovered, amounted to Rs. 7.15 crores as against Rs. 5.31 crores last year. This improved sales proceeds were reflected in the higher profits which stood around Rs. 79.48 lakhs as against last year's Rs. 16.94 lakhs. The directors have proposed to transfer Rs. 3.94 lakhs towards general reserve and Rs. 41 lakhs towards development rebate reserve. A dividend of Re. one per ordinary share (70 nP. net) is proposed to be paid against a dividend of 65 nP. (46 nP. net) paid last year. It will absorb a sum of Rs. 30.24 lakhs.

BHARAT BALL BEARING

A new ball bearing factory was recently opened at Ranchi by the Union Minister for Steel and Heavy Industries. Mr. Bharat Ram, Chairman of the company (Bharat Ball Bearing), stated that the demand for ball and roller bearings is estimated at 20 million and 38 million pieces by the end of the third and fourth Plans respectively. While sufficient licences have been issued to cover the requirements up to the end of the third Plan, the capacity which has come into being is only of the order of 4 million bearings per annum, but is capable of being raised to 15 million per year by more intensive working and three-shift operation. Since there are doubts about all of the remaining licensed capacity maturing, Mr. Bharat Ram suggested that the Government should keep the situation under constant review and re-pattern the licensed capacity to ensure speedy commissioning, at least, of the bulk of

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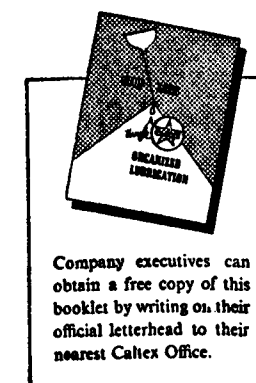
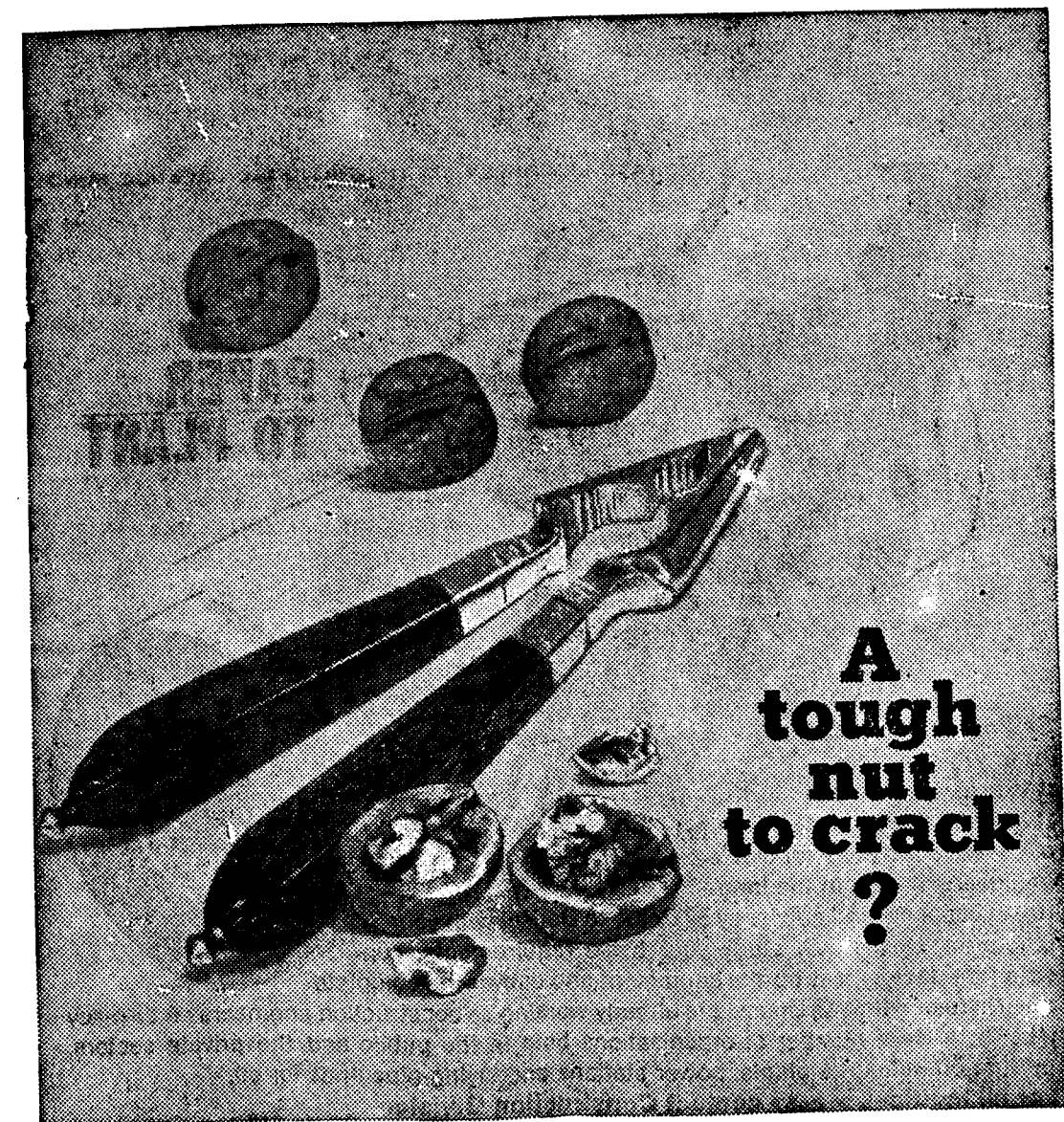
Drawing of 5% Rupee Debenture Stock, 1970 For Redemption

Holders of 5% Debenture Stock (Indian Issue) are hereby advised that a Drawing will be held on Tuesday, the 3rd December, 1963, in London.

Notice is hereby given that the Indian Debenture Register and the relative Transfer Books will be closed for a period of 10 days from 24th November to 3rd December, 1963, both dates inclusive.

BY ORDER OF THE BOARD,
D. P. M. KANGA,
Agent.

VICTORIA HOUSE,
Calcutta, 4th November, 1963



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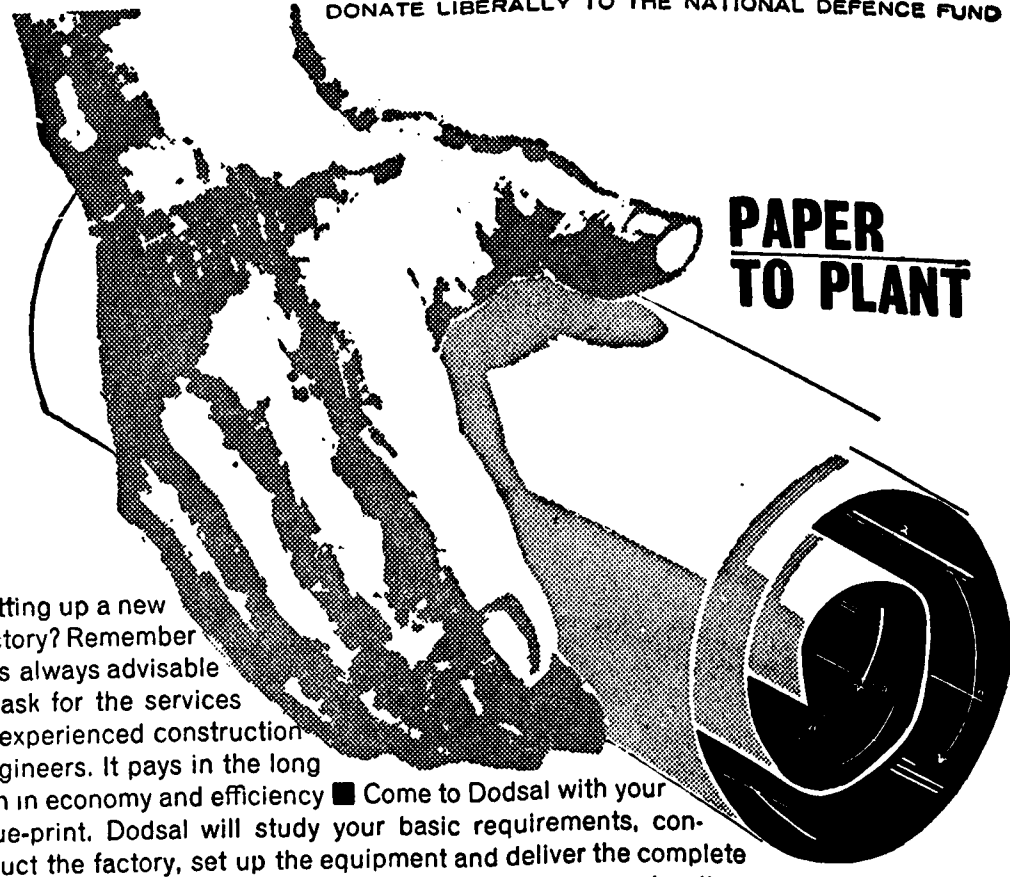
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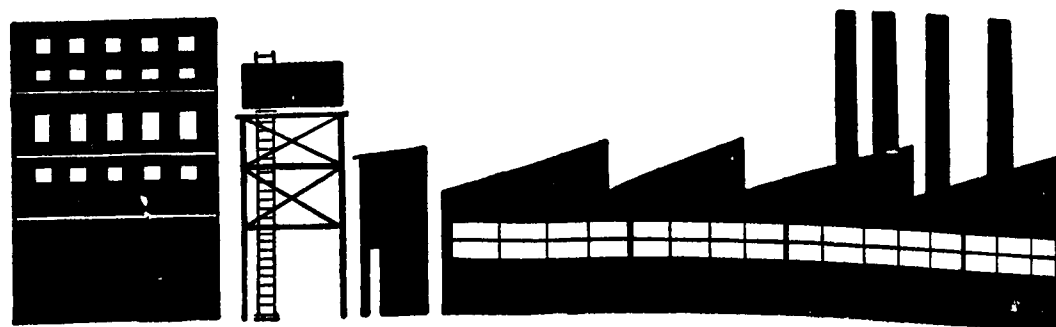
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the required capacity. At the same time considering the importance of this industry which is highly specialised and calls for precision in production, it is necessary to ensure that the licensing policy is qualitative in its approach.

The industry had enjoyed protection all along and after the last Tariff Commission's enquiry, it was decided that protection should be extended till the end of 1965. The Commission, however, pointed out that in spite of the long years of protection and considerable expansion in production, prices had continued to be considerably higher than those of imported equipment. This is a matter to which the industry should now devote serious attention.

Referring to expansion plans of the Bharat Ball Bearing Company Limited, Mr. Bharat Ram pointed out that they have in hand a project for the installation of forging capacity in order to produce ball bearings of 52 m.m. diameter and above. Arrangements are also being finalised for technical collaboration for the manufacture of roller bearings. Bharat Ball Bearing Company Limited has applied to the Government for doubling the capacity of ball and roller bearings from 2.5 million pieces to 5 million pieces per year and also for a licence for the manufacture of railway axle boxes complete with bearings.

PRESTOLITE OF INDIA

The factory of Prestolite of India Ltd. at Faridabad is expected to go into production in January, 1964. Mr. J. J. Bhomrich, President of the Prestolite International Corporation of the U.S., the foreign collaborators of the Indian company, indicated that the Government have approved the company's expansion plan under which it will produce apart from other 14 items, 50,000 units each of wind screen wipers assembly and distributors assembly. The company hopes to get an additional loan of Rs. 10 lakhs from the Punjab Financial Corporation for its expansion programme. It will start with an indigenous content of its final products to the extent of 50 per cent but soon will reach a level of 80 to 90 per cent in two to three years.

COMPANY REGISTRATIONS

Eighty-six companies with an authorised capital of Rs. 3,541.45 lakhs were registered in the Western Region comprising U.P., Punjab, Rajasthan, Himachal Pradesh and Delhi during the quarter ending September 30, 1963. Out of these companies four are public companies, 79 are private companies and three are associations not for profit. Five companies with an authorised capital of over Rs. 50 lakhs were registered in Delhi.

During the period under review, 23 companies with a paid-up capital of Rs. 42.72 lakhs went into liquidation, and 47 companies with a paid-up capital of Rs. 9.19 lakhs were struck off the Register of Companies under Section 560 of the Companies Act, 1956.

The total number of companies at work on September 30, 1963 was 4,585. They included 830 public companies, 3,564 private limited companies and 191 associations not for profit. The authorised capital of these companies was Rs. 301.40 crores and Rs. 386.15 crores, while the paid-up capital amounted to Rs. 74.76 crores and Rs. 136.54 crores respectively.

MYSORE SPINNING

The Mysore Spinning and Manufacturing Company Ltd. for the year ended February 28, 1963, shows a lower net profit at Rs. 2.04 lakhs as against Rs. 3.20 lakhs last year. In view of this lower profit and a large provision for development rebate (Rs. 3.09 lakhs), the directors have proposed not to pay any dividend. Instead they have proposed to issue bonus shares in the ratio of 1 : 8 after capitalising the share premium

account and a portion of the general reserve. As a result of the bonus issue, the directors feel that the equity capital of the company will be more in line with the net block which already exceeds Rs. one crore.

During the year under review, the prices of Indian cotton generally ruled very high but there was no rise in prices of yarn and cloth realised by the mills because of the voluntary price regulation scheme undertaken by the cotton mills industry. The price realisation on exports were no better because the compulsory export obligations scheme had a depressing effect on the prices. Under the programme of renovation of the existing plain looms, 80 looms were rebuilt and various items of new machinery were brought into use. To meet a part of the capital expenditure under the expansion and modernisation programme aggregating to over Rs. 80 lakhs, the company has been sanctioned a medium-term loan of Rs. 50 lakhs by its bankers — the State Bank of India — who have already advanced Rs. 40 lakhs as interim accommodation.

CAPITAL ISSUES

Six companies have been authorized to raise capital aggregating Rs. 16.80 crores. The consent of the Controller of Capital Issues is valid for 12 months.

Madras Tube Company Limited, Madras, has been given consent to issue capital of Rs. 124.93 lakhs, divided into 9,49,300 equity shares of Rs. 10 each and 30,000 preference shares of Rs. 100 each, to be issued for cash at par. Of these, shares of the value of not less than Rs. 61.25 lakhs will be offered for public subscription.

Hindustan Times Limited, New Delhi, is to issue capital of Rs. 120 lakhs in debentures of Rs. 1,000 each carrying an interest of not exceeding 7½ per cent. This is in supersession of an earlier issue. The proceeds of the issue will be utilized for the construction of its own building.

Usha Spinning and Weaving Mills, Delhi, is raising further capital of Rs. 35 lakhs divided into preference shares of the value of Rs. 13 lakhs and equity shares of the value of Rs. 22 lakhs.

Indian Drugs and Pharmaceuticals Limited, Delhi, a Central Government undertaking, is to issue further capital of Rs. 3 crores divided into 30,000 equity shares of Rs. 1,000 each for cash at par.

National Coal Development Corporation Limited, Ranchi, a Central Government undertaking, is to issue further capital of Rs. 10 crores divided into 1,00,000 equity shares of Rs. 1,000 each to be issued for cash at par.

The Singareni Collieries Company Limited, Hyderabad, a Government company, is issuing capital of Rs. 1 crore divided into 10,00,000 equity shares of Rs. 10 each to be subscribed privately at par.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951—during the week ending 2nd November, 1963. The list contains the names and addresses of the licencees, the articles of manufacture and annual installed capacity:

ELECTRICAL CABLES & WIRES

Enamelled Wires Private Ltd., Mash Trading Co., Odeon Building, Connaught Circus, New Delhi (Kalyan, District Thana, Maharashtra) — (1) Enamelled Copper Wires 420 tons, (2) Paper etc. covered wires and strips 360 tons. Victor Cables Corporation, 5775, Sadar Bazar, Delhi (Delhi) —(1)

Enamelled Copper Wires 200 tons, (2) Paper etc. covered wires and strips 200 tons.

AUTOMOBILES

Shri Shrilal Saraogi, 123, Chittaranjan Avenue, Calcutta, Proposed name: M/s. Magadh Transport Ltd. (Barauni, Bihar) — Automobile bodies 100 Nos. D.M.R. Auto Industries, 108, Netaji Subhas Road, C/o M/s. Copra Motors, 139, Regent Park, Calcutta-40, (Sonepat, Punjab) — Bus bodies 480 Nos., Pick-up bodies 1,440 Nos., Station Wagon bodies 1,080 Nos., Load Carrier bodies 1,560 Nos., Vin bodies 660 Nos., Tipping bodies 840 Nos., Diesel and oil tanker bodies—180 Nos.

STORAGE BATTERIES

Himco (India) Private Ltd., Tin Printing Building, Subzi Mandi, Delhi-6, Proposed name: M/s. G.M.C., M/s. Himco Industries Ltd. (Maharashtra) — (1) Rubber battery containers 12,500 Nos., (2) Plastic containers 2,000 Nos., (3) Micro-porous rubber separators 2.5 million Nos.

INORGANIC HEAVY CHEMICALS

Jayshree Chemicals and Fertilizers, India Exchange, Calcutta-1 (Khardah, 24 Parganas, West Bengal) — Alum (including Ferric, Pink and Ammonia Alums) 8250 tonnes. M/s. Delhi Cloth and General Mills Co. Ltd., Bara Hindu Rao, Delhi-6, Proposed name: Rajasthan Vinyl and Chemical Industries (Kota, Rajasthan) — Caustic Soda 6600 tons.

DRUGS AND PHARMACEUTICALS

Dr. Kanshi Ram Gauri, Ghaziabad, Proposed name: Dr. Gauri and Co. (Sohana, Distt. Gurgaon, Punjab) — (1) Rubber contraceptives — Capacity to be fixed later, (2) Billigenic active compounds food dyestuff from curcuma roots — 6,000 kgs. dry extracts. Merck Sharp & Dhome of India Ltd., Dugal House, Backbay Reclamation, Bombay-1 (Maharashtra) — (1) Aldomet tablets 18 lakhs tablets, (2) Aldomet injections 60 litres.

COTTON TEXTILES

Prakash Cotton Mills Private Ltd., Off Fergusson Road, Lower Parel, Bombay-13 (Ratnagiri Distt. Maharashtra) — 500 automatic looms for manufacture of cotton textiles.

TEXTILES

The Nuddea Mills Ltd., 2 Fairlie Place, Calcutta (West Bengal) — Wide Hessian (Carpet Backing Cloth) 40 broad looms for producing 4200 tonnes.

WOOLLEN TEXTILES

Foreign Import & Export Association, Gool Mansion, Homji Street, Fort, Bombay (Rajasthan) — Wool tops 700,000 kgs.

PAPER

Madhya Pradesh Board and Paper Mills, Vidisha (Madhya Pradesh) — Straw board and mill boards 2,880 tonnes, Pulp 2,880 tonnes.

CHANGE IN NAMES (Owners or Undertakings)

During the week ending 2nd November, 1963

(Information pertains to particular licences)

From Ram Tirath Iron & Steel Re-rolling Mills Mandi Gobindgarh to Shri Munshi Ram Mittal Mandi Gobindgarh. From M/s. Jain & Rai, Bhilai to M/s. Bhilai Engineering Corporation (Private) Ltd., Bhilai. From M/s. Sak Industries, New Delhi to M/s. Inex Engine Valves Private Ltd. New Delhi. From name of the licensee: Shri Hassan Marikar, Trivandrum to Name of the undertaking: M/s. Marikar Industries Ltd., Trivandrum. From M/s. The Associated Cement Companies Ltd., Bombay to M/s. The Associated Cement Companies Ltd., Engineering Works, Bombay. From M/s. Kusum Hosiery Mills Ltd., Calcutta to M/s. Kusum Hosiery Mills Private Ltd., Calcutta. From M/s. Structural Ceramic Fuse (Private) Ltd., Bombay to M/s. Structural Ceramics Ltd., Bombay. From M/s. The Associated Cement Companies Ltd., Bombay to M/s. The Associated Cement Companies Ltd.'s Engineering Works, Bombay.

LICENCES REVOKED OR SURRENDERED

During the week ending 2nd November, 1963

(Information pertains to particular licences)

The Ahmedabad Jupiter Spg. Wvg. & Mfg. Co. Ltd., Bombay — Malleable pipe castings and fittings; Transmission towers and other structural work (except towers for telephone lines); Boilers and pressure vessels. M/s. Ravi Industries (P) Ltd., Thana — High speed draw frames. M/s. The Ahmedabad Jupiter Spg. Wvg. & Mfg. Co. Ltd., Bombay — E.O.T. cranes and winches. M/s. Rallis Chemicals Ltd., Bombay — Aluminium sulphate and other alumes. M/s. Brij Textiles, Bombay — Art silk piecegoods. M/s. Lakshmi Devi Sugar Mills Private Ltd., P.O. Chhitauni, Distt. Deoria — Sugar.

BOOKS BRIEFLY

Mathematics Made Easy

An Introduction to Mathematics for Students of Economics:
By J. Parry Lewis; MacMillan & Co., Ltd.; Pp. 394;
Price 20s. net.

THE LONG-FELT need for an elementary book on Mathematics catering to the needs of the students of Economics is fulfilled. As the author himself envisages in the Preface, the book with its various sections starts at a very basic level but goes a long way into the subject.

The first section dealing with Algebra chiefly contains the results to be acquainted with for a good understanding of the later chapters. It is good that the proofs are omitted. The revision chapter, given for the brushing up of ideas already familiar, is quite exhaustive. The two chapters that follow introduce the ideas of summation of series and the more complicated idea of permutations and the Binomial theorem in a well-planned manner.

Section Two, touching the fringes of Trigonometry, Co-ordinate Geometry, Conic Sections and Polar Co-ordinates makes a full exposition to the required level of the respective topics concerned. The author, while dealing with the graphs, fully keeps himself aware of the utility of them to an aspiring economist. The Trigonometric Graphs which are useful in Trade Cycles analysis, are explained particularly well. The student, however, may find the going a little difficult at first; the more complicated ideas in the conic section and polar co-ordinates could perhaps have been avoided in such an introductory book.

The author, realising the need for a thorough knowledge of calculus to economists, has well devoted the last three sections to the subject. The topics discussed range from the elementary principle of limits to the more advanced idea of differential equations—everything simplified as far as could be done. The idea of continuity which is very essential for a proper understanding of this section is well elucidated with a number of examples. The interpretation of the meaning of derivatives is another well-executed part of the book. But sometimes the author loses himself in the great depths of Mathematics where the readers to whom this

work is intended must surely find themselves in very deep waters indeed.

The students may feel it convenient to follow the chapters on Maxima and Minima and the points of Inflection as they have been explained with reference to the case of a monopolist. Integration, as a process of summation, is also well explained. One cannot refrain from making specific mention of the manner in which the principle of logarithms is introduced. The benefit to the student would have been greater had there been at least an appendix dealing with the use of logarithms in calculations. The chapter on Exponentials nicely introduces the concept of 'e' through a very good example. Two important theorems viz., those of MacLaurin's and Taylor's have been formally touched upon.

The section on function of many variables would pose the maximum difficulty to the reader. But the author has taken pains to render the matter in simplified manner, often choosing illustrations from economic theory. The theory of partial differentiation, Maxima and Minima of functions of two or more variables, use of Lagrange multipliers, homogeneous functions and Euler's theorem have been explained in reference to economic problems. To facilitate easy solution of certain equations, determinants have been brought in.

The last section begins with an introduction to complex numbers, knowledge of which is required to follow the succeeding chapters. The important ideas on imaginary and complex numbers are adequately elucidated. Even at the outset of the next chapter the author, with a clear example, explains the circumstances which give rise to solution of difference and differential equations, simultaneously indicating the difference between them. Though this chapter and the next deal with the elementary theory of difference and differential equations, they require considerable amount of interest and persuasion on the part of the student. The author has taken enough precaution not to go beyond the scope of the book.

Throughout the book one could find a good number of Exercises with graded problems. There are some useful Appendices.

V. N. S.

Readers' Roundtable

MISCHIEF OF SPT

Sir, — I have gone through the article "The Mischief of SPT" in the issue of October 18. The analysis and arguments put forward by Sagattarius are very interesting.

There are two important things that we have to keep in mind. One is that the country is in need of quick industrialisation and the other, investors expect a good return on their capital. The fiscal policy should be so designed as to meet both these requirements. The problem is acute and any delay in taking a decision will only result in more harm to the country. For the past year and a half investors have been just sitting on the fence and are in no mood to invest money in industry.

It is true that some new industries have already gone into production. But it will take time for them to declare dividend on equity shares for, under the existing law unless and until the company makes full provision for depreciation and dividend on Preference shares it is debarred from declaring any dividend on ordinary shares.

The Preference shareholders too are unhappy and dissatisfied. To give an example, the Preference shareholders of Hindustan Aluminium have got no dividend for the last three

years, although this enterprise has been remarkably quick in being commissioned. Despite all this expectations, it will be another two years before the company can begin paying dividend to Preference shareholders. Dividend on ordinary shares will take still longer. It is, therefore, very important that the existing law is modified so as to make it possible for Preference shareholders to get dividends immediately after the company begins to earn. The arrears of dividend on the Preference shares of Hindustan Aluminium have amounted to about Rs. 23/- and taking this into account the value of this class of shares at present should be Rs. 125/-. But the market price is only Rs. 107. In these circumstances, can any sane investor think of going in for Preference shares of new companies? New industries cannot be promoted without adequate inducements and attractions being offered to the public. To attract new investment capital, the Government will have to give ample reassurance. And this can be provided only if it announces without much delay a tax reduction programme for the next three years on the lines adopted by the U.S. Government.

Bombay:

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the front, 50 to 100 men have to work on
the home front.

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RECORDS AND STATISTICS

AICC on Democracy and Socialism

THE ALL-INDIA Congress Working Committee, at its two-day session in Jaipur, had released a Paper on Democracy and Socialism which sums up the Congress ideology as one of "Democratic Socialism based on democracy, dignity of the individual and social justice." The statement gives the highest importance to the provision of a "national minimum" to every individual "in respect of food, clothing housing, education and health" by the end of the fifth Plan. This Paper is in the nature of a draft declaration which will be further processed for discussion at the plenary session of the Congress to be held at Bhubaneswar in January in the light of the speeches and suggestions at the Jaipur meet. The following is the full text of the Paper on "Democracy and Socialism."

The Indian National Congress, in its role as the emancipator of the country from alien rule was not merely concerned with the winning of political freedom but had a social objective also. This social objective of the national movement was brought into greater prominence after the advent of Gandhiji's leadership. This was given expression to in the various resolutions of the Congress notable amongst them being the Karachi Resolution of 1931. Various constructive programmes of Mahatmaji, particularly removal of untouchability, social uplift of women, rural development with cottage industries—all these had a social objective to achieve, while the new forces released by these programmes lent strength to the freedom movement.

After the attainment of freedom, naturally the Congress as the party in power was called upon to give concrete shape to these social objectives and take positive steps to achieve the goal. The preamble of the Indian Constitution and the directive principles contained therein were formulated with this purpose in view and with the adoption of the Constitution these became national goals and objectives.

Equitable Distribution

It is in this context the Avadi Session of the Congress in 1955 laid down that in order to realize the object of the Congress and to further the objective stated in the Preamble and Directive Principles of State policy of the Constitution of India, planning should take place with a view to the establishment of a socialistic pattern of society, where the principal means of production are under social ownership or control, production is progressively speeded up and there is equitable distribution of the national wealth. In 1957 the Congress formally adopted the establishment by peaceful and legitimate means of a Socialist Co-operative Commonwealth as its objective in Art. I of its Constitution. Thus the establishment of a "socialistic pattern of society" came to be adopted as the object and aim of the Congress. But this was not a new aim. Throughout its eventful history the Congress has been, steadily and consciously, moving towards this objective.

Since then the Congress has fought two general elections on the basis of "planning for socialism" and the people of India have largely endorsed this policy. In formulating the various five year Plans this objective has been kept in the

forefront and Parliament also has accepted the socialistic approach to economic development.

Thus the Congress has become associated with the socialistic ideology and goal. In the various resolutions passed by the Congress and the AICC, it has defined broadly the economic and social content of a socialistic society. In spite of this general acceptance of a socialist ideal there is a good deal of vague thinking in regard to this and socialism has come to mean "all things to all men" even inside the Congress. Therefore, it has become necessary to lay down a charter of socialist policies and programmes which should broadly guide the words and deeds of Congressmen in the organisation and in charge of the administration of the country.

Democratic Socialism

'Democratic Socialism' is the objective of the Congress. In achieving this goal of socialism the Congress categorically repudiates the philosophy of action based on Marxian philosophy of class war, establishment of the dictatorship of the proletariat and the complete socialisation of all the means of production and distribution of goods. The great contribution Marx made to economic thought is undeniable but Marxian socialist theories were propounded at a time when in the wake of the industrial revolution capitalism was passing through a particular stage of exploitation and oppression of the working class. Since then, democracy based on adult franchise, the concept of a welfare state and the further revolutionary changes in the techniques of production brought about by scientific and technological progress have made Marxian philosophy out of date and invalid in many respects.

The Congress ideology of democratic socialism is based on democracy, dignity of the human individual and social justice. The Congress stands for the achievement of the socialist goal through peaceful and legitimate means. It stands committed to the Constitution of India and principles embodied in it.

Socialist society ensures equality of opportunity to all its people. But equality in a poor society only implies sharing in the poverty of the people. The logic of socialism, therefore, leads to its first pre-condition being the removal of poverty in the country with all its attendant evils. In this context rapid economic development leading to increase in production gets priority. To achieve this end the old and traditional methods of production should give place to modern and more efficient methods of production based on science and technology. While in the present context of increasing population and unemployment there is a place for production through cottage and village industries by adopting the old techniques of production it has to be realised that we would be condemning the people employed in these traditional industries to a low level of income and, therefore, to a low standard of living. Transformation of the economy into a modern and efficient one with a high level of production is unavoidable and this should be one of the fundamental policies of the Congress.

This process of building up a modern apparatus of production has to be achieved in the quickest possible time. Vast resources in trained men and material are required for this purpose. In an underdeveloped country like India these resources are scarce. Therefore, it becomes necessary to utilize the available resources to the best advantage possible. This

in its turn requires laying down of priorities and channelling the resources according to accepted priorities. This can happen only in a planned economy. The Congress has therefore accepted the concept of planned economic development as its policy.

Planning for economic development necessarily involves a certain amount of control at various levels to achieve the targets of production according to plan. In addition to that it has to be ensured that economic development should not result in the concentration of wealth and means of production to the common detriment. Hence the Congress has declared that it should be ensured that the principal means of production and strategic economic institutions are under social ownership or control, production is progressively speeded up and there is equitable distribution of national wealth. Therefore, controls for enforcing the discipline of a planned economy become inevitable.

Mixed Economy

The Congress has accepted the concept of a mixed economy in the industrial sector. The Industrial Policy Resolution of the Government of India has been formulated in accordance with this policy according to which the public sector has to play a strategic role in economic development. The public sector must play a progressively greater part more particularly in the field of basic industries. The private sector also has been assigned an important role in the economy of the country and it will have to play its part within the broad strategy of the national plan of development.

What is most important is to attain rapid economic development leading to plenty and abundance so that the basic needs of every individual may be provided for. This condition can be achieved only by the full utilization of science and technology. Indeed, a socialist programme cannot be conceived of except in the context of a scientific and technological society. Therefore, the development of science and technology will have to be given the topmost priority. Scientific and technical education will have to be organised on a wide basis and conditions for research and development of science and technology will have to be created. Therefore it becomes necessary to make every effort to bring about a modern and scientific outlook among the people. This cannot happen in a community of illiterate and uneducated people. A programme of education to cover the entire coming generation will have to be evolved and implemented. The role of science and education in economic development cannot be over-emphasized. The Congress attaches the utmost importance to the spread of education and development of science and technology in the process of building up a socialist society. The maximum educational opportunity should be provided to one and all without any distinction and discrimination.

In an agricultural country like India the structure of the agricultural economy, agrarian relations and laws are matters of vital concern. The industrial development of India is inextricably linked with increased agricultural production. Further in the context of providing food for the increasing population of India agricultural development is a must for India.

The aim of Congress policy in regard to land has been that actual tiller of the land should be brought into direct relationship with the State and the intermediary interests should be eliminated. Further there should be a maximum limit for the size of the holding under personal cultivation. The goal of land reforms should be a co-operative rural economy based on the village community and on voluntary association. Co-operation should play a major role in providing credit, supplies and market facilities to the agricul-

turists. Wherever possible joint co-operative farming should be organized with the consent of the cultivators concerned.

The modern techniques of production will have to be introduced in the agricultural sector also to increase production. Irrigation facilities, improved seeds, fertilisers, modern and efficient agricultural implements should be made available. Research in agriculture will have to be organized and the results made available to the ryots. The role of science is therefore of the utmost significance not only in industry but also in the development of agriculture. Along with agricultural development steps should be taken for all round development of the village community. Panchayathiraj and community development have a great part to play in this programme.

Social justice is the keynote of democratic socialism. Vast disparities existing in the society will have to be progressively reduced and that should be achieved not merely by limiting concentration of wealth at the higher levels but also by bringing up the level of the people at the bottom more and more. Weaker sections of the community will have to be given protection by measures of social security on a progressively widening base. A national minimum in the general standard of living should be ensured to every individual. The real measure of our national progress is the extent of progress of the welfare of the lowest among the low—what the society has been able to provide "unto this last man."

Social Justice

Socialism does not merely signify changes in the economic relations of human beings. It involves fundamental changes in the social structure, in ways of thinking and in ways of living. Caste and class have no place in the socialist order that is envisaged by the Congress. Old ideas about privilege on the basis of birth or caste or class or money or the hierarchy of office should be discarded. The dignity of labour should be recognised. Indeed, the dignity of the individual in every grade of life should be ensured. Congressmen in their everyday life should become exemplars of this socialist philosophy.

"Man does not live by bread alone" is true of any type of society. Mere material prosperity alone will not make human life rich, meaningful and happy. Therefore along with economic development ethical and spiritual values will have to be fostered. This alone will lead to the full development of human resources and character. It is only on this basis that the present day acquisitive and competitive structure can be gradually changed into a society which is socialist and yet provides adequate incentives for the full development of the individual and the community.

This is the vision of a society which the Indian National Congress envisages, wherein poverty, disease and ignorance form occupy a strictly limited place, wherein all citizens have equal opportunities and wherein ethical and spiritual values contribute to the enrichment of the individual and the communal life.

GROW MORE

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MAIN FEATURES OF CURRENT DEVELOPMENT PLANS IN LESS DEVELOPED COUNTRIES

MAIN FEATURES OF CURRENT DEVELOPMENT PLANS								
Country	Scope	Duration	Currency	Total investment (Million)	Total public investment (Million)	Share of agriculture* in total public investment(%)	Planned annual increase	
							GNP (%)	Agricultural production (%)
LATIN AMERICA								
Barbados	Public Sector	1960-65	£	..	11.1	..	..	...
Bolivia	Comprehensive	1962-71	Bolivianos (a)	12,289,324	..	11 (b)	7	6.3
Brazil	Comprehensive	1963-65	Cruzeiros (c)	3,500,000	1,170,000	7 (b)	7	5.7
British Guiana	Public Sector	1960-64	£	..	23.0	..	..	..
Chile	Comprehensive	1961-70	Escudos (d)	10,149	5,074	6	5.5	5
Colombia	Comprehensive	1961-70	Pesos	72,500	25,900	12 (b)	5.6	4.3
Ecuador	Comprehensive	1960-62(e)	Sucres (f)	7,075	2,591	..	4.8	..
Guatemala	Public Sector	1960-64	U.S. \$	..	171	17	..	..
Honduras	Public Sector	1962-65	Lampiras	..	280	19	3 (g)	5.3
Mexico	Comprehensive	1962-64	Pesos	80,000	40,000	..	5.4	5.5
Panama	Public Sector	1962-66	Balboas	..	213	..	..	..
Peru	Comprehensive	1962-71	Soles	184,586	99,676	..	5.9	7.7(h)
Venezuela	Comprehensive	1963-66	Bolivares	28,041	9,433	..	8	8
FAR EAST								
Cambodia	Public Sector	1960-64	Riels	..	8,000	12	3.1 (g)	..
Ceylon	Comprehensive	1961-62—	..	..	..	25 (b)	..	..
China (Taiwan)	Comprehensive	1963-64	C Rs	2,270,204	..	17 (b)	..	4.4
Federation of Malaya	Comprehensive	1961-64	NT \$	50,190	34,129	..	..	..
India	Comprehensive	1961-65	Mal \$	5,050	2,150	25	4.1 (i)	2.8
Indonesia	Comprehensive	1961-62—	..	..	..	20	5.4	5.4
Indonesia	Public Sector	1965-66	Rs	104,000	63,000	11	1.4 (g)	..
Japan	Comprehensive	1961-63	Rupiahs	..	24,000	..	..	..
Korea, North	Comprehensive	1961-62—	..	..	..	..	..	..
Korea, North	Centrally planned economy	1965-66	Rs	104,000	63,000	11	1.4 (g)	..
Korea, Republic of	Comprehensive	1961-63	Rupiahs	..	24,000	..	..	..
Laos	Public Sector	1961-62—	Yen	20,930	16,130	16	7.8	2.9
Nepal	Centrally planned economy	1969-70	Yen	20,930	16,130	16	7.8	2.9
Nepal	Public Sector	1961-67	Won(d)	..	7,000	..	15.2	13.2
North Borneo	Comprehensive	1962-66	Hevan	3,214,500	1,118,646	17(b)	4.9(i)	5.2
Pakistan	Public Sector	1959-60—	..	..	..	..	..	..
Pakistan	Public Sector	1963-64	Kip	..	2,578	11	..	..
Philippines	Public Sector	1962-63—	N Rs	..	670	18	..	..
Philippines	Comprehensive	1964-65	Mal \$	..	109	4	..	..
Sarawak	Public Sector	1959-64	Mal \$	..	109	4	..	..
Thailand	Comprehensive	1960-61—	Pak Rs	23,300	14,620	24	4.4(i)	2.7
Thailand	Comprehensive	1964-65	..	..	..	..	..	..
Thailand	Public Sector	1962-63—	Pesos	12,056	2,809	7(b)	6.0(i)	..
Viet Nam, North	Public Sector	1966-67	Mal \$	..	154	..	..	..
Viet Nam, North	Comprehensive	1959-63	Bahts	..	13,888	29	4.5 (i)	3
Viet Nam, North	Centrally planned economy	1961-65	Dong	..	..	..	5	..
Viet Nam, Republic of	Comprehensive	1962-66	V Piastres	..	42,000	..	5	9
NEAR EAST								
Afghanistan	Public Sector	1962-63—	..	..	..	..	..	..
Afghanistan	Public Sector	1966-67	Afghanis	..	44,500(j)	25	7	..
Cyprus	Comprehensive	1961-65	Cyprus £	..	62	34	6.7	..
Iran	Comprehensive	1962-63—	..	..	..	..	..	..
Iraq	Public Sector	1967-68(k)	Rials	250,000	140,000	22	6.2	4.1
Iraq	Public Sector	1961-62—	..	..	..	..	..	..
Jordan	Comprehensive	1965-66	I Dinars	..	556 (j)	20	7	..
Jordan	Comprehensive	1962-63—	..	..	..	..	..	..
Libya	Public Sector	1966-67	J Dinars	127	67	43	10.7	9.7
Libya	Public Sector	1963-64—	..	..	..	..	..	..
Sudan	Comprehensive	1967-68	£ L	..	169	..	..	..
Sudan	Comprehensive	1961-62—	..	..	..	..	..	..
Syria	Comprehensive	1970-71	£	565	337	27	4.3 (l)	4
Syria	Comprehensive	1960-61—	..	..	..	..	..	..
Syria	Comprehensive	1964-65	£	2,700	1,700	52	7 (m)	5.8

MAIN FEATURES OF CURRENT DEVELOPMENT PLANS IN LESS DEVELOPED COUNTRIES—Contd.

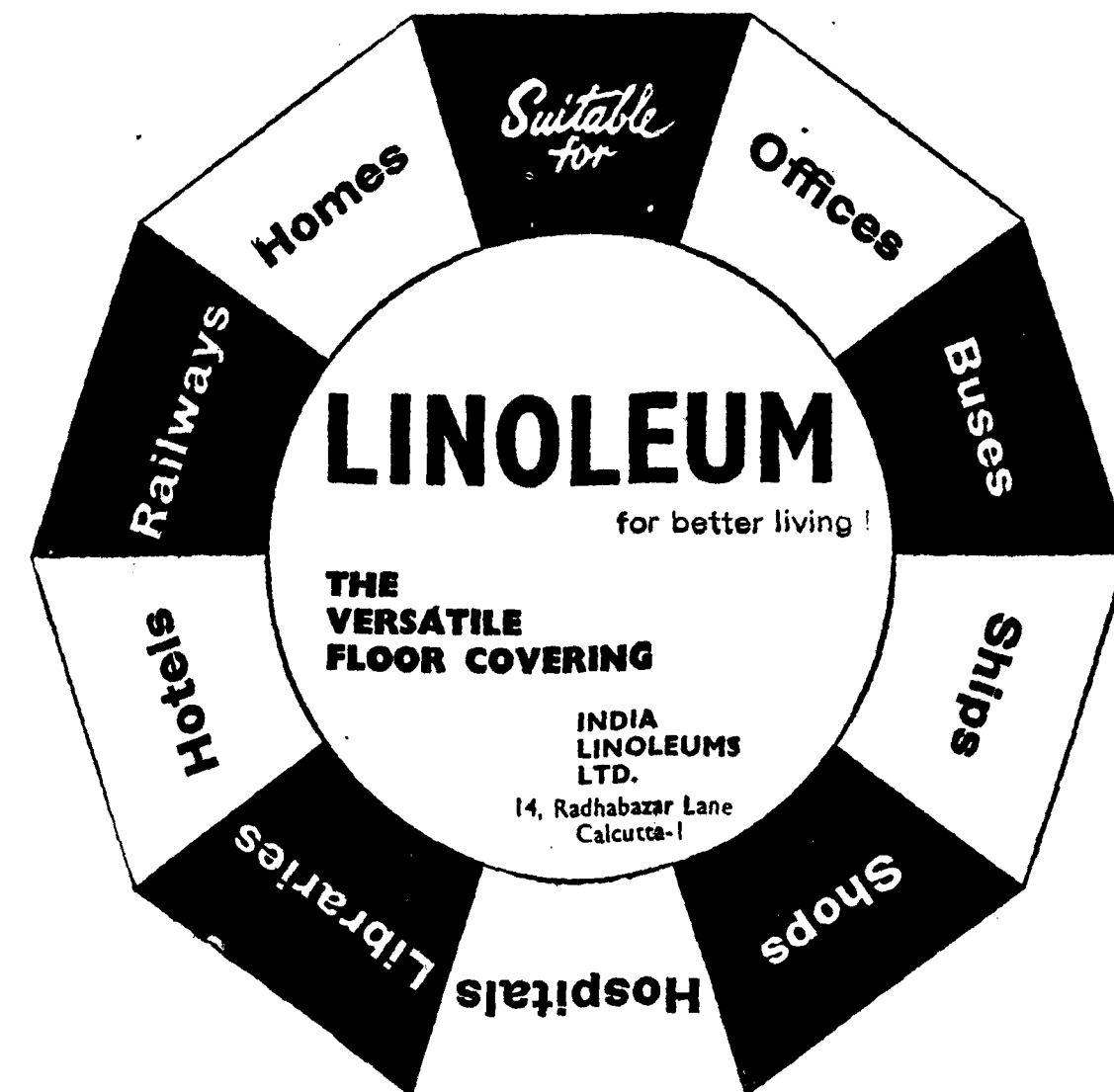
Country	Scope	Duration	Currency	Total investment (Million)	Total public investment (Million)	Share of agriculture* in total public investment(%)	Planned annual increase	
							GNP (%)	Agricultural production (%)
Turkey	Comprehensive	1963-67	T Lire	59,600	35,600	18	7	4.1
United Arab Republic	Comprehensive	1960-61—1964	£ E	..	1,577	25	7 (m)	5.1
AFRICA								
Basutoland	Public Sector	1960-63	£	..	1.6	..	..	..
Bechuanaland	Public Sector	1960-63	£	..	1.8	..	..	..
Cameroon	Comprehensive	1961-65	CFA fr.	53,182	..	22 (b)	4.6 (g)	..
Congo (Brazzaville)	Public Sector	1961-63	CFA fr.	..	16,830	14	..	..
Dahomey	Public Sector	1962-65	CFA fr.	..	35,505	24	6.5	..
Ethiopia	Comprehensive	1962-63—1966-67	Eth \$	2,656	..	..	4	..
Gabon	Public Sector	1963-65(n)	CFA fr.	..	4,500	..	..	..
Gambia	Public Sector	1962-64	£	..	2.7	..	..	..
Guinea	Public Sector	1960-63	G fr.	..	38,912	26	..	4
Ivory Coast	Public Sector	1962-63(n)	CFA fr.	..	43,170	15	7 (g)	..
Kenya	Public Sector	1960-63	£	..	27.4	39	5	..
Mali	Comprehensive	1961-65	CFA fr.	..	64,000	20	7 (1)	9
Mauritius	Public Sector	1962-65	M Rs.	..	212	24	..	..
Morocco	Comprehensive	1960-64	Dirhams	6,600	2,580	32	6	5.5
Niger	Comprehensive	1961-63(n)	CFA fr.	22,614	15,811	24	..	..
Nigeria								
Federal Govt.	Public Sector	1962-68	£ Nig.	..	412.5	5(o)	..	..
Eastern Region	Public Sector	1962-68	£ Nig.	..	75.2	40	..	3(p)
Northern Region	Public Sector	1962-68	£ Nig.	..	98.8	22	..	..
Western Region	Public Sector	1962-68	£ Nig.	..	90.3	20	4.5—5.0	..
Portuguese territories	Public Sector	1959-64	Contos	..	8,181	33	..	..
Rhodesia & Nyasaland								
Federal Govt.	Public Sector	1962-63—1964-65	£	..	55.7	13	4.5	..
Northern Rhodesia	Public Sector	1961-62—1964-65	£	..	30	21	..	..
Nyasaland	Public Sector	1962-65	£	..	12.9	22	..	..
Senegal	Comprehensive	1961-64	CFA fr.	92,067	50,561	19	6(m)	..
Sierra Leone	Comprehensive	1962-63—1971-72	£	150.0	125.0	8(q)	8	5
Swaziland	Public Sector	1960-63	£	..	5.4	..	..	..
Tanganyika	Public Sector	1961-62—1963-64	£	..	23.9	29	..	..
Tunisia	Comprehensive	1962-64	Dinars	270	140	16	6	5.5
Uganda	Public Sector	1961-62—1965-66	£	..	54.2	14(r)	5	..
Zanzibar	Public Sector	1961-64	£	..	1.2	..	..	..
Oceania								
Fiji	Public Sector	1960-61—1964-65	£ F	..	12.2	19	..	..

NOTE: Where possible, data refer to net investment. In many cases, however, no distinction is made in the Plan, and data may refer to gross investment or may include some elements of recurrent expenditure.

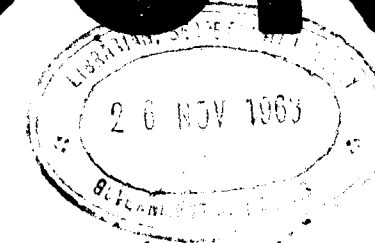
* Including animal production, fisheries, forestry, irrigation, land reclamation, community development, agricultural extension etc.

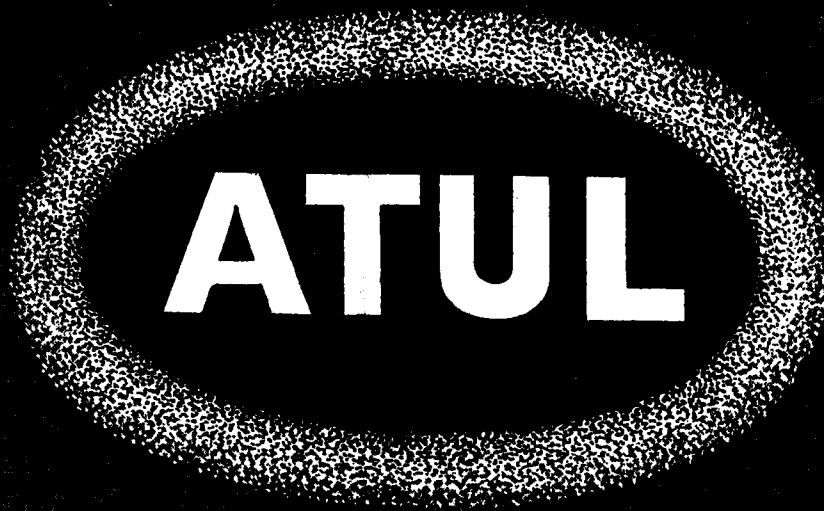
(a) Of 1958. (b) Percentage of total investment, public and private. (c) Of 1962. (d) Of 1960. (e) Implementation delayed to 1962-63. (f) Of 1959. (g) Per capita. (h) 7.7 per cent for domestic consumption, 6.6 per cent for exports. (i) At constant prices. (j) Including some private investment. (k) 5½ years. (l) Gross domestic product. (m) Net domestic product. (n) Interim Plan. (o) Agriculture is primarily the responsibility of the Regional Governments. (p) Food production. (q) First five-year period only. (r) Excluding investment by Uganda Development Corporation.

Source: The State of Food and Agriculture, 1963 (F.A.O.)



EASTERN ECONOMIST





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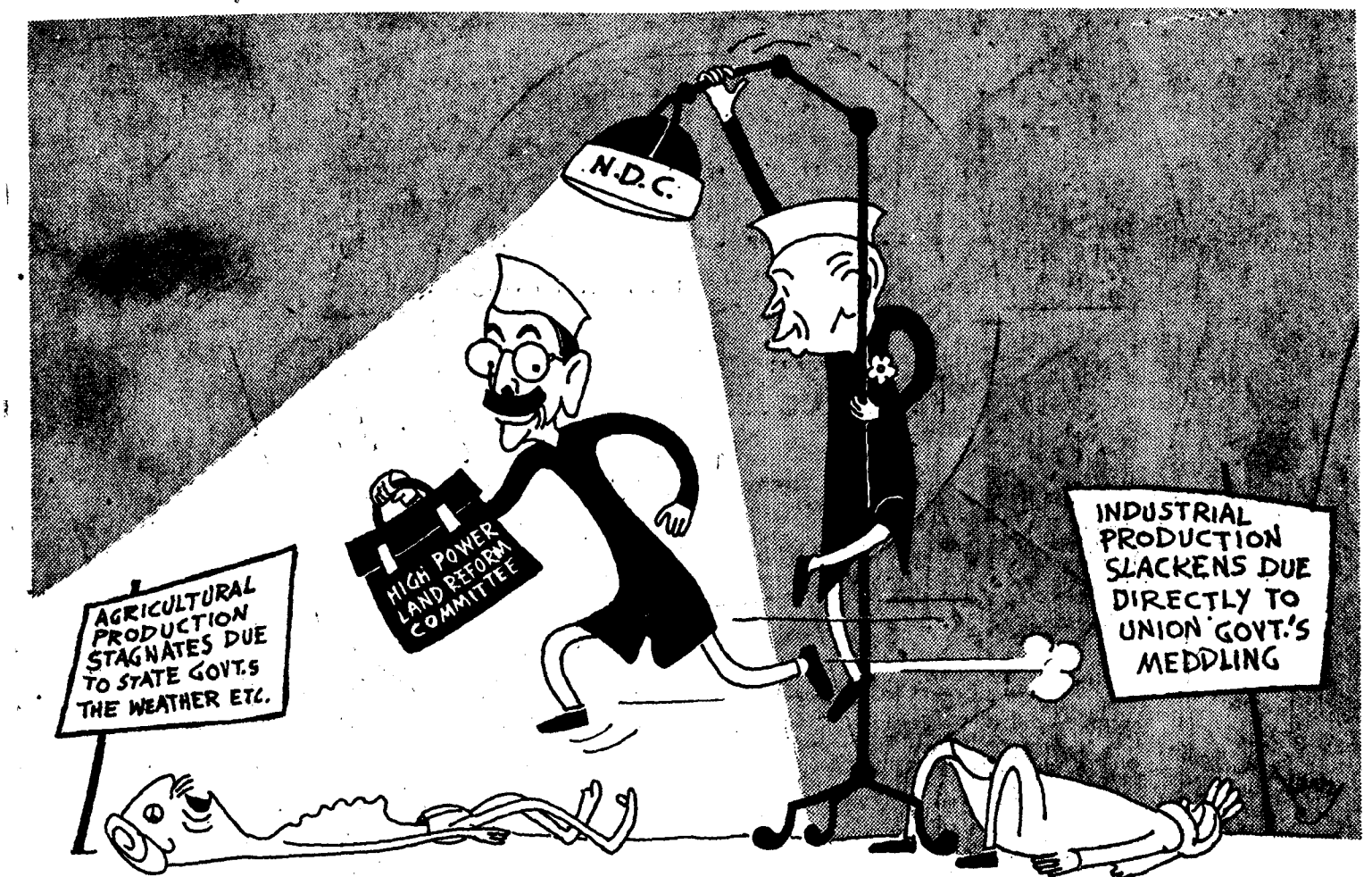
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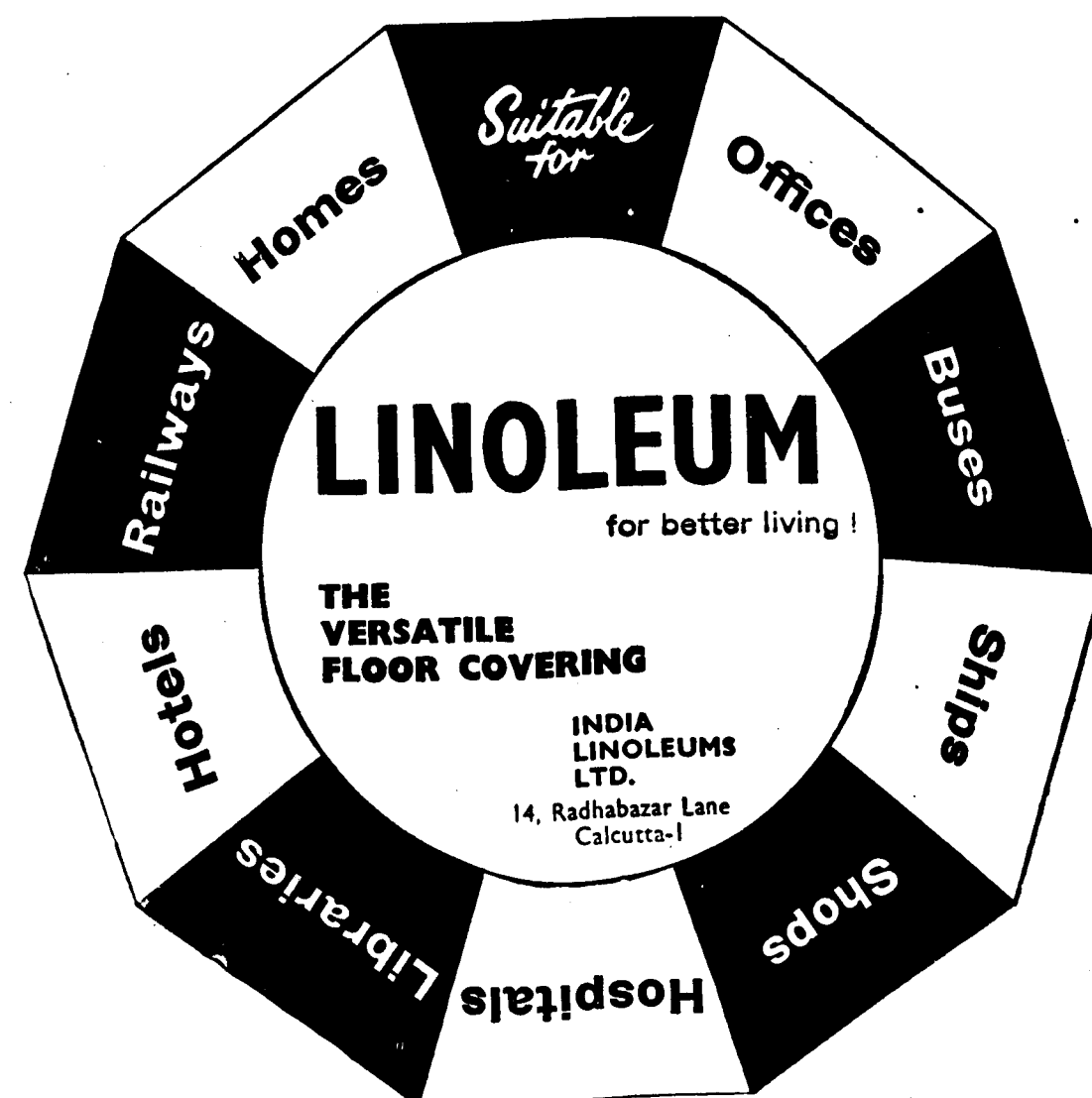


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OCTOBER 22, 1963

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Not By Bread Alone

THE PRIME Minister has been emphasizing repeatedly that the progress of the country should be judged by the ability of its economy to provide food, clothing, houses and other essentials of life to its people. We are sure that he will readily agree that economic progress defined in these terms is not yet in our grasp. Last week, people living in some of the suburbs of Bombay City, where drinking water had gone scarce, were reported to have marched to the Bombay Municipal Corporation carrying empty pails and demanding that they be given water. Some time ago, in rice-short West Bengal, desperate citizens had threateningly assembled before grain shops. On the condition of national housing, the less said the better.

In the urban areas, slums have been growing from bad to worse. Except where organised industry has been able to provide subsidized housing for its workers or the Central Government has given cheap housing for its employees, very high rents for very poor housing is the rule, this being probably the most important single factor for the economic and social distress of the middle and low income groups in our towns and cities. In the rural areas, housing in the mass continues to be rudimentary and primitive and there is not even a show of effort at improving the miserable hovels in which millions in the countryside pass their huddled lives. We are not suggesting here that bad as the basic living conditions of the people are, they were not even worse 15 years ago or earlier and we are, of course, convinced that, but for such development effort as there had been in the intervening period, the living conditions of the people would have been even worse than what they are at present. What we would urge is that the standards of economic progress so rightly defined by Mr. Nehru are yet to become the standards by which the Government's economic policies and programmes are influenced and directed.

Lately, there has been a tendency to blame the failure to achieve a reasonable growth in the national income in recent years on shortcomings in the agricultural sector. Mr. Nehru himself seems to be highly impressed with this notion. As a result, the last meeting of the National Development Council was wrongly converted into a session for an extremely amateurish and inconsequential discussion on agriculture. Scarcely anything new was said at the meeting of the Council and we certainly do not believe that either the Committee which is to speed up agricultural reforms under Mr. Nanda's inspiration, or the projected Central Board for Agricultural Production, which seems to be Mr. Swaran Singh's bright contribution to the proceedings, is going to make any difference at all to the disappointing lack of dynamism in the nation's agriculture.

It is a pity that although there is ceaseless talk of the need for higher production and higher productivity, there is a lack of adequate recognition at the policy-making levels of the basic truth that the improved science and technology which the Prime Minister wishes to see applied in agriculture and industry is determined by the level of investment in farms and factories. There has been much speculation why India's agriculture has not stepped forward as firmly as it should have done considering the amounts earmarked for agricultural development under the five-year Plans. But there has hardly been any mention of the possibility that if agricultural progress has not been definitely established it is because the productive application of capital to land has not made any appreciable progress despite the crores of rupees which the Government may be spending in the name of agricultural development programmes. While it is

true that Government-directed investment in major and minor irrigation projects which are in the nature of economic overheads in agriculture, has been effective in that context, it is important to note that the individual farmer's investment in farm assets, which determines the degree of utilisation of government-sponsored environmental facilities and which directly and closely impinges on the production and productivity of individual farm holdings, has not made any steady or significant advance. According to official statistics, such as the data collected by the All-India Rural Credit Survey, individuals' net investments in farm assets, which were Rs. 79 crores in 1948-49, improved to about Rs. 95 crores by 1950-51, but had in the subsequent years up to 1957-58 (the period for which data is available) remained at a somewhat lower level.

It is significant that, despite the various credit and other measures taken by the Government to add to the resources of the farming community individuals' investments in farm assets have not appreciably increased. The conclusion is hard to resist that a good deal of the much-advertised pumping of money into agriculture by government agencies is offset by the withdrawal of individual resources from investment in land and farming. It is important that we should ask why this is so, since farm prices have remained on the whole at a relatively high level and markets for most of the principal crops have been of an "assured" nature, thanks to the high level of demand. It seems likely that the deterrent to increased individual investment in land has come from the restrictions put on such investment by various measures of so-called agrarian reform and the consequent atmosphere of insecurity and uncertainty in which the institution of private property in land has been wrapped up.

There is perhaps a good deal to be said for the argument that matters could be improved if at least the uncertainty about agrarian reforms could be ended by the speedy implementation of the measures that have been planned in this respect. But such an approach would essentially be escapist if not defeatist. There is still time for a more positive and constructive policy and for a dispassionate and searching examination of the basic question whether policy should not be so framed as to encourage the inflow of more capital into agriculture in the form of productive and profitable investment by those individuals who have the resources to make such investments and the experience needed to make those investments pay not only in personal but in social terms. It may, however, be futile to look for such an enlightened approach from the Nanda Committee which the National Development Council at its last meeting had cheerfully spawned.

It is, therefore, greatly to be regretted that the National Development Council, meeting at this critical stage in the fortunes of the third Plan, should have wasted national time and money by confining its pro-

ceedings almost wholly to an unproductive discussion on agriculture. It is possible that some good might have come out of this meeting had the occasion been availed of to focus the nation's attention on the important fact that the progress of the economy has slowed down, not only because there have been shortfalls in agriculture, but because of the much more general slack in or misdirection of development effort over many large and important areas of the economy, including industry.

It may be argued that, since stagnation in industry is a matter which is more directly related to the Central Government's policies, a discussion of this question at a meeting of the National Development Council might not have been relevant. Since, however, the National Development Council is not merely a platform for consultation between the members of the Central Government and Chief Ministers of the State Governments, but is alleged to be a high-level policy-directing body for all economic development, it is clear that it should not have ignored the issue of stagnation in industry. There was in fact little meaning in the National Development Council being made to state most solemnly that agriculture should be given top priority. It is not as if there is any clash or conflict of interests between agriculture and industry. What could be profitably spent on agriculture is certainly not determined by what can be forcibly diverted from industry. The limiting factor in agriculture is the climate for efficient farming by individual farmers and their capacity and willingness to invest more capital in farm assets.

So far as the progress of the economy — the progress which, as Mr. Nehru rightly insists, should provide enough food, clothing, shelter and other basic amenities to the people — is concerned, it cannot surely be doubt-

Eastern Economist 20 Years Ago

NOVEMBER 19, 1943

On the 31st March, 1939, the total external public debt of India amounted to Rs. 445 crores. Today the whole of this debt to Britain has been practically wiped out. There is only a very insignificant amount still outstanding which owing to certain legal or other difficulties cannot be liquidated. The liability of the Government of India in respect of pension charges which, if funded, is estimated to amount to Rs. 200 crores can hardly be treated as a debt. It is only an annual charge to be borne from annual revenues, as it constitutes something like deferred pay and cannot, therefore, be regarded as anything of the nature of a capital debt. Besides these debts of the Government there was a considerable amount of private foreign investment mostly British which in 1939 was estimated to be Rs. 400 crores. Since the war a considerable amount has been bought off by Indian investors and today the total of private foreign investment may be estimated at not more than about Rs. 100 or 150 crores.

ed that industrial expansion should also be pursued with the utmost vigour and an adequate employment of national resources. Here again the important point is to ensure that more and more capital from individuals' savings as well as from public funds is inducted into industrial expansion. To the extent that the domestic capital resources at the present time must necessarily fall short of the total capital requirements of industry, it is also clearly desirable that a climate should be created for foreign enterprise and capital to come to this country to a much larger extent than has been the case so far. It is true that there are some very real difficulties in the way of the rapid economic progress of this country, but there is no reason to believe that, given the correct policies, those obstacles cannot be surmounted. There was, in a recent issue of *The Economist* (London), a striking and highly thought-provoking advertisement by the Shell oil group which, we believe, could be usefully framed and hung on the walls of the chambers of our Ministers and top business leaders. This advertisement said in part:

"Take four small mountainous islands, barely 1/6th of the land growing food, with poor coal, little iron, and few resources except for its 95 million people. How very hard to live in Nippon you might think.

1. Yet in the last ten years, the Japanese have doubled their real income, have banked a surprising amount of personal savings, and have become one of the most literate people in the world.

A NATION OF TECHNICIANS

2. The Japanese themselves have no easy explanation for their prosperity. Labour is no longer cheap. Steel workers average about £40 a month. Even workers in small handicraft firms average £15, plus quite exceptional benefits.

Planning in Wonderland

"WELL, in our country", said Alice, still panting a little, "you'd generally get to somewhere else — if you ran very fast for a long time, as we've been doing."

"A slow sort of country!" said the Queen. "Now, here, you see, it takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!"

— Through the Looking-Glass

The "quick" estimates of national income for 1962-63, released recently by the Central Statistical Organization, is sheer Lewis Carroll. The Government's planning machinery has been working hard, perhaps, but obviously ineffectively since the nation's economy has virtually stayed put; and truly, the economy must race at twice its present speed "to get somewhere". A rise of 4.5 per cent in total national income in real terms in the first two years of the third five-year Plan is a sad commentary on the way planning has been conducted in this country, especially as the Plan has set down a

3. The answer is probably technical expertise at every level. For the past 10 years Japan's 239 universities have poured out a flood of technicians. Today Japan claims more engineers than any other country, except the USA and Russia.

TEN YEARS OF FRENZIED INVENTIVENESS

4. Short of land, the Japanese farmed the sea intensively, became the world's greatest exporters of seafood.

5. Short of resources, the Japanese complemented their traditional heavy industries with ones that made delicate and difficult things. For example, the electric appliance industry multiplied itself by 22 in 10 years, now exports radios, washing machines, and miniature colour television sets even to the USA.

ENERGY: THE BIG SWITCH TO OIL

6. Growing 17 per cent a year, industry soon outstripped the energy resources of the country.

7. So Japan turned to oil. As an oil consuming nation, she jumped from 7th place in 1953 to 3rd in 1963 (in this effort all oil companies invested heavily). Apart from supplying more oil power for the nation, the new refineries attracted petroleum chemical and other satellite industries....

A NEW WAY OF LIFE

8. Today the Japanese have no more leisure than they ever had, but they certainly have more means. In winter, the young crowd the ski-slopes. After the autumn harvests, bus-loads of farmers' wives pack the hot-springs resorts. And all year round, thousands of executives indulge in the new golf craze on greens set in the rice and millet patches."

In Japan they are not discussing "democratic socialism". They do not have the time. Having doubled their living standards through the Fifties, they are now busy planning to double them again over the Sixties.

target of more than five per cent increase in each year.

It is worth mentioning here that the inadequate performance of the economy as shown by the national income figures was forecast by *Eastern Economist* earlier this year in an article entitled "Taxation and Income" in its issue dated June 14. It was stated then that "it is now widely known that 1962-63 has been an unsatisfactory year.... the total increase in national income may not be more than two to 2.5 per cent." The Central Statistical Organization has, for some unknown reasons, delayed the issuance of these so-called "quick" estimates which were published in the past in August every year. Evidently the inertia or sloth displayed in the national economy has proved contagious.

Table I (next page) sets out the sector-wise percentage rise in national income in 1962-63 over 1961-62 at 1948-49 prices, highlighting the fact that a rise of two per cent in overall terms was witnessed despite a fall of 2.1 per cent in agriculture which contributed 38.6 per cent of the national income. The relatively fast-moving sectors

were communications, railways, organized banking and insurance (rise from 8.6 per cent to 9.5 per cent) though the combined contribution of all these sectors was hardly 4.1 per cent of the total national income. Mining and factory establishments shared 9.5 per cent of the total income with a rise of 8.1 per cent. All the remaining sectors were sluggish, though they did record a rise instead of a fall as in agriculture. The last column of the table shows that the improvement in output in mining and manufacturing was offset by the drop in agriculture and that the modest net rise corresponds to the contribution of the remaining sectors.

TABLE I.

(At 1948-49 prices)

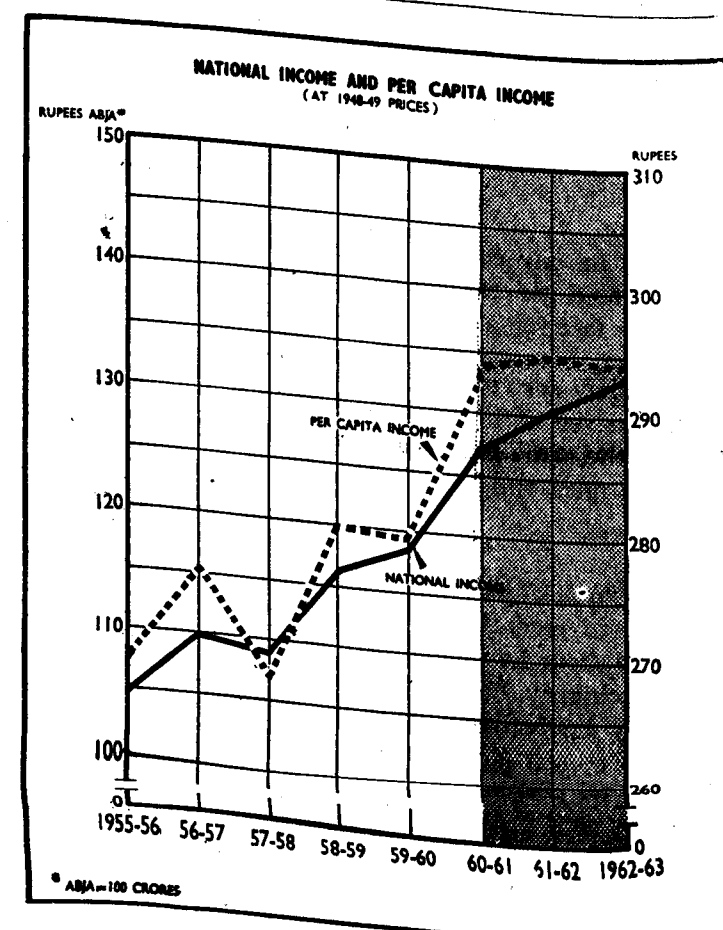
Sector	Percentage contribution to total national income: 1961-62	Percentage change over 1961-62	Contribution to the overall percentage rise in 1962-63 over 1961-62
Agriculture (proper)	38.6	-2.1	-0.8
Mining and factory establishments	9.5	8.1	0.8
Communications	0.4	9.5	Neg.
Railways	2.6	8.7	0.2
Organized banking & Insurance	1.1	8.6	0.1
Other commerce and transport	15.3	2.5	0.4
Other sectors	32.5	4.0	1.3
All Sectors	100.0	2.0	2.0

Table II shows that in 1962-63 India's per capita income (at 1948-49 prices) at Rs. 294.2 showed an insignificant increase over the corresponding estimate in the preceding year and over the last year of the second Plan. In fact, the standard of living of the people, as measured by this indicator, has remained stationary since the end of the second Plan. Similar periods of stagnation were also witnessed between 1955-56 and 1957-58 and again between 1958-59 and 1959-60. It is, however, known that two consecutive unfavourable years are usually followed by a favourable one and it will not be too much to expect a good harvest in 1963-64, leading to a substantial increase in national income in real terms. The shortfall in the first two years can, however, be hardly made up in the last three years of the Plan, as it will amount to attaining a continuous rise of about seven per cent per annum in each one of the three years

which, to say the least, does not seem to be within the capacity of our planners.

TABLE II.

Year (financial)	National income at 1948-49 prices (in Rs. 100 crores)	Per capita income (in Rs.) at 1948-49 prices (based on 1941, 1951 and 1961 population census figures)
1950-51	88.5	247.5
1955-56	104.8	267.8
1956-57	110.0	275.6
1957-58	108.9	267.3
1958-59	116.5	280.1
1959-60	118.6	279.2
1960-61	127.5	293.7
1961-62 (preliminary estimate)	130.2	293.4
1961-62 (partially revised)	130.9	295.0
1962-63 (provisional)	133.5	294.2



Highlights of the Week

LANDMARKS IN ENGINEERING INDUSTRY

NOVEMBER 15 and 16, 1963, will go down in the history of the Indian engineering industries as red letter days. Those were the dates on which the Prime Minister formally commissioned three important industrial projects — The Heavy Machine Building Plant at Ranchi, the Coal Mining Machinery Project at Durgapur and the AC electric locomotives manufacturing unit at Chittaranjan — which in the days to come will not only help in saving large foreign exchange expenditures but will also assist in stepping up the tempo of economic development.

The Heavy Machine Building Plant, set up in collaboration with the USSR, is designed to produce diverse types of heavy machinery items such as equipment for iron and steel, mineral oil, coal mining, chemicals, fertilizers and cement industries. Some general engineering items will also be manufactured here. These include heavy cranes, excavators, oil drilling rigs and crushing and grinding equipment. The stress, however, is to be on the production of machinery for the iron and steel industry. In view of the increasing demand for these equipments, the original capacity of this project—45,000 tons of machinery per annum—has been raised to 80,000 tons, with provision to expand it further to 1,65,000 tons, if necessary. The product pattern of the 80,000 tons capacity will be as follows:

Description of items	Figure in tons	
	1st stage (45,000)	2nd stage (80,000)
Coke Ovens and Bye-Product equipment	6,000	7,700
Blast Furnace equipment	4,000	5,500
Steel Making equipment	5,000	7,000
Crushing and Grinding equipment	2,100	3,150
Crane equipment	4,400	6,570
Rolling Mill equipment	20,000	34,500
Spare parts for metallurgical equipment	1,500	1,080
Heavy Mining equipment	..	880
Excavators	..	4,950
Press Forging equipment	..	1,360
Heavy Oil Drilling Rigs	..	5,500
Misc. Heavy Machine Parts & assemblies	2,000	1,810
TOTAL	45,000	80,000

Costing about Rs. 40 crores (approximately half of which is the foreign exchange component), the plant, when in full production in the middle of the next Plan, will be turning out machinery valued at nearly Rs. 42 crores a year.

The Coal Mining Machinery Project at Durgapur has also been set up with Soviet collaboration. Its capacity, too, has been decided to be increased from the originally contemplated level of 30,000 tons per annum to 45,000 tons. The total outlay in this case is estimated at Rs. 30 crores, of which the foreign exchange component will be nearly Rs. 13 crores. The value of the finished machinery items to be produced here will be Rs. 24 crores per annum.

These two plants form two important components of the 4-unit heavy engineering complex being built by the fully-owned Government of India undertaking, the Heavy Engineer-

ing Corporation Limited. The other two schemes of this complex are the Foundry/Forge Project and the Heavy Machine Tools Plant, both located at Ranchi. The Foundry/Forge and the Heavy Machine Tools plants are being set up with assistance from Czechoslovakia. The annual rated capacity of the Foundry/Forge unit is to be: Grey Iron Foundry 46,600 tons; Steel Foundry 88,382 tons, Non-ferrous Foundry 700 tons, Steel Forgings 32,954 tons (all for use at the Heavy Machine Building Plant), and other castings and forgings to the tune of 32,000 tons for supply to outside users. The Heavy Machine Tools Plant will have a capacity to turn out 10,000 tons of tools and equipment per annum. The four projects, when in full operation, will provide employment to 23,300 engineers and workers.

Ambitious Programme

The commissioning of the first Indian-built AC electric locomotive from Chittaranjan Works marks an important event in the ambitious programme chalked out for the electrification of Indian Railways. By April 1966, five to six such locomotives will be rolled out of Chittaranjan every month. Although electrification of Indian Railways started as early as 1925, only about 380 route kilometres were energised till the beginning of the first Plan. During the second Plan period, this process was accelerated with a view to meeting the rapidly increasing freight traffic, especially in the coal and steel belts. As a result, already about 1,178 route kilometres have been electrified on the most modern 25 KV AC system in the eastern region where the trunk routes have reached the point of saturation with steam traction. By the end of the current Plan period, a total route length of nearly 2,864 kilometres is expected to be energised. It will be then possible to run through electric trains from Calcutta Docks to Kanpur. During the next Plan period, this electrification programme is envisaged to be stepped up even at a faster rate. The manufacture of electric locos at Chittaranjan, therefore, has not come a day late.

The Chittaranjan Works ventured into the manufacture of electric locomotive two years ago with the production of DC locomotives and turned out by August this year 21 of them for use in the Bombay region. Since, however, all future electrification of the railways is proposed to be on the AC system, these works have switched over to the manufacture of AC locomotives only. It is encouraging to note that the Railways are living up to their reputation of manufacturing indigenously all the equipment required by them. In the manufacture of electric locomotives also, this process has been initiated. All their mechanical portions are fabricated at the Chittaranjan Works. The electric equipment, of course, will have to be imported till the Bhopal Heavy Electricals starts producing it. In regard to the overhead equipment too, the import-substitution process has been taken on hand.

With the electrification and dieselisation — a diesel engines manufacturing unit has been set up at Varanasi — of the Indian Railways, the transport difficulties now faced should ease to a considerable extent.

NSIC'S PROBLEMS

THE STATE-OWNED National Small Industries Corporation has revised its hire-purchase terms. Service charges have been increased from five per cent to six per cent. The rate of interest has been made uniform at 6 per cent for all categories, as against 4½, 6, 3½ and 5 per cent previously, depending on the value and the group to which the applicants belonged.

The earnest money requirements have also been revised upward; 20 per cent of the value of machines and 30 per cent of that of furnaces is now payable as deposit in one instalment before placement of orders. Hitherto, these rates were 10 per cent when the value of application was less than Rs. 50,000 and 20 or 30 per cent in other cases. Facilities were also provided for the ancillary industries to pay this amount in two equal instalments. As regards the period of repayment, the concessions given to ancillaries to the public sector have also been withdrawn.

Although the above revision has been effected for putting the NSIC on a sounder footing and for running it on commercial lines, it should go some way in further improving the default ratio of the loans extended by the Corporation. It is encouraging to note that the last two years' trend of deterioration in the default ratio has been reversed as a sequel to the co-operation extended by the Federation of Associations of Small Industries and the State Directors of Industries and the decision empowering Branch Managers of the Corporation to repossess the machines hired out if the payment instalments for them are withheld without any ostensible reason. This healthy tendency should receive further fillip if adequate arrangements are made for meeting the raw material requirements of the small-scale industries. The problem faced is both in respect of imported and indigenous materials.

Foreign Exchange Shortage

The most important bottleneck in the successful functioning of the NSIC, however, is the foreign exchange shortage. Because of this, the Corporation is said to have stopped, since November, 1962, consideration of new applications for import of machinery and equipment even though it has got deposits to the tune of nearly Rs. 75 lakhs as earnest money from its clients. Efforts, of course, are being made to secure an allocation of nearly Rs. 10 crores out of the credits being made available by the Governments of West Germany, the United States and Japan, but they have not been crowned with success as yet. There are being experienced some difficulties in the import of balancing equipment as well. The NSIC's immediate foreign exchange requirements are stated to be of the order of Rs. 2.5 crores. The Union Government will do well to look into this matter. The East European assistance is said to be not in much request from the small-scale sector. Supplies of machinery from indigenous sources, however, are arranged to the extent possible.

After the emergency, the NSIC has been called upon to supply a large number of items for the defence forces. Most of these are the traditional products like hosiery goods and barrack blankets. But two new lines of manufacture entrusted to it are ammunition boots and components and spares for armament. Some 30 parties have been selected for the latter purpose. Government purchases from the NSIC, which have been going up steadily during the past few years, are expected to more than double this year. As against goods worth Rs. 14.52 crores supplied last year, the Corporation has already effected deliveries to the tune of Rs. 19 crores during the first six months of the current financial year. Total Government purchases through this agency this year may come to about Rs. 30 crores. The Railways too have been buying through the NSIC in increasing quantities. In 1962-63, these purchases amounted to Rs. 1.65 crores as against Rs. 1.23 crores in 1961-62 and Rs. 36.72 lakhs in 1960-61. The marketing operations of the Corporation have been extended; now they include sale of machine tools, radio valves and electric motors as well. Exports of shoes to Russia have also been going up after a temporary setback in 1962. This year these exports may come to nearly Rs. 100 lakhs, as against Rs. 40 lakhs last year. Hungary is another market which is being developed by the NSIC for export of shoes. Not much

progress, however, has been made by the Corporation in extending its operations to the non-urban areas. Most of the machinery supplied by it has been to the small-scale entrepreneurs in the 11 principal cities in the country.

DIVIDED COUNSEL

THE EXPECTATIONS raised as a result of the deliberations of the All-India Council for Secondary Education three weeks ago, that all controversy about higher secondary education will end soon and concerted efforts will be made to impart uniformity in the school education pattern have been belied. The Conference of the State Education Ministers, Vice-Chancellors and some eminent educationists held here last week, has resolved that, while a 12-year course of secondary education should be the goal towards which the country must work, there should be "room for flexibility and experiment". This betrays that no unanimity has been reached as yet on ushering in a 12-year course for children's schooling. As a result of this, the controversy over 18+ being made the minimum age for admission to university studies also remains to be settled. Meanwhile, this age limit is to be generally 17+ and in no case less than 16+.

The Conference, however, has suggested that special assistance should be given by the Centre to all States which have to increase the child's schooling period by one year at the secondary level. This assistance should cover teachers, textbooks, libraries and laboratories. The other important decisions taken in regard to the secondary and university education are: (1) the standard to be achieved at the end of secondary education should for the present be raised so as to be equivalent at least to the intermediate examination of the former 4-year colleges; (2) except for the academic course in humanities and sciences, the other courses should be job-oriented with a view to making the products of secondary education fit for employment in agriculture, industry, trade, commerce or other vocations and also providing them with opportunities of higher education should they later so desire; (3) the duration of the first degree course in arts and science should be three years throughout the country and special assistance from the Centre should be given wherever this involves the addition of one year; and (4) the Central Ministry of Education should take steps for the review of curricula and the preparation and production of better textbooks on a national basis.

In regard to primary education, the Conference has resolved that every effort should be made to achieve by the end of the fourth Plan period, universal and free primary education of the duration of five years commencing at 6+ on compulsory basis, admission being permissible at 5+. Great stress has been laid on girls' education. It has been recommended that special programmes should be drawn up in this respect as Centrally-sponsored schemes on the basis of 100 per cent grants outside the State Plan ceilings. Similar measures, it has been suggested, need be taken for the other weaker sections of the community, particularly the scheduled tribes. Another notable recommendation made is that special attention should be paid to introduction of science at the primary stage. A plea has been made for provision of adequate funds both for the expansion of primary education and for improving the quality of teachers by properly training them and increasing their emoluments. This, it is thought, will help in achieving reasonable qualitative standards of education.

As regards basic education, it has been recommended that its content should be constantly reviewed in order to ensure that it serves effectively the needs of the changing society and the advance of industry, science and technology. The new scheme of granting loans for construction of elementary school buildings and quarters for women teachers has been welcomed and suggestions have been made for making the repayment of these loans easy.

What is Wrong with Our Universities?

By DR. G. JACOB

(Vice-Chancellor, Patna University)

MR. T. M. RAO's thought-provoking article on this subject, which appeared in "Eastern Economist" of October 11, has compared conditions prevailing in the universities in the United States of America with those obtaining in Indian universities. The comparison has highlighted some of the serious weak points of our universities.

That education is good and necessary for human beings, and for society, is now universally accepted. According to Strumilin, the Soviet Academician, who made these calculations about 40 years ago, four years of primary education will increase the efficiency of a person by almost 50 per cent, secondary education by a little more than 100 per cent, and university education by 300 per cent. These estimates are based on the assumption that the kind of education that is offered is suited to the needs, the abilities and the temperaments of the individuals involved. It also assumes that what is imparted is good education, in the sense that it is designed to enlarge and inform, stimulate and discipline the intellects and the personalities of individuals; and that the individuals and the society they belong to can, in an economic and financial way, afford the education that they desire. The last of these assumptions is very significant as far as Indian universities are concerned. The individuals, in the society to which we belong, must be able to afford, in an economic and financial way, the education which we want to impart. It is here that Indian universities find themselves seriously handicapped. While a university lecturer's salary in the United Kingdom is about twice the per capita income, in India it is more than 15 times, and yet the university lecturer in India is not a highly paid person.

Quality Vs. Quantity

In India, in every sphere of life, we are faced with the problem of the low per capita income of the people, and the consequent lack of funds and facilities. In the sphere of university education, this has raised the very difficult problem of quality versus quantity. As against the 350,000 students in the universities in 1951, today we have 104 million students in Indian universities. In 12 years' time, the number of students has gone up by four times. Still, we have come nowhere near the saturation point. It has been estimated that of the age group eligible to go to a university (in our country, it will be 16 to 22) about 20 to 25 per cent will be able to profit from a university education. In the United States of America, about 25 per cent of that age group goes to the universities. Not that every one who will profit by a university education goes to a university, or that all who may not profit from such an education stay away. But a good proportion of those who can profit from university education gets into the universities. In one of the estimates, it was worked out that in the U.S.A. 50 per cent of the White Protestant boys, who are Ph.D. material, eventually get their Ph.D. As against this, even with a 1.4 million students in our universities, we are having in our universities only about three per cent of the age group of 16 to 22. If 20 to 25 per cent of the age group can profit from university education, our universities will have to provide, in the not very remote future, accommodation for more than seven times the present number, and taking into account the increasing population, this will be 10 times the present number.

These are the dimensions of the problem of expansion of university education which this country has to face. At the

same time, in the realm of scholarship, scientific research and technological studies there are no local standards. There are only international standards. It will be wasteful to have scientific research unless we can have research of international standard. To be able to achieve international standards, in whatever sphere of work we take up, we need greater facilities and more than that, we need the finest human material, highly intelligent and sincerely devoted to its work. How to reconcile this need for the highest quality in our university education with our quantitative requirements? One way to tackle this problem will be to build up university centres which will measure up to international standards, and to try and bring to these centres the best boys and girls from all over the country. In addition, there will have to be a very large number of colleges, distributed all over, to cater to the needs of the large number of students wanting higher education.

Meagre Emoluments

At present we are not able to attract to the teaching staff of the universities and colleges the best material in the country because we are not paying them emoluments comparable to those available in the senior administrative services. The Government of Ceylon appointed a University Commission in March, 1963. In the report of this Commission, which has just come out, it has been stated:

"We accept the view that the salary of a university teacher should compare favourably with those of the superior grades in the Public Service and should enable those who enter University Service to maintain comparable standards of living. At the same time it must not be forgotten that while a university teacher enjoys the tranquillity of congenial work in one's chosen sphere, a public servant is often transferable from place to place and subject to the many stresses and strains of official life."

"We are of the opinion that the maximum salary of a professor which is the same as that of the highest grade of the Administrative Service should be maintained at that level."

If similar scales of salary are introduced in this country, we may be able to retain a percentage of our brightest boys as teachers in the universities. Still many of them may prefer the administrative services, because of the various fields in which an administrator can find expression for his talents and also scope for promotion. Again, since the majority of people in this land are not highly educated, we do not have many people who can admire and respect scholarship and scholars.

Science and learning are highly respected in Germany. A recent demographic survey conducted in West Germany showed that university professors are the group most highly esteemed by the population. They are followed by doctors, and only then, by industrialists, merchants and the nobility. It is, therefore, no wonder that at one of those German Universities, even a young first term-student has opportunities of attending the lectures of a Nobel Prize winner. On the other hand, those who wield authority will be respected by the general run of people. This again is a factor which drives many young men to the administrative services in preference

to the teaching profession. There are many teachers who are anxious to become Heads of Departments or Principals because the administrative part of those jobs attracts them. Thus there is a bias towards administrative assignments. There is no immediate solution to this problem. As education spreads more extensively, and when there is greater and greater recognition of scholarship, and honour for men of scholarship, many of our talented young men may take to scholarly pursuits, and will not be attracted by the petty dignity attached to administrative jobs. Today, with a lower salary, and with no satisfaction arising out of wielding authority over other men, a large percentage of people, who come to the teaching profession, are those who could not get into other superior services. They start their career with a sense of frustration, with a feeling that they were not good enough (or had not been lucky enough) to get into one of the superior administrative services.

In the ultimate analysis, the tone of a university is set by the quality of its teachers. A university, whose teachers have a very high standard of scholarship, will naturally attract very good students. Cambridge University is even today a great centre for scientific studies. I was counting up the number of Fellows of the Royal Society who are in the various Science Departments in the University of Cambridge, and I found that there are 55 of them. Cambridge University today has a total enrolment of 8,000 students. For a university of that size, there are on the staff 55 Fellows of the Royal Society, and 22 Fellows of the British Academy, and a Library of two million books. In the University of Southern California, there are several Nobel Laureates in the different branches of Science. In India, we have had so far only one Nobel Laureate in Science. A student will have to make a pilgrimage to Bangalore, if he has to see him. The under-graduate students of California University come across Nobel Laureates in the corridors of their departments.

Seminar Method

Mr. T. M. Rao has rightly laid emphasis on the seminar method of instruction. A class is divided into three or four groups, each group consisting of 15 or 16 students. Each student is then asked to prepare a Paper and to present it to the whole group. This is followed by discussion. The teacher, or teachers present, guide the discussion, without monopolising the talking. The group is small enough to enable every one to participate in the discussion. The person who presents the Paper has to answer the criticisms offered. Thus thinking is stimulated, and also facility of expression. Clarity of expression follows from clarity of thought. A Seminar of this sort is a much better training for a senior student than the lecture method. To make the Seminars more effective, essays presented at the Seminar have to be marked, and the marks thus given included in the marks of the final examination.

Mr. Rao has made a specific reference to the antiquated curriculum of our Engineering colleges. He says that there is too much of subjects like Building Materialism, Building Construction, Surveying and Workshop, and not enough of Mathematics, Structural Theory and Fluid Dynamics. While it is true that our syllabi could be made up-to-date, it is not possible to copy wholesale the Engineering syllabus of a university of the United States. In this country the students need more practical experience. In our society it was considered to be degrading for a middle class person to do manual work. Also, students have less experience with mechanical devices because they do not live in a mechanized environment. So, more time is needed for their professional training. Also, because technicians in India are not as well-trained and not as reliable as in the United States of America and other such countries, professionals have to spend more

time in supervising the work of technicians. They, therefore, need the technician's training as well as their own. If the professional course is to be high, it has, therefore, to be of a longer period than what it is in the highly industrialized countries.

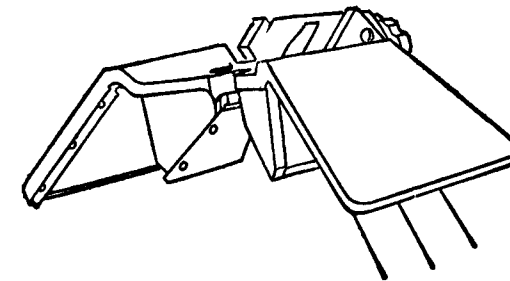
There is a great deal of force in what Mr. Rao says about the very useful contribution made by a strong Board of Trustees in the American universities. The presence of men of high position in commerce and industry on such Boards will be helpful both in linking up the university with the needs of commerce and industry, and also in raising funds for the university. In fact, in most of the American universities, the main function of a Vice-Chancellor is to raise funds for the university. Conditions are very different in this country. We do not have many highly developed industries so that we do not have a selection of industrial magnates, who are also interested in higher education. Even the very few, who are there, are not generally associated with the universities. If some of them could be brought into the Executive Bodies of the universities, they would be a help in linking up industries and commerce with the universities, and also in helping the universities in finding funds from the industrial sector.

Government Creatures

It has been observed that Indian universities are creatures of Government, and suffer from all the weaknesses of government-sponsored organizations. This is partly true. For example, if a Vice-Chancellor is appointed on the recommendation of the Government in power, a Minister may use the autonomy of the university may thus suffer. Even worse than that, the Minister will wield authority in the university, without being answerable for that. In the Delhi University, the Vice-Chancellor is appointed by the Visitor from a panel of not less than three persons recommended by a Committee. The recommending Committee consists of three persons, two of whom shall be persons not connected with the University or a recognized college or institute, nominated by the Syndicate, and one person nominated by the Visitor. The Visitor shall appoint one of the three persons to be the Chairman of the Committee. The Committee appointed by the Government of Mysore, to report on the establishment of a university at Bangalore, in their report which has very recently been published, has recommended the adoption of the Delhi pattern for the selection and appointment of the Vice-Chancellor. If this procedure is followed, it should be possible to ensure the autonomy and independence of the university.

In the Report of the Universities' Commission of Ceylon, a conclusion has been reached that the Governor-General should be the Ex-Officio Chancellor of the universities. For Indian universities also the existing practice of having the Governors of States as Chancellors may continue. But there is a significant recommendation in the Report of the Ceylon Universities' Commission, viz., "That when the Governor-General acts as Chancellor of the University, he should not be bound by the conventions that would apply to him as the Head of the State." A similar provision, if made in respect of Governors of Indian universities, will further contribute to the development of universities on autonomous and healthy lines.

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WINDOW ON THE WORLD

Insuring Against Inflation

By R. V. MURTHY

CHICAGO:

A LEADING insurance company in the United States is shortly expected to launch a scheme of variable annuities. It must be noted here that previous efforts made by this very company in the same direction were not viewed with favour by the authorities. Lately, however, opinion even in official circles would appear to have shifted in favour of variable annuities as a sound form of investment.

Now, a variable annuity differs from both fixed annuity and mutual fund investment, or, for that matter, investment in common stocks on one's own or through one's bankers. A fixed annuity is a contract between an individual and an insurance company whereby the former undertakes to pay a given sum at stated intervals for a specified period in return for an undertaking by the insurance company to return to the individual his savings in the form of monthly, bi-monthly, quarterly or half-yearly payments commencing at the end of an agreed period and lasting till the individual's death. Except for the insurance company's guarantee to pay the agreed annuity until death, an investment in mutual funds or in bank savings or mortgage bonds or in common stocks also would amount to the same. Only insurance companies are able to provide this guarantee by operating on the principle of averages based on actuarial calculations.

SEC's Role

There is one more difference between investment in mutual funds and in variable annuities; whereas it is necessary to analyse carefully the mutual fund, it need not be so in respect of an investment in variable annuities issued by an insurance company for the simple reason that the investments made by an insurance company are subject to strict State supervision (in the U.S.). Although stock issues are also subject to control by the S.E.C. (Security Exchange Commission), it is argued, "the S.E.C. cannot prevent the sale of a fraudulent issue if the issue reveals with sufficient emphasis that the issue is fraudulent". On the other hand, a State Commissioner of Insurance, it is said, "can prevent the issuance of an insurance contract that is not fraudulently made merely if he feels that the contract is inequitable or not in the public interest". In this connection, it has been pointed out that "the S.E.C. never passes on the quality of issues registered with it and that it is a violation of law for anybody to state that the S.E.C. has approved of an issue".

Prof. Wilford J. Eiteman of the Michigan University, who is a stout champion of variable annuities, contends that the phasing of a life insurance or fixed annuity contract permits of 'a defeat of the investor's purpose' even where the terms of the contract are fulfilled to the letter. According to this, he says, certain progressive insurance companies have set out to remedy the deficiency by pleading with the authorities to permit the issue of a new variable annuity contract. Presently this is not permissible, but the pressure of informed public opinion seems to have influenced the authorities to review their stand.

To quote Prof. Eiteman, the variable annuity is "a device designed to enable an annuity contract to carry out the intentions of the parties involved". Based on the long-run

trend of common stock prices—this has been upward at a rate slightly in excess of three per cent per year—it has been suggested that contracts written in terms of common stock units should offer investors a hedge against inflation. Explaining how the variable annuity scheme would work, Prof. Eiteman says: "During the accumulation period, the annuitant would turn over to the insurance company a specified sum of money each month. These sums would be invested by the insurance company in common stocks. The account of the annuitant (annuity holder) would be credited with a certain number of 'units'. The number of units credited would depend on the price level of common stocks of the time. When stock prices are high, the annuitant would be credited with fewer units and when stock prices are low, he would be credited with more units. At the end of the period of accumulation, the insurance company would agree to pay the annuitant a monthly sum equal to the value of a certain number of units for as long as the annuitant might live. The amount the annuitant would receive in units would be fixed, but the cash value of the units would vary from month to month according as the market value of common stocks varied."

Whether it is a life insurance policy or a fixed annuity, both the letter and the spirit of the contract are fulfilled only if, for the entire duration of the contract, the unit of currency of the country concerned remains constant. This is hardly the case, as the history of any country's currency shows. Even the dollar which is placed on a par with gold has been no exception. For the value of the dollar has re-

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remained constant only in 11 years of the 75 years ended 1955; in 18 of these years the dollar increased in value, but it declined in value in as many as 44 years. At the end of 1955, the dollar had only one-third of the value that it had in 1880! In other words, never once in 75 years has an annuitant or a policyholder in an insurance company who accumulated his savings over a period of 20 years and lived out a life expectancy of 20 years enjoyed as much consumption during retirement as he gave up during the period of accumulation. To put it differently, the decline in the value of currency defeated the intentions of the contracting parties in every typical contract made during the years 1880-1955. It is claimed for the variable annuity that it enables the parties to carry out the intentions.

For a developing country which has perforce to pass through years of inflation (notwithstanding the assertion to the contrary of economists such as Milton Friedman) it goes without saying that protection against inflation is a matter of great importance. After examining the record of the purchasing power of a unit of securities over 75 years between 1880 and 1955, Mr. Eiteman states that, despite the wide fluctuations in values from year to year, an investor in a

variable annuity was able to enjoy more consumption during his retirement than he gave up during the period of accumulation. Even when the value of a unit of currency remains stable—it is maintained by the advocates of a variable annuity scheme—the annuity payable in a fixed number of currency units of stable value insures that the annuity holder will be able to enjoy as much consumption in retirement as he sacrifices during the period of accumulation. In fact, he enjoys more, thanks to the benefits of better and higher national production leading to higher distribution of wages and profits.

In passing, it must be pointed out that, for the aforesaid scheme to succeed, the period of contract of a variable annuity must be not less than 15 years. Experience has established that a random selection of diversified stocks of well-known companies, accumulated over this period of time, is certain to prove profitable. The conclusion then is that although investment in mutual funds, investment clubs or personal ownership of a diversified list of common stocks also yields the same result as a variable annuity, the latter has its special attraction and is, therefore, not just one more means of hedging an investment proposition against inflation.

Morocco at the Crossroads

From Our Special Correspondent

CASABLANCA:

THE KINGDOM of Morocco had already entered on a difficult, if not critical, phase of its political and economic growth before the current conflict with neighbouring Algeria began. The laudable attempt to found here Islam's only liberal state—liberal politically and liberal, in the narrower economic sense, in its business life—encountered serious trouble in the summer of this year. In May it had to be officially admitted that the current five-year Plan (1960-64) had failed and would have to be replaced by an interim plan; some of the economic measures that followed (and others that were rumoured) gravely impaired business confidence and caused an outflow of capital. The political crisis in July, when the leaders of the opposition were imprisoned, showed that the ills were not merely economic, and in turn caused a further deterioration of the business climate. The border war with Algeria, naturally, has worsened the situation considerably, though some people assert that it was precipitated deliberately by Rabat in order to divert discontent from the home front by kindling nationalist sentiment.

However, there is no reason to suppose that these setbacks are more than growing pains, inevitable in the course of an experiment in liberalism unique in free Africa. For all her current difficulties, Morocco enjoys the most flourishing economic situation of any of the North African nations and if the present crisis of confidence is resolved within a few months, economic expansion could well be resumed. Nor is the recent repression a sign that Rabat has broken with its liberal designs. The Constitution (one of the few genuine constitutions in Africa, since one cannot call by that name a solemn document that says the boss can do whatever he likes, even if it has been approved by the people in a plebiscite, as in Algeria) is still in force and will not be openly violated unless the imprisoned deputies are prevented from taking their seats when parliament re-assembles shortly.

Morocco, then, is at the crossways but it is too early to say that it has abandoned the liberal path chosen at independence in 1956 and pursued faithfully until the summer of 1963. The border conflict with Algeria, or more accurately the conversion of that disagreement by the Algerians into a relentless

ideological war, vastly complicates Morocco's adjustment to the new and uncertain situation. It is unfortunately only too easy to imagine the King's advisers taking this struggle as a pretext to give up the experiment in liberalism. The "threat to the nation's security", that is, could be the excuse to continue or intensify the repression of the opposition; worse asserting that the free economy had failed and must be replaced by authoritarian policies; and the attacks on Moroccan attempts to "outbid" them in a series of demagogic expropriations.

Population Explosion

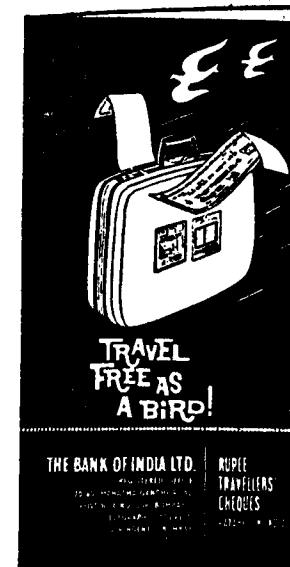
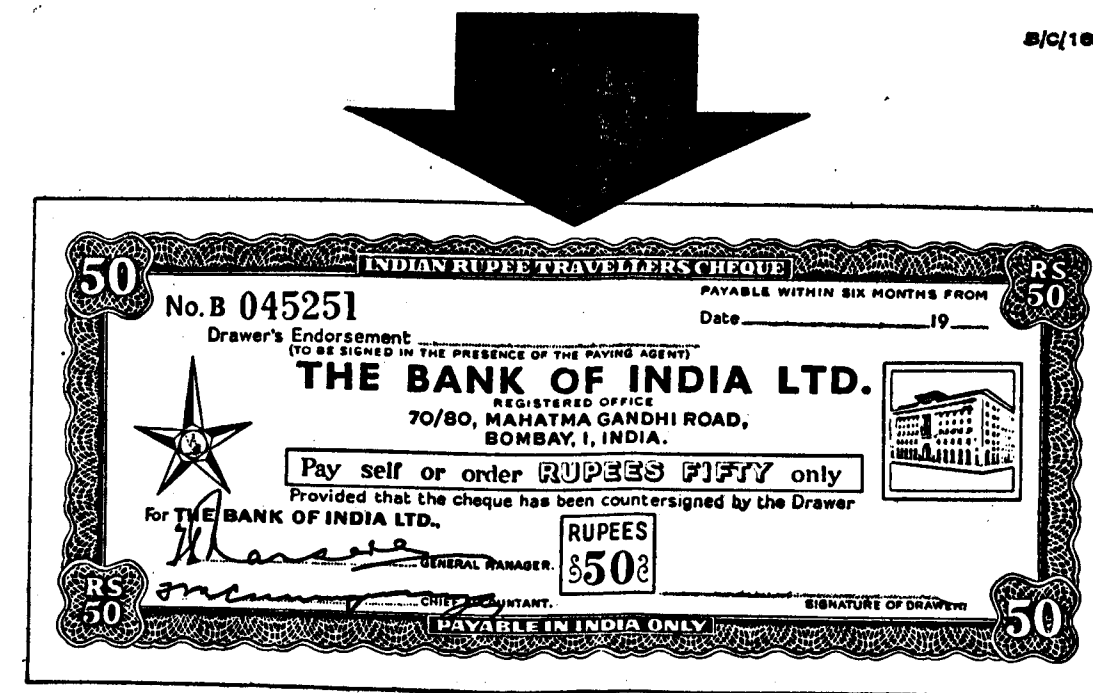
It is easy to imagine this, but those things are not certain. On the contrary, if the conflict with Ben Bella's dictatorship were to continue, the regime in Rabat would be well advised to seek its strength exactly in the contrast between its own political and economic tolerance and the one-man rule across the border—all the more because it can show results, in the shape of fairly satisfactory economic progress since independence, whereas no other North African State can boast as much. To be sure, that progress is pointing compared with what had been hoped for, but for much the same reason as elsewhere throughout the developing world: notable absolute gains in production have been eaten up by the population explosion. A country with a population of 12.5 million sees 350,000 additions every year, bringing a lakh of extra workers in search of jobs annually, many of whom crowd into the deplorable shanty towns on the outskirts of Casablanca. In short, the familiar problems of development which growth-rates of even 7 per cent do not, at first, seem to alleviate.

When the 1960-64 plan was given up, it was officially because it had been found "too ambitious". True, it had been written in haste and contained many gaps and contradictions, but for those who understand the real function of a democratic national plan in a largely free-enterprise economy there is no disgrace in scrapping a plan and starting again with one better suited to current circumstances. Yet the plan could scarcely be described as over-ambitious; its targets seemed modest in relation to needs, and the growth rate had already

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been cut back in 1962 from 7 per cent to 6.2 per cent annually. The real reason for the failure of the plan was the inadequacy of private investment and notably of foreign investment, at least for projects considered desirable by the planners. This disaffection of private capital for investment in Morocco was not necessarily permanent; obviously many people, both Moroccan and foreign, were waiting to see how the country handled its first post-independence difficulties, such as the agrarian reform and the definition of its frontiers. A year or two of modest progress, allowing time for the first major projects to mature and for the Government in Rabat to demonstrate that it was faithful to its liberal options, would perhaps have sufficed to turn the tide. All this prospect is now thrown into doubt by the proportions assumed by the untimely border conflict with Algeria.

Agrarian Reforms

The persistence of a large foreign (mainly French) population in Morocco is taken by Algerian opponents (now that they have found themselves unable to retain their European minority) as a sign of this country's inadequately nationalist temper. In reality, it is a tribute to the wise economic policies followed by Rabat in the first seven years of independence. It has not been inconsistent with a serious agrarian reform (though injustice in the distribution of land in favour of the foreign settler was never as blatant here as in Algeria: Morocco was a protectorate not a colony of settlement). The "lands of colonisation", meaning farms handed out free to foreigners by the imperialist, are now being taken back together with immediately adjacent Melk lands, meaning farms bought by foreigners from Moroccans but exploited along with "lands of colonisation". Though the question of compensation has not been settled, the foreign community has taken this reform calmly, having expected it for some time.

The substantial foreign community in Morocco (whose northern coast after all is only five miles from Europe and whose history has always been entwined with that of Europe) is not the expression of any secular injustice as in certain other colonies. Since independence a great part of these people had adjusted to the new regime without difficulty and their presence was a guarantee of assistance and capital inflows that other developing countries have to seek by other means. There are 250,000 Europeans in Morocco, against only 130,000 left in

Algeria and 65,000 in Tunisia; that is to say, Morocco has lost only half her pre-independence foreign population, whereas Tunisia has lost three-quarters and Algeria at least seven-eighths. Their presence in no way abated Morocco's independence but was on the contrary a ferment favouring economic growth. It will continue to be so, despite the insecurity introduced by the border conflict, unless Rabat chooses to out-Herod Herod by mistaking expropriation of the minority for an answer to the Algerians' political campaign against Moroccan liberalism.

One mentions the case of the foreign community not because it is in itself an important aspect of the Moroccan scene but because it is the symbol, or the barometer, of the monarchy's attempt to build economic progress on liberal methods without recourse to demagogic diversions such as have been a substitute for economic thinking elsewhere in Islam. Certainly, a break with those methods in Morocco would make many other casualties besides the foreigners, and to start with the Moroccan opposition in the political sphere and domestic free enterprise in the economic. By signifying a retreat to authoritarianism dubbed "Arab socialism", it would quite dry up the flow of local enterprise and foreign capital, whose hesitations caused difficulties this summer. For the sake of those who imagine that this would at least be a gain for the cause of Arab nationalism, one must recall that the Moroccan monarchy has managed to pursue its nationalist objectives without losing the friendship of the foreign powers. For example, the four US strategic bases in the country are being evacuated this year, the contract for the Voice of America relay station runs out at the same time and will not be renewed, the last vestiges of the international zone in Tangier have gone, and Rabat has not abridged its claims on the remaining Spanish enclaves.

In short, the material advantages of national liberation from the remnants of colonial status have been attained, or are in course of being achieved, along with an agrarian reform, without sacrificing the aid and support of the foreign powers formerly interested in Morocco and without losing the advantage of a useful foreign element in the population. Very little more in that line would be achieved by choosing to follow the path of Ben Bella and Colonel Nasser, who are Morocco's enemies. But liberal regimes have disappeared before today by choosing to imitate their enemies.

OECD Supports US Policies

By GUY SIMS FITCH

WASHINGTON:

IT SOMETIMES seems that the occasional and inevitable instances of disagreement among free nations receive wider airings than do those basic meetings of the mind which underlie their essentially enduring relationships. A case in point is last week's session in Paris of the important Economic Policy Committee (EPC) of the 20-nation Organization for Economic Co-operation and Development (OECD), which links Canada and the United States with 18 West European countries.

This committee looks toward a closer coordination of policy among its members. It examines their economic performances and prospects, and special issues of common concern. It is a high-level gathering, attended by leading government officials. The United States, for instance, is represented by Walter W. Heller, Chairman of President Kennedy's Council of Economic Advisers.

The international co-operation and understanding developed in the OECD are reflected in EPC evaluation of and

attitudes toward U.S. policies and programmes. Last week's meeting, in this regard, disclosed a widespread European endorsement of the U.S. Government's vigorous moves to end its balance of payments deficit and bring its international accounts into equilibrium.

This approval embraces the rise in interest rates in the United States and the Kennedy Administration's proposed interest equalization tax on American purchases of foreign securities. Both these steps are aimed at curtailing the outflow of private capital from the United States, which has been a prime factor in the nation's payments difficulties.

Significantly, the European members of OECD, despite some emerging economic difficulties of their own, generally have refrained from actions that might tend to offset the effectiveness of these U.S. moves. Thus, they have not raised their own interest rates to any significant degree, thereby avoiding possible incentives for a renewed heavy inflow of private capital from the United States.

Strong support also was forthcoming at the EPC for

those domestic policies of the United States that are aimed at reinforcing the current U.S. economic expansion. Two years ago, it will be recalled, an OECD-wide economic growth rate of 50 per cent was set for the decade of the 1960s. At last week's meeting, the EPC confirmed that achievement of this objective is on target, following two years of excellent economic progress in the United States and Western Europe, with another good year in prospect for 1964.

When the 50 per cent goal was first set, a big question mark in the minds of many experts was the large and influential U.S. economy, which apparently had fallen into a pattern of relatively slow growth during the late 1950's. But that pattern has changed markedly since then.

As was noted in Paris last week, since the start of the current sustained and vigorous U.S. expansion in early 1961, the U.S. growth rate has been close to five percent a year. If maintained — and at this writing there is no sign of any imminent slowdown—this rate would enable the U.S. to meet and surpass its OECD goal. Based on this performance, and on the excellent productivity gains of the past three years, many experts now see the U.S. economy entering a period of sustained and high-level growth.

Related to this expectation are U.S. policy determinations aimed at accelerating the nation's long-term economic growth, and these also received the general endorsement of the EPC. Particularly encouraging to all concerned is President Kennedy's proposed tax cut for American individuals and businesses, which is still wending its way through Congressional channels.

The feeling is that a substantial tax reduction would

further stimulate U.S. economic activity and would help prolong and buttress the already vibrant expansion. Given the size and position of the U.S. economy, such a development figures to have widespread beneficial effects in Europe and other parts of the world as well. It also could help solve the balance of payments problem by attracting an enlarged flow of private investment, both domestic and foreign into the U.S. economy.

Results thus far point to the successful operation of two novel labour-management contracts, both negotiated through time-tested free collective bargaining between companies and unions in the United States.

These contracts have attracted particular attention because they are the first of their kind to be instituted in two of the nation's basic industries, automobiles and steel. They go to the heart of one of the most demanding and difficult of modern labour-management problems—the impact of automation and ways of bringing its benefits more fully on workers whose jobs and earnings may be affected.

The automobile case involves a profit-sharing arrangement officially referred to as a "progress-sharing" plan—entered into by the American Motors Corporation (AMC) and the United Automobile Workers Union (UAW). Under it, AMC workers receive the first 15 per cent of before-tax profits, after an amount equal to 10 per cent of the company's net worth is deducted. One-third of this workers' fund is set aside in company stock, and two thirds in cash and other benefits.

No one can know in advance, of course, just how much goes into this progress-sharing fund, since it is tied to fluctuating

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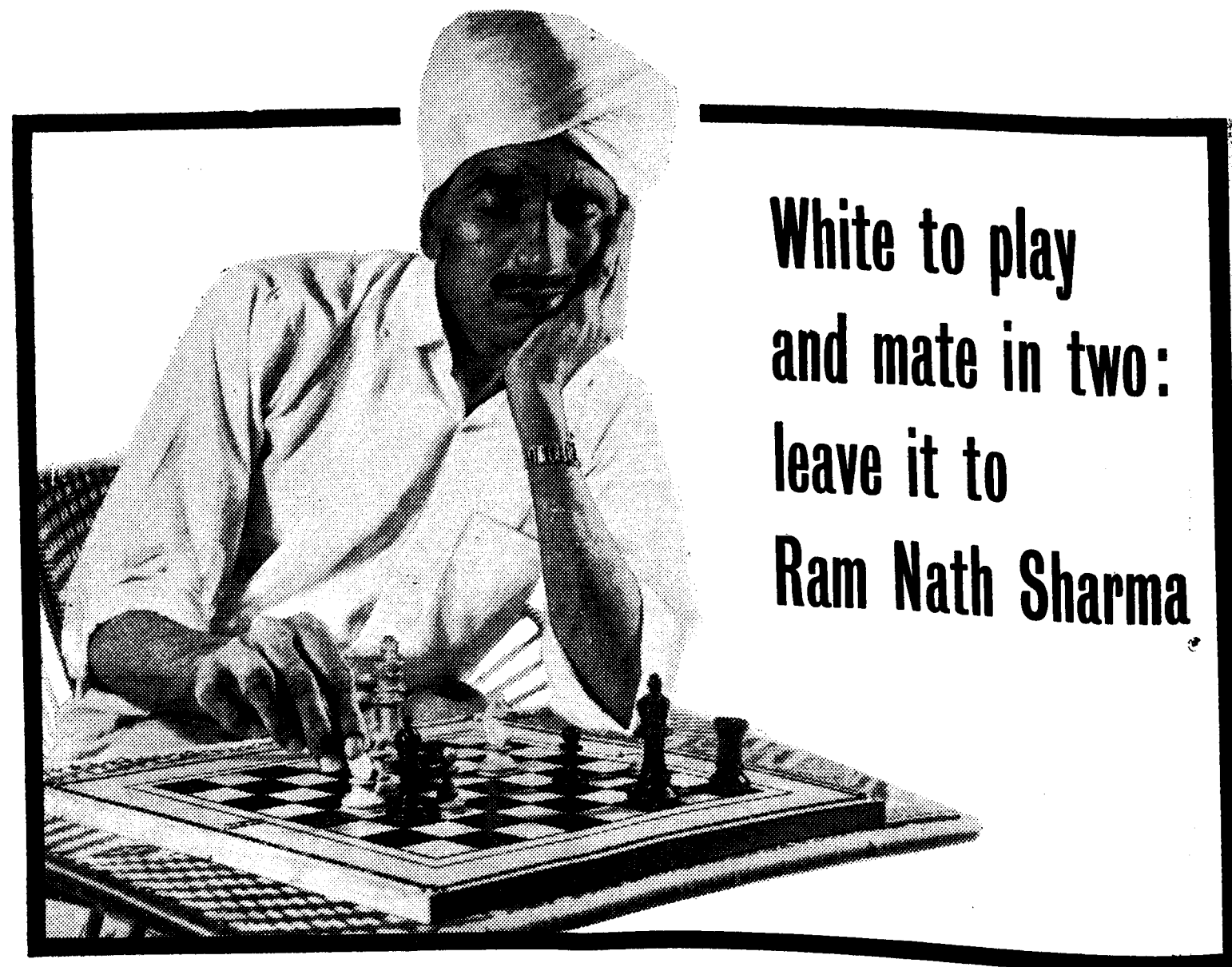
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tuating profits. But last year, the first of the contract's operation, the 27,000 AMC production workers received stock worth nearly \$3.3 million, while another \$6.5 million went into improved pension and insurance programmes and into supplementary unemployment benefits for workers who may be laid off.

This year, the progress-sharing fund promises to be even larger, in view of the company's expanded operations and rising earnings. Preliminary estimates indicate that AMC employees, with their progress-sharing bonus, will be earning substantially more than those employed by other automobile companies.

One result of the AMC plan is to give workers a stake in the kind of improved operations that will further promote productivity and help the company advance its earnings position. Another result, according to company spokesmen, has been a marked improvement in workers' attitude and morale.

Even more revolutionary in its concept and impact may be the contract negotiated last winter in the steel industry, between the Kaiser Steel Corporation and the United States Workers Union (USW). This can properly be described as a cost-sharing as well as a profit-sharing plan. It encourages workers not only to accept but also to initiate operating efficiencies.

Key feature is a complex formula, drawn by a tripartite board of management, union and public representatives, by which cost savings resulting from technological advances and operating improvements are divided between the company and the employees. The company distributes 32.5 per cent of

whatever has been saved to its 4,800 workers — about 45 per cent of its total force — who thus far have chosen to participate in the plan.

For the first five months in which the sharing plan was in effect, beginning early this year, the company's cost savings have been calculated at no less than \$9.6 million. Not all of this is directly attributable to worker efforts, of course; management decisions are still vital. Nevertheless, company executives acknowledge that workers' efforts have contributed handsomely to the best cost performance in Kaiser history and a marked improvement in Kaiser earnings.

Participation Successful

So far, workers participating in the plan have done remarkably well. They have received monthly bonuses, over and above their regular pay-cheques, averaging nearly \$80 — the equivalent of a weekly wage increase of close to \$20. Reduction in Kaiser earnings in the months ahead could tend to reduce the bonus payments. The fact remains, however, that each participating worker figures to receive hundreds of dollars a year in bonus payments.

None claims that these plans necessarily represent the final work in labour-management adjustments to technological gains. But they have succeeded beyond the expectations of most critics, and companies and employees appear to have prospered under them. Each in its own way has enabled workers to share more fully in the fruits of technology, and with the prospects of greater job security and unemployment protection than might otherwise have been the case.

Brussels Talks on Trade

From Our Special Correspondent

BRUSSELS:

THE FANTASTIC complexity and the apparent remoteness of the agricultural problems debated here are enough to discourage interest overseas, at least outside circles directly concerned with trade in farm produce. Yet the upshot of the marathon negotiation between the Six on their agricultural policy will be crucial not only for world commerce in products like rice and vegetable oils, and not only for the future of the Common Market itself, but for the outcome of the Kennedy Round of tariff negotiations whose importance for all world trade is evident. Indeed, the Six have never been able to discuss their agricultural policy serenely and in isolation from wider questions, because that discussion has always been entangled with the general problems of Europe's relations with the USA, Britain, the Commonwealth and the developing world. The issue of Britain's admission to the Common Market, which would have had repercussions on world trade in many things besides farm produce, ran afoul of the agricultural obstacle. And it is no exaggeration to say that the fate of the Kennedy negotiations on tariff reductions will be decided not in Geneva but here in Brussels in the coming six weeks, in the course of arid and highly technical debates about support prices for beef, rice, dairy produce and what have you.

There are two reasons for this, one tactical, the other of substance. The first is that West Germany and France have different interests both as regards trade in farm produce and as regards the Kennedy Round, and naturally they wish to bargain, making concessions on one point in return for equivalent concessions from the other side on the other matter. That is simply a question of tactics, an accidental overlapping of separate issues. It is already enough, however, for us to predict (in view of the laboriousness of the bargaining) that the Kennedy Round will not open in Geneva in May next year, and may not even begin before 1965.

The second and more substantial reason is that agricul-

tural products are themselves implicated in the Kennedy Round, and will in fact be among the most difficult subjects in that negotiation. Now, the sense and the very possibility of bargaining between the Americans and the Europeans about trade will depend on the shape that the Six give their agricultural policy in the weeks ahead. It was at first imagined that the Six need not fix that policy before 1970 (indeed, that is all that is required by the Rome Treaty), and that meantime they could go ahead and negotiate tariff reductions on manufactures with the Americans, and hence with the rest of the world. The recent, and still unresolved, "chicken war" has shown that this is impossible; increased protection for European poultry at once led to tariff reprisals (or the threat of them) affecting a long list of manufactures. The Americans want to recoup their losses in agricultural trade by way of penalties and concessions over the whole field of mutual commerce. And so it goes right through the list. Duties on industrial goods cannot be discussed apart from trade in farm produce, and the course of that trade cannot be known until the Six decide to what extent they are going to protect their farms from produce from America, the Commonwealth and the developing nations.

Without going into the extraordinarily intricate details of the current negotiations between the Six, a few examples will reveal the impact of their debates on wider trade questions. Take first the comparatively simple case of rice. The Common Market includes two big importers, West Germany and Holland, and two producers, France which is about self-sufficient and Italy which is an exporter. A joint policy implies that (as within the frontiers of one State) members of the union give preference to the rice produced in the region, and this will be done by fixing a threshold price for imports, which will be taxed when they fall below that price. To set too high a "threshold price" would inconvenience rice exporters in Asia and Africa, but above all in the U.S.A. for that country now supplies 50 to 60 per cent of all the rice

November 22, 1963

required by the Common Market. Before the war the Americans used to export only 700,000 quintals of rice; today they export 6.8 million quintals. This is another case (like poultry and oilseeds) where Americans farmers have increased their production immensely, counting on Europe to absorb their surplus. Now that European production too is increasing, and that the Common Market requires that Italian rice have preference in Holland and Germany, the Americans are faced with losing part of this market. They will fight to retain it as tenaciously as they did over chickens.

Turn then to butter, where the question is complicated by the competition with margarine — which in turn brings in the question of world trade in oilseeds from which that substitute is made. Here again European output is rising fast, for the same reasons as elsewhere: farmers in this region are applying, with a delay of a decade or so, the identical techniques that led to large increases in American production, increases that for a time could be absorbed by Europe and cannot be so much longer. For example, the French cattle herd is half as big as Russia's but each cow's milk production is only half that obtained in Holland; relatively simple improvements in husbandry, now being undertaken, will soon close this latter gap — whereupon the Common Market will find itself with an annual butter surplus of 300,000 to 400,000 tons. To encourage its local consumption, and to finance its export on to world markets where prices are low because of dumping, it is proposed to tax margarine.

Americans are Losers

To do that would of course affect African and Asian exporters of groundnut oil, but once again the biggest losers would be the Americans, who last year supplied 300,000 tons out of 336,000 tons of soja oil imported by the Common Market. Notice that before the war the Americans used to sell only 12,000 tons of this product; they have boosted their production by 1,300 per cent, banking as everywhere else on the temporary lag in European farming techniques to allow them to win the European market. The unification of the West European market and its increasing self-sufficiency in edible fats threaten this American outlet, so the decisions taken by the Six on this obscure question could entail trade losses of millions of dollars.

Common Market preference and protection for the third product now being discussed here, beef, would affect the interests of overseas suppliers of frozen meat and, more immediately, Denmark's trade in fresh meat with West Germany. It brings up matters of equal importance, because the Germans take relations with Denmark as a test case of the Common Market's commerce with outside suppliers of farm produce and notably those in EFTA. West Germany traditionally finances its industrial exports to such countries by way of imports of their foodstuffs, and to give preference to Common Market food could jeopardise this trade, already threatened in the case of Denmark by the customs preference that EFTA members give each other. Indeed alarm about the effects of this EFTA preference on traditional German exports to north Europe is one of the reasons the Germans are so anxious to see the Kennedy negotiations succeed: a reduction of all Western tariffs would decrease the disadvantage German manufactures suffer as against British in Scandinavia, Switzerland and Austria. True, it would also decrease the disadvantage suffered by British and American goods inside the Common Market, but the Germans think that the former point is much more important if the Six are to discriminate against outsiders' farm produce.

Understanding of these complex conflicts of interest would be so much simpler if one could accept the contrast between a free-trading West Germany, ready to buy the world's farm

produce in order to safeguard its export markets in manufactures, and a protectionist France, more concerned to safeguard its farmers than to win export markets abroad. Unfortunately, this contrast is very wide of the truth because the Germans, ultra-liberal on questions of trade in industrial goods, wish to practise arch-protectionism where their own farmers' pockets are involved. It is German reluctance to lower their support prices, the highest in the region if not in the world, that has so far prevented the Six finding a joint agricultural policy that would be moderately protectionist (enough to unite the six-nation market in farm produce) without seriously indisposing the Americans.

This contradiction in the German attitude is based on such respectable motives that Bonn is not always aware of its inconsistency. For instance, to support their argument that the agricultural protection of the Six was already playing havoc with the food exports of their oldest customers, the Germans lately had the ECM Commission reckon up the decline of the region's food imports. The result was not what they expected. It emerged that the Six had indeed bought less food from outside, but not because they were preferring each other's food — for trade inside the region had not noticeably increased. On the contrary, the reason was that West Germany had been importing less in order to maintain the lavish protection of its own farmers. The mischief that the Germans thought was being done in Brussels was in reality being done in Bonn.

Ultimately, the outcome of the non-stop negotiations that will start here between the Six on December 2 and go on till the end of the year will not be decided by technical considerations but by political options. The question for the West Germans will be, at that level, whether the Europeans want to maintain the economic unity of the Atlantic world, make the commercial concessions needful to preserve American military protection, and lay the foundations of an open, liberal Atlantic partnership. For the French on the other hand, the prime political question will be whether the Six want to maintain the Common Market (which would be of little interest of tens of millions of Euro-peans unless it included a unified market in farm produce) as far as possible liberal attitude in negotiations with the U.S.A. and the rest of the world.

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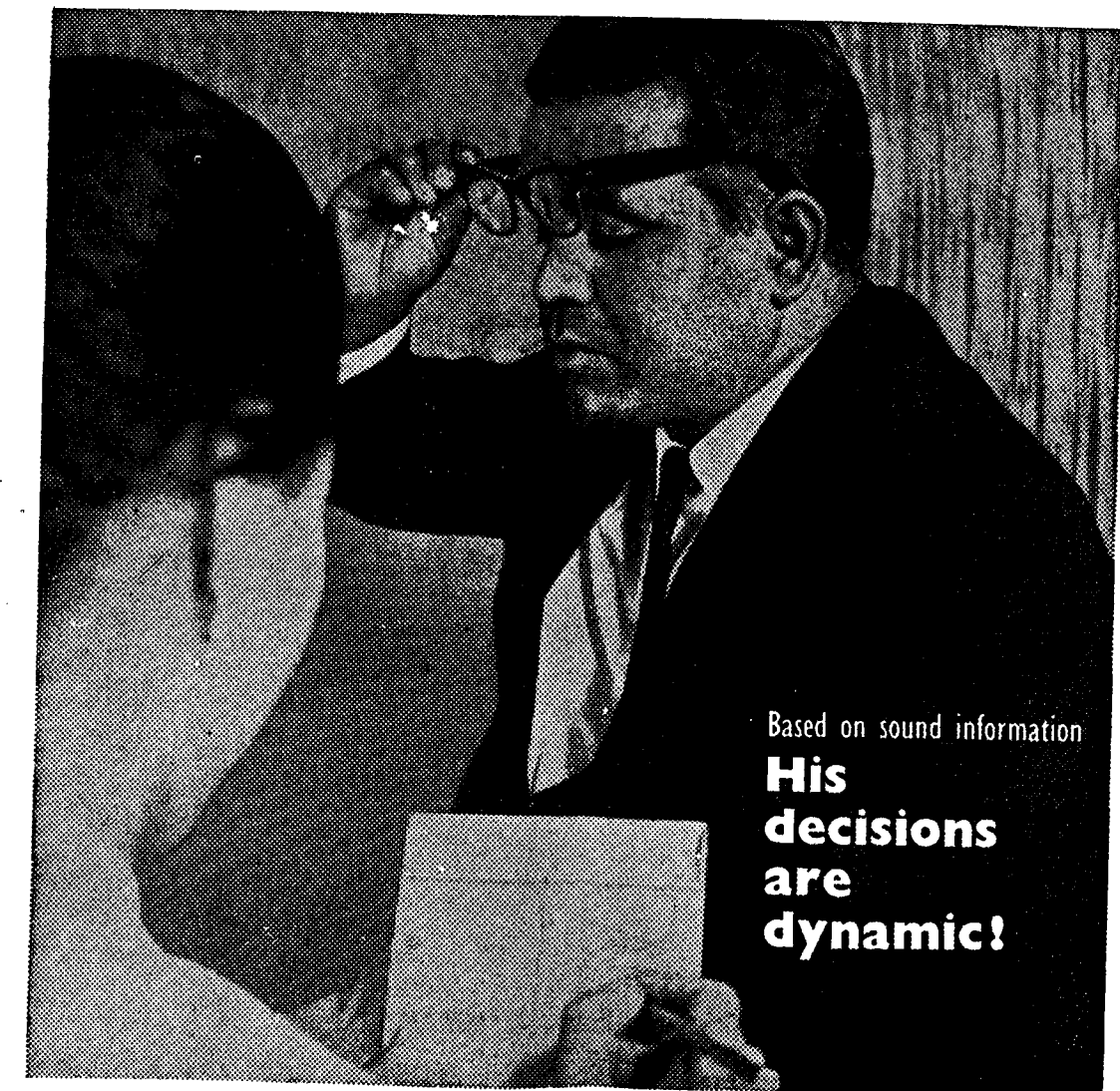
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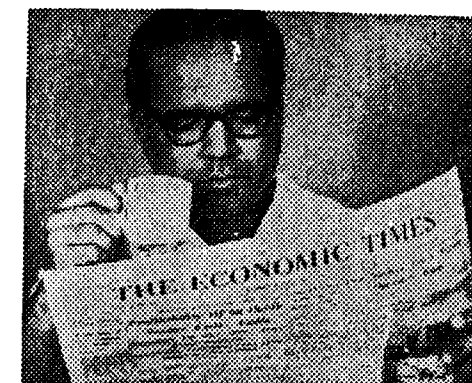
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LISTENING POSTS

Official Appraisal of Third Plan

By Our Special Correspondent

NEW DELHI :

"IN TERMS of national income growth, the achievement in the first two years of the third Plan has been considerably less than what was anticipated at the beginning of the third Plan period", says the Mid-term Appraisal of the third Plan prepared by the Planning Commission for submission to Parliament next week. It is expected that this report will be discussed in the two Houses early next month.

In the two-year period, 1961-63, the annual rate of increase in national income is estimated to have been about 2.5 per cent as compared to the rate of something over 5 per cent envisaged in the third Plan. In order that the third Plan targets may be reached, the annual growth in the remaining three years of the Plan has to be substantially higher than the annual growth rate achieved in the past two years.

Proceeding to assess the reasons for the relatively low rate of national income growth in the first two years of the Plan, the Planning Commission points out that in the first year of the third Plan, the agricultural output was higher than in the previous year; the index for agricultural production increased from 139.6 in 1960-61 to 141.4 in 1961-62, but in the next year, namely, 1962-63, there was a set-back in the output of foodgrains as well as of sugarcane, jute and oil seeds; consequently, the index for total agricultural production was, according to provisional estimates, 136.8 in that year.

Bright Prospects

Crop prospects during the current year (1963-64) are, however, brighter. In this connection, it is to be borne in mind that in both the first and the second Plan periods, there have been wide fluctuations in agricultural output as a result of fluctuations in weather conditions. In fact, during the second Plan period agricultural production in 1957-58 and in 1959-60, when weather conditions were adverse, was less than in the previous years by 6.7 per cent and 3.9 per cent respectively. In comparison, output in 1961-62 has been higher than in 1960-61 and that in 1962-63 is provisionally estimated to be about 3 per cent less than in 1961-62. There is, therefore, some ground for thinking that over the years the amplitude of fluctuations in the downward direction has been reduced somewhat. In view of this and taking into account the special efforts now being made to increase agricultural productivity, it seems reasonable to expect that, with favourable monsoons, there could well be a sizable increase in total agricultural output during the remaining period of the third Plan.

Compared to the agricultural sector, the performance of the industrial sector is more encouraging, though it has not been satisfactory in some respects. Industrial production increased by 6.5 and 8.0 per cent respectively in the first two years of the third Plan. Once again, it is clear that these increases are not in consonance with the rise of something like 11 per cent per annum anticipated in the third Plan document. But in judging the performance of the industrial sector, it is necessary to take note of the structural changes that are occurring alongside of the steady increases in output.

In the programmes for industrial investment, the emphasis in the third Plan, as in the second Plan, has been on the development of new industries producing capital goods and basic intermediate goods. If we look at the production trends in these industries, the picture is brighter. For instance, compared to the increase of 15.6 per cent in the general index of industrial production between 1960 and 1962,

the increase in the output of basic metals has been of the order of 25.8 per cent. In the same period, the output of fertilisers has gone up by 25.9 per cent; of heavy organic chemicals by 38.7 per cent; and of heavy inorganic chemicals by 53.5 per cent; of industrial machinery by 47 per cent; of transport equipment by 21 per cent; of electrical machinery by 18.2 per cent; and of electricity generation by 30.6 per cent. If, in spite of these increases, the aggregate index shows only a moderate rise, it is because the additional output in consumer goods industries — which have a large weight in the total index — has been comparatively less. Cloth production in the mill sector of the cotton textile industry was actually smaller in 1962 than in the previous years; but this was more than offset by the increase in the output of the decentralised sector. In other words, production increases in the capital and intermediate goods industries, which are crucial for the attainment of a self-reliant economy, have been larger than in the general index.

It should, however, be added that, for the attainment of the third Plan targets, in the case of some industries, the rate of growth in their output has to be higher than in the last two years. The implementation of several important Plan projects in both the public and private sectors has been behind schedule for various reasons. Several steps are being taken to avoid delays in implementation and remove the impediments to better utilisation of installed capacity. While these measures may be expected to improve the trends in industrial production to some extent, the actual increase in output will be markedly influenced by increases in the supply of raw materials and components — indigenous as well as imported. It should also be mentioned in this context that many of the newer industries being set up in the economy are technically more complex and the process of adapting them to our conditions is often a time-consuming one. Consequently, the scope for reducing the average time-lag between the making of investments and the realisation of outputs may not be the same in all industries. But, as procedural or administrative delays are reduced and inter-related investments come to fruition, it would be reasonable to expect a significant improvement in the response of total industrial output to the investments undertaken in the Plan.

Raw Materials Shortage

As is well known, shortages in the supply of raw materials have tended to cause a slower increase in actual output as compared to the addition to production capacity in several industries. While the increase in aggregate national product has, therefore, been less than anticipated in the Plan, nevertheless there has been no proportionate set-back on the investment side. Firm estimates of aggregate investment and savings in the economy during the past two years are not available; but judging from such partial data, as are available, it would appear that not only has investment in the strategic areas been high but it has also been increasing at an appreciable rate.

In the public sector, for instance, investment made by the Central Government on Plan projects is estimated to have risen from about Rs. 430 crores in 1960-61 to about Rs. 690 crores (revised estimates) in 1962-63. The budget estimates for 1963-64 are of the order of Rs. 840 crores. At the same time, Central assistance to States for Plan projects, the bulk of which would be for capital formation purposes, has risen from Rs. 252 crores in 1960-61 to about Rs. 430 crores in 1962-63 (revised estimates). In the private industrial sector, judging from data relating to capital issues, bank and other

institutional credit to industry, imports of capital goods, etc., aggregate investment in the first two years, though not the pattern, seems to be more or less in tune with the amounts envisaged for the five-year period. Making allowance for the net inflow of foreign resources during the period, it would also appear that a part of the additional investment has been financed through additional domestic savings. By and large, therefore, it seems probable that the aggregate investment/income and savings/income ratios have increased to a significant extent in the first two years of the third Plan.

Additional employment generated in the non-agricultural sector during the first two years has been estimated at 3.2 millions. Precise estimates of additional employment in the agricultural sector are not available. Concurrently with the increase in employment, there has been an increase in the number of people seeking employment. By and large, therefore, it would appear that no serious dent has been made on the problem of unemployment in the country; and the number of persons seeking employment through the Employment Exchanges has risen during the last two years from 15.6 lakhs to 24.8 lakhs. In respect of certain categories of technical personnel, however, the supply has not been adequate.

In the third Plan a wide range of important tasks were assigned to the private sector. However, progress on the part of private industry has lagged behind in a number of key areas, such as, alloy tool and stainless steel, steel castings, steel forgings, machine tools, fertilisers, cement, paper and newsprint and in some chemical industries. Shortfall in these fields will have repercussions on future development and it is necessary to devise appropriate means for ensuring that major targets assigned to the private sector are in fact realised in keeping with the requirements of the economy and the scheme of the Plan.

Bearish Markets

The stock markets, which had continued to be buoyant since 1958, turned bearish after July 1962 and this trend was further accentuated after the declaration of emergency in October 1962. Between July 1962 and June 1963, the index of share prices fell by 16 per cent; while part of this fall was in the nature of a corrective to the large rise in share prices that had occurred between 1958 and 1961, a major factor, affecting sentiment in the capital market, was the situation caused by the emergency.

The disturbed conditions in the market affected the capital raised by industries in the private sector by way of market issues. Though the consent granted by the Controller of Capital Issues to private sector companies increased from Rs. 133 crores in 1961 to Rs. 163 crores in 1962, actual raisings through shares and debentures amounted to only Rs. 100 crores as against Rs. 99 crores in the previous year. This was offset to some extent by an increase in the loans sanctioned and disbursed by term-lending institutions like the Industrial Finance Corporation, the Industrial Credit and Investment Corporation of India and the Refinance Corporation for Industry. With the new capital issue market being rather sluggish, these credit institutions as well as the commercial banks may face an increased demand for funds from the private industrial sector.

The Union Ministry of Finance, it is understood, has authorised the Life Insurance Corporation to liberalise its housing loans policy. The new scheme is expected to be announced early next month.

Indications are that two important changes will be made in this policy. The first will be lowering of the minimum loan limit from Rs. 20,000 to Rs. 10,000. This will mean that a person who has got himself insured for a sum of Rs. 11,500 will be able to get from LIC a loan for house building to the tune of Rs. 10,000. The maximum loan limit of Rs. 100,000, however, is not likely to be altered.

The other significant change envisaged is that in future housing loans will be made available by LIC against policies even if they have run for only two years. At present the minimum requirement in this regard is that a policy against which a housing loan is sought must have run for five years.

No liberalisation in the rate of interest applicable to these loans is proposed. At present, this rate is 7½ per cent per annum. But a rebate of one per cent is allowed if the repayment of the principle and interest is prompt. No relaxation is also likely to be made in the maximum period of 20 years during which the housing loans are required to be reimbursed to LIC along with the interest on them.

On the opening day of the Winter Session of Parliament, the Union Finance Minister, Mr. T. T. Krishnamachari, presented the second supplementary demands for the current financial year involving an additional expenditure of Rs. 11.33 crores. Of this, supplementary demands on revenue account amount to Rs. 5.54 crores and those on capital account to Rs. 5.79 crores.

The main items of additional expenditure on revenue account are: (1) Rs. 3 crores on account of sale proceeds etc., of acquired evacuee property transferred to Capital for adjustment against compensation paid to displaced persons; (2) Rs. 2.25 crores for payment of grants-in-aid to the new State of Nagaland; and (3) Rs. 16 lakhs for payment of grant-in-aid to the Indian Statistical Institute.

The increase in expenditure on capital account has been

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occasioned by the purchase of shares of Cochin Refineries Ltd. (Rs. 3.32 crores), of the Minerals and Metals Trading Corporation of India Ltd. (Rs. 2 crores) and of the Singareni Collieries Co. Ltd., (Rs. 35 lakhs).

The total additional expenditure of Rs. 11.33 crores will be set off against receipts and recoveries etc., to the tune of Rs. 5 crores. The net outgo from the Consolidated Fund arising from supplementary demands, therefore, will be of the order of Rs. 6.33 crores only.

The Government has set up a small, high-power standing committee consisting of Mr. S. Ranganathan, Secretary, Ministry of Industries, Mr. L. K. Jha, Secretary, Economic Affairs, Ministry of Finance and a Representative of Planning Commission. The Committee will have a permanent Secretary. It will coopt for particular discussions the Secretary of the Ministry whose subject may come up before it.

This committee will give prompt and clear-cut advice to foreign entrepreneurs seeking fields of investment in India, inter-alia, in regard to scope for investment in a particular field, whether foreign participation would be permissible and if so in what ratio. The committee, it is expected, will lay down broad principles which could be explained to a foreign entrepreneur by the Secretary of the Committee, who may seek advice of the Committee on issues not covered by the rules. The Committee will start functioning at an early date.

The Swaminathan Committee on Industries Development Licensing procedure held its second meeting during the week. It was decided on that occasion to pick out "key industries" which were essential and therefore needed expansion as the base for self-sustaining growth for other industries and in which the gap between planned target and expected production was considerable. The committee did not rule out making interim recommendations in regard to accelerated procedure for establishing capacity in such industries. It may also suggest industries in which advanced action for the fourth Plan would be necessary.

The Central Board of Revenue is being reorganised. It will be bifurcated into a Board for Direct Taxes with Mr. J. P. Singh as its chairman and another Board for Indirect Taxes, with Mr. B. N. Bannerji as its chairman. The erstwhile chairman of the Central Board of Revenue has already been posted as an Additional Secretary for Expenditure.

There will be a third Board for Company Law which has been transferred to the Ministry of Finance.

Representatives of the Government of India and Canada concluded and initialled in Ottawa two agreements in the atomic energy field which could be of far-reaching significance to both countries. These agreements will be formally signed in New Delhi shortly.

One of these agreements is between the atomic energy authorities of the two countries. These authorities will freely exchange scientific and technical information which has already been obtained, or may be obtained during the period of the agreement, in regard to the development of heavy water moderated reactor systems. Either part will, if requested by the other, furnish information and detailed design data, including plans and working drawings regarding the design and construction of nuclear power stations of the heavy water type.

This agreement will initially run for a period of eight years and may be extended by mutual agreement. During the early years of the agreement valuable information already developed as a result of Canada's special experience in heavy water system will be transferred to the Government of India for full commercial use in India. This information, which has been valued by the Government of India at five million dollars,

is to be transferred without cost to India and without deduction from Colombo Plan or other assistance.

Under another agreement between the two Governments, Canada and India will co-operate in the construction of a nuclear power station of the CANDU type with a net electrical output of 200 megawatts to be located in Rajasthan State. The Indian Department of Atomic Energy will act as prime contractors and be responsible for the erection of the station. Canada will provide the design with detailed working drawings and specifications of the station up to the steam raising equipment while India will provide the design for the rest of the station.

Half of the initial charge of uranium fuel will be procured from Canada. Canada will also supply such additional fuel for the station as may be required by India from time to time, provided that the Canadian fuel is not more expensive than other foreign fuel.

Credit Facilities

The Government of Canada will provide, under the Export Credits Insurance Act, credit facilities for the purchase of services, material and equipment supplied by Canada which is estimated to cost approximately 35 million dollars; the total cost of the project is about 70 million dollars.

Canada and India have agreed to exchange information regarding the operation of this station and its counterpart, the Douglas Point nuclear generating station now under construction in Canada. They have also agreed that the two stations shall be used only for peaceful purposes and the agreement includes appropriate provisions to this end. A unique feature of the agreement is that these provisions are completely reciprocal, conferring on India and Canada identical facilities for assuring themselves that both stations are being so used.

It is explained that the CANDU (Canadian Deuterium Uranium) nuclear power station burns natural uranium and is both cooled and moderated by heavy water. It will have a net electrical output of 200,000 kw. The CANDU reactor was developed by Atomic Energy of Canada Limited from the 20,000 kw. prototype NPD (Nuclear Power Demonstration) reactor at Rolphton, Ontario, which went into operation in 1962.

The fuel for the CANDU reactor is natural uranium fuel fabricated into a 19 element fuel bundle which is 19½ inches long. The weight of the bundle is 36 pounds, of which 33 pounds is uranium dioxide. Four thousand bundles will be required for the first stage. When the fuel is taken out of the reactor it is stored permanently under water. Fuelling machines designed for the reactor permit refuelling at the rate of about five bundles a day while the reactor is in operation.

Although the initial capital cost of a CANDU nuclear power station is relatively high, the simplified fuel cycle and the use of natural uranium results in a net cost of electrical energy competitive with coal or oil burning thermal units. Additional savings are realized by the high burn-up of fuel characteristic of the CANDU system which results in minimum quantity of radioactive waste and simplified waste disposal problem.

Plat Brothers of the United Kingdom, leading manufacturers of textile machinery have arranged a loan of £7.5 million from British banks to finance the modernisation in India of such cotton textile units which needed rehabilitation. Their representative, along with a representative of the Export Guarantee Department, is here to discuss the details and select units which need modernisation. The Export Guarantee Department has lately raised the period of loan from seven to ten years.

The Government of India has arranged a loan from the USAID for the purchase of fertilizers. Tenders have been

invited from US firms for 80,000 tons of various types of fertilizers.

★★

Hindustan Aircraft Ltd. is tentatively taking charge of the public sector project for manufacturing heavy earth-moving equipment at Kolar in collaboration with Westinghouse, it is learned. HAL is already undertaking the assembly of imported C.K.D. Components and is supplying such equipment to dam constructions and others.

★★

The National Harbour Board, at its concluding session recommended that with a view to helping the growth of Indian economy on a balanced basis, attention should be paid to the further development of intermediate and minor ports. The Board also discussed the scope for the improvement of selected minor ports for the berthing of small coasting vessels alongside these ports.

The Board decided to set up a technical committee to look into the problems of conversion of existing sailing craft into mechanised vessels and for the construction of mechanised sailing vessels.

The National Harbour Board was informed during the week that the capacity of Indian Railways to move coal had been recently augmented and that there was no likelihood of a situation arising again wherein the Ministry of Transport would be rushed into making special arrangements for the movement of coal by sea. There was considerable discussion on the subject and doubts were expressed on the soundness of this approach.

The Board unanimously recommended the relaxation of the application of harbour rules and the grant of concessional port charges for fishing vessels.

Earlier, the Board viewed with concern the fact that the mobility of maritime shipping was seriously hampered by the lack of adequate charting of Indian waters, and strongly recommended that electronic aid for hydrographic investigations should be provided to the Chief Hydrographer without further delay.

★★

A Delegation from the Mitsubishi Group of Industries, Japan, led by Mr. I. Matsushita, Vice-President of the Mitsubishi Shipbuilding and Engineering Company, has had discussions with the Government, in regard to the Cochin Shipyard. The Mitsubishi Group has submitted detailed and

concrete proposals for collaboration in the project, which are now under active consideration of the Government. After these proposals have been examined, further negotiations with the Mitsubishi Group will be carried on in Tokyo, as desired by the Japanese delegation.

★★

The Agricultural Production Board held its first meeting here during the week. The Board, the construction of which was announced at the meeting of the National Development Council earlier this month, has been set up to effect co-ordination between the concerned Ministries of the Central Government in matters relating to improvement of agricultural production.

The Minister for Irrigation and Power, Dr. K. L. Rao, informed the Board that a million acres of land, irrigation facilities for which already existed as a result of irrigation projects completed in the States of Gujarat, Uttar Pradesh, West Bengal and Mysore could be harnessed for an immediate increase in food production. The Chairman of the Board, Mr. Swaran Singh, said that he would take up the matter personally with the Chief Ministers of the States to ensure immediate action in this regard.

★★

Chemical and processing plant for the annual production of 2,000 tons "Terylene" Polyester Fibre is now being constructed by Chemicals and Fibres of India Limited on their new 225 acres site at Thana, Bombay.

The cost of the plant now being erected at Thana will be Rs. 3.5 crores, but already plans are being prepared for a phased, five-fold increase in production capacity with simultaneous diversification to include filament yarn in addition to staple fibre in the range of products. Similar spectacular growths in output have already been achieved in other countries, namely, Japan, where production has commenced only in comparatively recent years. Polyester Fibre is sold as "Terylene" in the UK, "Dacron" in the USA, "Trivera" in Germany, and as "Tetoron" in Japan. The trade name "Terene" has been registered for use in India.

The basic raw materials for Polyester Fibre manufacture are derived from petroleum, and it is envisaged that indigenous sources of supply of these materials will become available in the next 5-10 years, with further large savings in foreign exchange. Even at the outset there will be substantial savings in foreign exchange at present incurred in the importation of wool tops and long staple cotton.

Bankers' Doubts and Anxieties

From Our Correspondent

BOMBAY:

WITH THE announcement that the Winter session of the Lok Sabha will discuss the Banking Companies' Amendment Act, an uneasy feeling is evident among the prominent bankers. All sorts of rumours are circulating about the probable amendments to the Banking Companies Act. The Government, it is generally believed, would slash the voting power of large shareholders of banking companies. Now the voting power of a single shareholder is pegged at 5 per cent of the total voting rights of all shareholders. This is to be reduced, according to knowledgeable circles, to one per cent. The Reserve Bank is also expected to assume powers over the appointment and tenure of directors and chief executives of banks. It is considered likely that the Government and the Reserve Bank may appoint a certain number of directors to the Boards of individual big banks. Other amendments mentioned are that there would be a statutory credit/deposit ratio fixed for the entire banking system. It is also likely that a retirement age may be fixed for bank directors and senior

executives of banks. A ceiling is likely on developmental expenditure incurred for opening new offices of banks.

★★

General insurers are evolving a strategy to face what they consider a threat to their business posed by the proposed tariff insurer in the field of general insurance. The major plank of the strategy seems to be to reduce tariff rates with resulting from a consequent decline in premium income. A cut in expenses can be achieved by reducing business commission from the statutory ceiling rate of 15 per cent to, say, 10 per cent of the premium income. Establishment expenses level is accepted. The strategy has not yet been spelt out in detail. Even the proponents of the strategy admit that it is difficult to implement and would impose hardships on medium and small insurers who constitute the majority. Insurers have reduced premium rates frequently in recent years.

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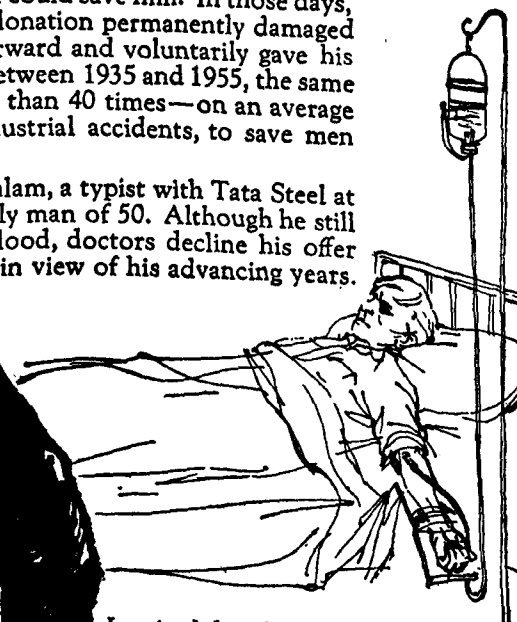
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They cut, for instance, fire premium rates by an average of 10 per cent in 1960 and by a further 15 per cent in 1962. Marine and motor premium rates could not be lowered because of unfavourable loss experience in these two departments. In the event of a rate war, the general insurers in private sector would face total extinction resulting in loss of employment to 15,000 employees. The question which is currently perturbing the general insurers is whether the LIC, as a non-tariff insurer, would marshal its surplus of Rs. 50 to 60 crores to commence a rate war and its wide net work of field staff to snatch away business.

The Bombay Millowners' Association has decided to appeal to the Supreme Court against the award of the Industrial Court giving an extra seven days' privilege leave and five days' casual leave to cotton mill workers of Greater Bombay with effect from January 1, 1964. The award will result in an extra burden of well over Rs. 2 crores a year on the Bombay cotton mill industry. The extra burden, it is mentioned, will be placing the industry at a great disadvantage not only in relation to other textile centres in the country but also in its drive to increase the exports. The Bombay mills have to bear the brunt of exporting more than 50 per cent of the total exports of cotton textiles from India. The need of the hour is to expand the export trade and not to hamper it. It will also be difficult for the mills to absorb the extra burden. While recommending an increase in wages of the textile workers, the Central Wage Board had urged that no further demand should be made on the industry for a further period of five years. The Bombay mill workers will be the first to get such leave if the Supreme Court concedes the demand of the Meher Award.

The protected sector, by and large, maintained a steady progress during 1962-63 according to a report of the Tariff Commission. Of the 24 protected industries, 12 recorded further improvement. The output of caustic soda, titanium dioxide and automobile spark plugs declined during the year. In seven other industries production in certain sectors received a setback. The production of raw silk and matches remained static. Indigenous raw materials constituted the bulk of supplies in 19 of the industries. Protected industries continued to build up and expand export markets. The general economic situation last year was not conducive to steady industrial growth. The disturbing impact of the Emergency and

the lack of progress in agricultural output tended to inhibit the scope for industrial development.

The decision of the Maharashtra Government to hand over the Poona Electric Supply Company Limited from private management to the Maharashtra Electricity Board, instead of the Poona Municipal Corporation, caused wide resentment in civic circles. The changeover was accompanied by a hartal. The Mayor of Poona, Mr. Sardar Kirad, who led a protest procession, said that the Government had done the Corporation and the people of Poona great injustice by disregarding the corporation's plea for the transfer of the power company to it. He said that the agitation would continue and a 'marcha' would be taken to the Maharashtra Legislature when it begins its session in Bombay next month.

Mr. Kannamwar, the Chief Minister, however, was quite firm and is reported to have told a deputation of the Poona Municipal Corporation that the State Government could not make an exception in the case of Poona and depart from its policy of placing electricity undertakings in charge of the State Electricity Board whenever they were transferred from private control. The Chief Minister declined to commit himself to a suggestion that the State Government should call a conference of representatives of the Government, Poona Municipal Corporation and the Electricity Board to discuss the demand. The Maharashtra State Electricity Board Chief, Mr. M. D. Bhat, announced that there would be no increase in the rates of electricity in Poona until the Board had improved the receiving and distribution systems. This might take at least six months. He expressed the conviction as an ex-Civic Commissioner of Poona, that the Municipal Corporation would not be able to take over 'such a highly technical and capital-intensive' task. It was inevitable that the Board should increase in Poona eventually the rate for domestic consumption from the present 13 nP. to the general Board rate of 31 nP. per unit. The rates of his Board, according to Mr. Bhat, were the same as elsewhere in India. The per unit rates were: Mysore 28 nP., Madras 29 nP., Kerala 39 nP., Maharashtra 31 nP., Gujarat 32.8 nP., Punjab 30.2 nP., U.P. 38 nP., West Bengal 41 nP.

The Poona Electric Supply Corporation was prematurely taken over by the Government in view of the repeated power failures. The Government had done the right thing in resisting the demand of the Poona Municipal Corporation that the undertaking should be handed over to it.

Realism in Andhra Pradesh

From Our Correspondent

MADRAS:

THE DECISION of the Andhra Pradesh Government to dispose of its minority holdings in joint-stock companies and transfer the Andhra Paper Mills to the management of private industrialists in order to be able to utilise effectively the released funds for other purposes has touched off a serious controversy. The investment in some of the existing companies in which there is a predominant outside interest can be realised profitably while the development of the Andhra Paper Mills, if left to the private sector, will enable the diversion of Rs. 6 to Rs. 7 crores for being utilised on other projects. Even before the Governor's address was presented to the Legislature it had been known that the Andhra Paper Mills would be handed over to the private sector. A point of privilege was even raised. But since it was explained that a Cabinet decision had been taken sometime earlier, the controversy now relates to the proposal for transfer of the

mill to private interest in the midst of an expansion programme.

The State Government's decision cannot be considered unwise as a similar move some years back has been found profitable. The Hyderabad Allwyn Metal Works has expanded beyond recognition while Sirpur Paper Mills has increased its capacity appreciably and it is presently engaged in a programme of diversifying its output. Sirsilk too has been producing acetate yarn efficiently and it is expected that in the coming years the profit would make better showing. It is, therefore, felt that the Andhra Paper Mills also would fare better if the management was handed over to a competent industrial house. Unfortunately, the mill, which has had a chequered career, was not able to think of any big expansion programme until recently, notwithstanding the fact that it has been in existence for over three decades. The scheme to increase the production capacity to 60 tons daily will cost

about Rs. 6 crores. Already, expenditure has been incurred to the extent of Rs. 1.8 crores while machinery worth about Rs. 2 crores has been received. It will need careful management and vigorous supervision by experienced personnel in order to complete the plan and realise the fruits of larger capital expenditure. As it is felt that about Rs. 10.15 crores can be freed for use in other directions, the State's Chief Minister is apparently determined to hand over the paper mill to the private sector.

The State Government is conscious of the fact the progress on the industrial front in the past few years has been halting while the neighbouring State has been advancing at a fairly fast rate. This is perhaps the reason why it was thought advisable sometime back to accept Dr. Dharma Teja's proposal for constructing a thermal plant having a capacity of 200mW at Ramagundam and that the cost of the project should be repaid over a period of 15 years. The availability of power from this source will be helpful in boosting production especially as at about the same time a thermal station at Kothagudem also might be completed. Since there are many other schemes pending and the State has been handicapped on account of the non-availability of resources, it has been urged on the Centre that the Nagarjunasagar Project should be executed as a Central undertaking and that the State should be free to develop its potentialities in other directions. The Central Government have no doubt helped the State Governments to develop the collieries. There is also a scheme for expanding the capacity of Praga Tools Corporation while many Central projects are to be constructed in the next few years. While these developments no doubt augur well for the future, it is emphasised that local talent must be more enterprising and the natural resources, which are abundant in the region, should be effectively exploited.

♦♦

There is increasing realisation of the need for improving railway transport facilities between Vijayawada and Madras. The doubling of the track which is expected to be completed in a short period will, of course, be helpful in handling a larger volume of passenger and freight traffic. But it is felt that there will be a larger flow of traffic from the North-East as well as the North and that it will be necessary to electrify the track upto Vijayawada from Madras especially as the position will become more difficult after the completion of the new Krishna and Godavari railway bridges. Mr. S. V. Ramaswamy has, however, indicated that the plans might fructify only after some years as the requisite power will have to be made available by the Andhra Pradesh State Electricity Board which would be possible only after the completion of the Nagarjunasagar and Kothagudem projects. Even so, it will be necessary to undertake planning considerably in advance as the experience of the electrification of the line between Madras and Villupuram should not be repeated. This latter project has unfortunately been making halting progress and many excuses were found for delaying the implementation of the scheme. Even though it was apparent from the beginning that electric locomotives could not be got from indigenous sources, it was said that the project had to wait for the supply of locomotives from Chittaranjan. Only when the Railway Board realised that it was advantageous to concentrate on broad gauge locomotives, orders were placed for importing locomotives from Japan. Even in regard to the multiple unit coaches it has been pointed out that electric motors could not be supplied by the Heavy Electricals Unit in Bhopal. These motors too have now to be imported. The travelling public in Madras, though vexed, will probably feel grateful that the scheme has at last the prospect of being completed and that electric trains would be run in this section sometime in the latter half of next year. The necessary sanction has also been given for the conver-

sion of the electrification system between Tambaram and Beach into A.C. system.

★★

There has been a sharp break in jaggery prices in Madras State in the past fortnight in spite of the fact that exports of jaggery have been prevented from Andhra Pradesh. Prices in Madras City too have slumped. Andhra Pradesh has a lucrative export trade in the finer grades of jaggery and the restriction on exports from this area should normally have had a bolstering effect on the Madras market. It is now felt that the demand for jaggery may not be in evidence on the same scale as before as the peak of the demand for sugar and other sweetening agents, in connection with the festive season, has been passed. Besides, the new sugar season has had a good start and ample quantities of factory sugar are expected to be available in different parts of the country. As the standing crop is reported to be satisfactory and with the slump in prices for jaggery there may not also be diversion of cane on a large scale, it is hoped that, in the current season, there should be significant increase in the output of sugar mills. The mills in Andhra, Madras and Mysore are expected to do better though one unit in the Parry group is experiencing difficulty in its crushing operations on account of the dispute with growers over the quantum of bonus that should be paid to them. It is expected that the deadlock would be resolved and regular working recommenced.

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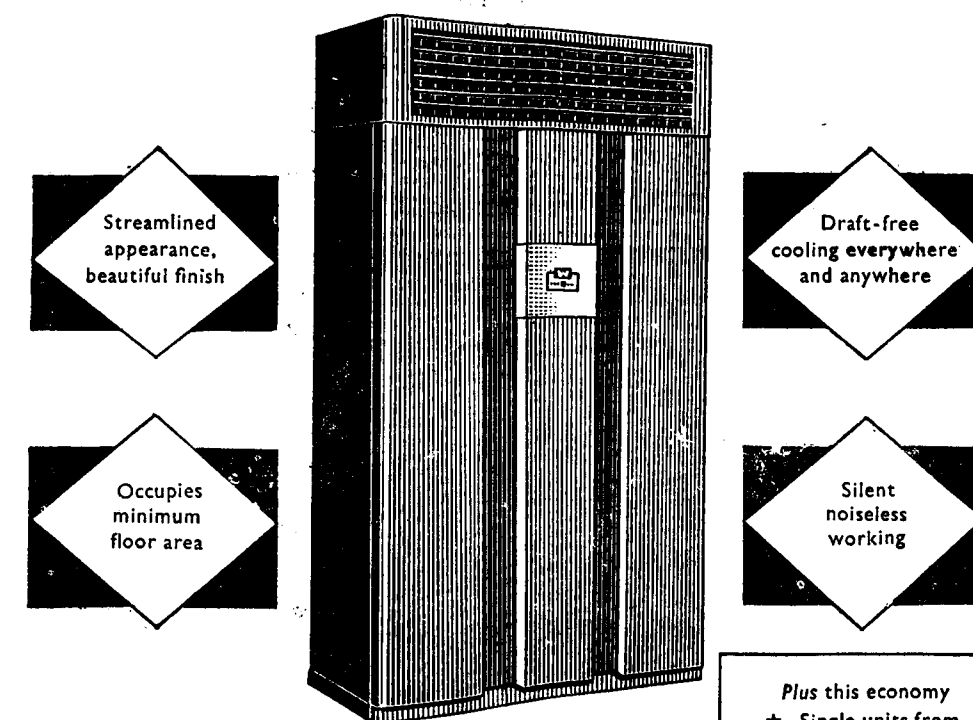
It is rather unfortunate that there was a dispute over the quantum of bonus between the workers and some mills in the Coimbatore area. Even though the State Government wanted to arrive at an agreed settlement and avert unpleasantness on the eve of Deepavali, trouble arose in the case of a few units where the leaders demanded payment of a bonus higher than what would be available under the formula of the South Indian Mill-Owners' Association. As the demands of labour for a higher bonus, the workers became restive especially as they wanted to get paid before Deepavali. As the administrative staff were manhandled and there were stay-in-strikes, the police had to interfere and the management of the three mills declared lock-outs as it was realised that the demand for higher bonus was not quite reasonable. Work was resumed after a short interval in two mills and sometime later in the third mill. Peace now prevails in the Manchester of the South.

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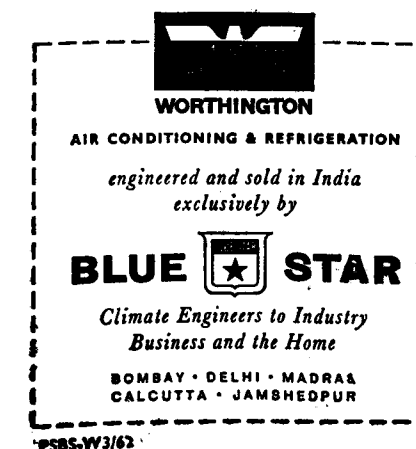
There is some confusion, however, in the yarn markets. Apart from the fact that immediately before Deepavali there was no brisk demand for yarn, as only cloth in larger quantities was needed immediately, the change-over to the metric system has caused some dislocation in the transaction of business. The weavers have to become familiar with the new weights. It is expected that the various difficulties would be got over in the next few weeks and trade will again be brisk.

Meanwhile, it is not clear how the spinning units would be expanding their capacity and whether there would be any desire on their part to instal looms up to the permitted quota. It is no doubt recognised that the decision of the Central Government to allow existing mills to expand their capacity is a wise move, but serious difficulties are anticipated in the implementation of the different schemes as, apart from the problem of finding additional financial resources, the position in regard to the availability of textile machinery is very acute. If the efforts to import textile machinery on the basis of a barter deal with a leading firm in Britain prove to be successful and if arrangements are also made to step up indigenous production of textile machinery, the industry in this part of the country can expect to grow bigger in stature in the next two or three years.

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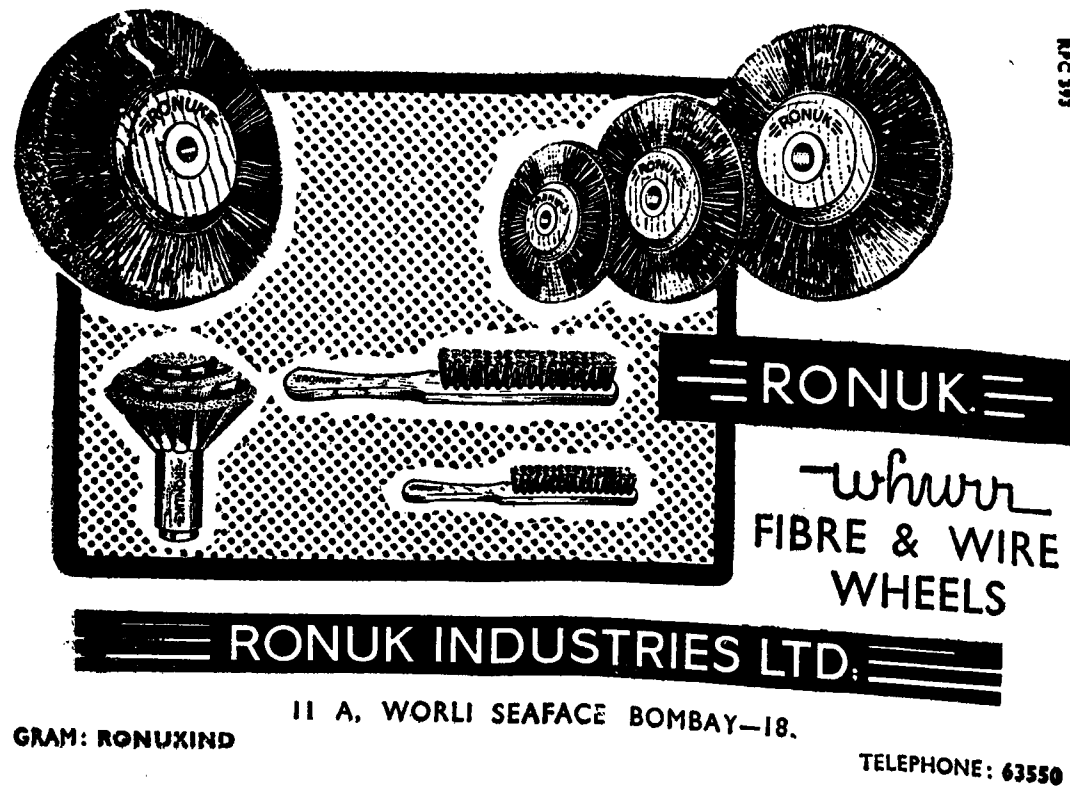


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The moving fingerprints

THAT MR. MORARJI Desai has no guilty conscience about Dr. Jivraj Mehta is evident enough. That Mr. Nehru has is equally clear. It was to be expected that the latter would compensate Dr. Mehta for the loss of Chief Ministership by appointing him to some high public office or the other. Nevertheless, the appointment of Dr. Mehta as our High Commissioner in the UK is certainly surprising. Himself in his seventies, the Prime Minister may well imagine that age can be no bar to the holding of high offices of State. But it is no reflection on Dr. Mehta's fine public standing or proved administrative capacity that he would have made a more suitable High Commissioner had he been born say 20 years or 25 years later. The importance of our diplomatic representation in the UK is still second only to that of our diplomatic representation in Washington or Moscow. It is a pity that Mr. Nehru should have always acted as if he regards the London job as a sinecure in his gift. The recent course of British politics has been such that it would be quite unwise not to be prepared on our part for the British role in world affairs becoming more important and interesting in the coming months. The present Conservative Government is unlikely to be flattered by Mr. Nehru's nomination of a dethroned and aging politician for whom this may well be his last public office. Mr. Harold Wilson — now counting the steps to 10, Downing Street — is even less likely to be pleased. Our man in London ought to be a relatively young and energetic individual of good standing in public life and with years to look forward to the service of the country. That it does not occur to the Prime Minister to make an appointment of that d underlines the Moghul Court atmosphere in which Mr. Nehru is wont to decide these matters.

★ ★

The energetic Secretary of the Forum of Free Enterprise, Mr. M. R. Pai, has sent me the following observation of Prof. Thomas Balogh, quoted in the September, 1963 issue of "Industry" published by the Canadian Manufacturers' Association, Toronto: "The free enterprise system has been immensely successful, perhaps the most successful thing we have ever had, and its problems arise from its success..." What is significant about this statement is that Prof. Balogh has made it. He is, of course, one of the leading left-wing economists of our time and one of the two advisers on economic matters in whom the leader of the British Socialist Party, Mr. Harold Wilson, is reported to repose great confidence. The man who shares this honour with Thomas Balogh is Prof. Nicholas Kaldor, a name rather well known in this country.

The US Newsmagazine, "Time", recently recalled that Professors Kaldor and Balogh "are both Hungarian-born and are known as those 'evil Hungarians', nick-named respectively 'Buda' and 'Pest'." Such of us in this country as may not have a high opinion of some parts of Prof. Kaldor's ill-digested advice to the Government of India on income-tax matters would perhaps be disposed to suggest that the nick-names could have been more aptly transposed. In any case, Prof. Balogh — 'Pest' though he may seem to be to those sections of the British public who have no cause for rejoicing in his reported triumph in convincing Mr. Harold Wilson of the need for control over corporate profits and dividends, and a tax on capital — surely reveals himself in a very agreeable light in the passage quoted by the Canadian Manufacturers' Association. If the meaning of Prof. Balogh's statement is that the conduct of free enterprise has to be related to the social

good without its own technical efficiency being destroyed, few indeed will demur. But what is unfortunately being argued very often in this country is that free enterprise, meaning essentially the private sector, does not compare favourably in efficiency with a directed economy meaning essentially a dominating public sector. This contention, of course, is sheer nonsense. I have yet to see any sound economic justification being provided for the State becoming merchant or manufacturer. There is also the tendency to assert that even if free enterprise, as an economic instrument, may be relatively more efficient, its superior efficiency could nevertheless be justifiably sacrificed to certain vague and variously defined or described values. This comes near to suggesting that the cook should be honoured because he dances the 'bhanga' beautifully.

★ ★

It has been suggested that the nuclear test ban and now the American wheat sales to the Communist bloc are evidence that the cold war is changing into a cosy parlour game. I would cite one more proof which is that the Russians are now clashing with the Americans, not over Cuba, but over cashew-nuts and I am happy to share with my readers this delicious skit for which I am indebted to the Information Department of the Soviet Embassy.

"Cashew-nuts taste good, they are readily used by the confectionery industry in the USSR and served with cocktails in the United States.

"But too strong a cocktail taken with cashew-nuts may only turn the head and make one say something extraordinarily silly.

"I do not know whether the 'New York Post' staff drink too many cocktails, but someone of this staff has, apparently under the influence of cocktails, produced a cock-and-bull story.

"The story is that the Russians have greatly increased their purchases of cashew-nuts in India only to re-sell them to the United States.

"The man who made up this story has a rather fertile imagination; the 'details' he gives have an element of the dramatic. As soon as the Indians gather their cashew-nuts, says he, the Moscow purchasers pop up from nowhere and buy the whole lot, paying in 'unstable rupees' (as the newspaper puts it). When the cargo is still east of Suez, however, the Russians skilfully change the way-bills and re-direct the nuts to US markets.

"Through this monstrous nonsense, the 'New York Post' tries to kill two birds with one stone; it attempts to show that the trade practices of the Russians are not so faultless, after all, and secondly, that instead of the Indians getting the dollars they need so much, the Russians get them.

"The story in the 'New York Post' has only one grain of truth in it; the Soviet Union has actually increased its purchase of cashew-nuts in India. And that was done on the request of the Indian side. The rest is a ridiculous fabrication of the kind the American press often indulges in...

"We could trade on a wide scale with the United States and we do not require Indian nuts for that. There are enough goods on both sides that could be exchanged."

V. B.

Trade Winds

COAL ENOUGH

WITH THE increased production of coal and easy transport position, it is possible to meet the entire demand of coal for various categories of consumers, including consumers of brick burning coal and soft coke for domestic consumption. At present, supplies to these categories of consumers are being made, by and large, through block rakes under a planned movement. This planned movement is restricted to the quotas fixed for each State or for individual consumers.

It has been decided that every consumer of coal who desires to have more stocks, over and above the quota already fixed, should be given additional quota without any limits as to quantities. All consumers are, therefore, advised to get in touch with the State Coal Controllers or their sponsoring authorities or even the Coal Controller at Calcutta for getting additional quotas. The movement will, as far as possible, be in full rakes.

AUTOMOBILE BODY-BUILDING

At the last meeting of the Development Council for Automobile Industry, it was explained that the target of producing 60,000 commercial vehicle per annum by the end of the third five-year Plan could be realised with the release of an additional Rs. 25 crores of foreign exchange to the leading automobile manufacturers for the import of capital equipment. Efforts are also currently being made for gearing up ancillary units through expansion programmes. It is, however, unfortunate that Government remains totally indifferent to the corresponding expansion of automobile body building industry with the result that there is a considerable time lag between the manufacture of a chassis and the construction of a body including the cab. There is a belief, it appears, that production of commercial vehicles is synonymous with the manufacture of chassis. Much of this belief, however, has been very rudely shaken by the experience of the Defence Ministry during the present emergency.

A large number of vehicles required for defence which were to go into service during the first part of this year were not put on the road and commissioned due to the fact that the body-building facilities had not been adequate. Thanks, however, to successful collaboration between the technical services of the Ministry of Defence and Hyderabad Allwyn, the problem of speeding up the process of body building for general service (GS) military trucks has been effectively dealt with to some extent through the engineering of "kitable" cab bodies (as described in "Eastern Economist" of October 18, p. 794). These bodies are mass produced and transported easily in CKD condition to various ordnance depots and assembled quickly on to the chassis by depot personnel.

All this is good as far as it goes but to do away with the shortages, it is high time the needs of the body building had been evaluated in a realistic manner and steps taken to meet them. Body builders are facing a number of serious problems such as difficulties in obtaining high tensile or Tiscor and CRCA steel for body framework; toughened glass for wind screens and windows; ERW tubing; body-building hardware, particularly rivets and other fasteners, machinery and equipment. Very little of this equipment is manufactured indigenously and most of it has to be imported so that the needs of the automobile body builders may be met. It is necessary that they should be given the necessary assistance in importing this equipment to the extent which is not available locally, particularly when it is an established fact that it will take some time before this equipment is manufactured in the country itself. There is, however, no reason why some of the

items of this equipment, for example, cab bodies, buckets, and load bodies, etc., which can be manufactured and assembled in this country should be permitted to be imported.

On an estimate, recently prepared, it is observed that there will be a total turn-over of Rs. 168.38 crores during the third five-year Plan period on automobile body building alone. Assuming that 25 per cent of body building work on goods trucks, 75 per cent on passenger buses and 25 per cent on three-wheelers and rickshaws body builders, the latter will have to be equipped to carry out work to the value of:

1. Rs. 13.2 crores on goods trucks,
2. Rs. 82.1 crores on passenger buses and,
3. Rs. 4.9 crores on jeeps and three-wheelers.

Rs. 100.2 crores.

It will, therefore, be seen that large-scale body builders alone will be required to carry out work of the value of Rs. 20 crores per annum, which is equivalent to the production of all other ancillaries taken together.

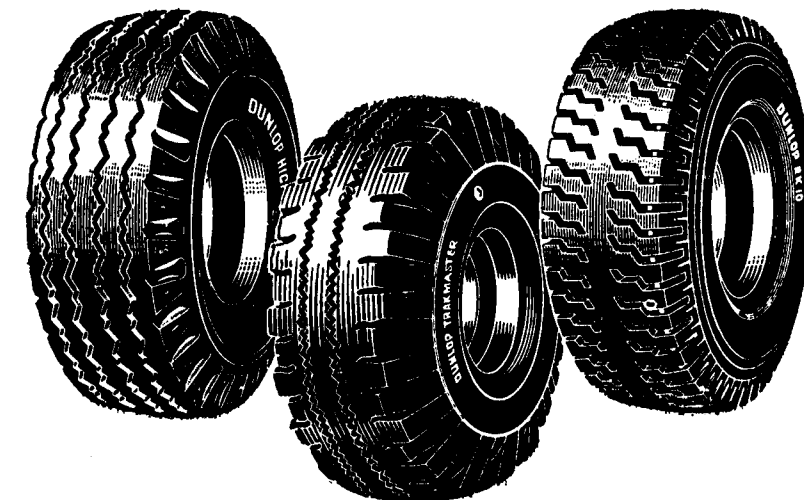
EXPORT SNAGS

The need for maximising exports has been stressed by Mr. R. H. Mody in the course of his inaugural address on "Management of International Marketing" at the seminar jointly held by the Calcutta Productivity Council and the Calcutta Management Association in Calcutta last week. Expansion of export has always been a felt need but with the added pressure from the national emergency, the need has become even more compelling. While it is a happy augury that 1962-63 has been a satisfactory year for export earnings, there can be no complacency because the task that awaits the nation is still big enough to require the concerted efforts of one and all. Mr. Mody has pointed out that the viability of the country requires a doubling of exports by 1970 and this is not an easy task considering the intense competition in world markets for most of the products that we can export. A feature of our export trade is that it is as yet mainly confined to traditional items based on agriculture and Mr. Mody has made it clear that we will continue to rely upon traditional items for some time to come for a large part of the increase in total earnings that we aspire to achieve. Efforts at increasing export earnings from non-traditional items have necessarily to be intensified but it is better to acknowledge that with our high costs it will be quite difficult to sell these items overseas. In his view, therefore, our efforts at promoting exports should mainly be directed towards maximising the sales of traditional items till such time as "industrial base is diversified enough to warrant making a big bid in new items." And success in maximising exports of traditional items cannot come easily mainly for the following two reasons: world demand for such items is relatively inelastic and other developing nations are also competitors in most of these items. Thus, India's position as the world's largest supplier of jute goods is being threatened very seriously by Pakistan. This country is fast building up a jute industry and besides having the advantage of new machinery and a plentiful supply of high quality raw material is also adopting questionable measures to undercut our products in world markets. Indications are that buyers number of consuming countries are attempting to have their own manufacturing industry. The problem for the Indian jute industry will therefore be one of remaining competitive and the answer is to be found in rapid modernisation and specialisation.

Mr. Mody blames the "wrong headed fiscal policies at

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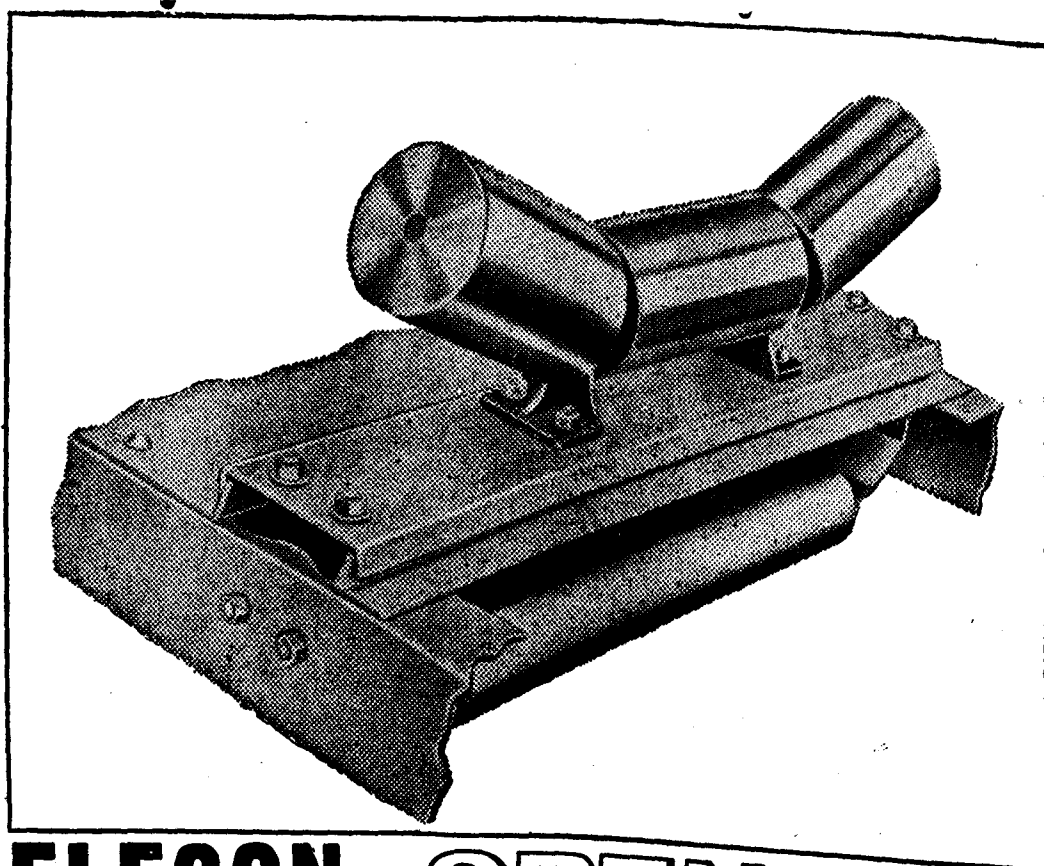
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the Centre and State levels" for the setback in our tea exports over the past few years. Even after realisation has dawned upon the Government that while our tea exports had been declining, other producing countries had been strengthening their position, the remedy has been half-hearted in that the abolition of the export duty has been accompanied by other fiscal levies which left the selling price of Indian tea more or less at the same level as before the abolition of the export duty. The decline in cotton textile exports is now accepted on all hands as due to our high price and inability to match the quality of our competitors. The answer to this now baffling question is rapid modernisation which alone will increase our productivity so essential for bringing down the cost of production. Mr. Mody has pointed out that in cotton textiles specialisation has to be attempted at an increasing pace by "moving over from greys to finished textiles bearing the distinctive stamp of Indian designs". The effort at pushing non-traditional items in world markets according to him is to be made only on the realisation that such export will involve some deprivation to the home market. Above all success in export promotion will depend on the close co-operation of industry and Government. As a matter of fact the share of the responsibility of Government in this is greater than that of private enterprise because the ability of industries to increase exports depends at the present juncture, with the multifarious controls and heavy taxation, to a large extent on Government.

FAIRS AND EXHIBITIONS

At the meeting of the ad hoc Exhibitions Advisory Committee, held recently under the Chairmanship of Mr. Manubhai Shah, Union Minister of International Trade, the need for a concerted effort to bring effectively to the notice of the foreign buyer the variety of products that India can offer to world markets was stressed. It was decided that this country should participate in 25 exhibitions and fairs in various countries of the world. In the case of some countries, wholly Indian exhibitions will be organized. The Committee decided to set up a small group under the chairmanship of Mr. H. D. Shouri, Joint-Secretary, Ministry of International Trade, to assess the effect of exhibitions held and to suggest measures to intensify the follow-up action taken by Export Promotion Councils and Commodity Boards as a result of the experience gained. The proposed Indian Council of Fairs and Exhibitions would be able to co-ordinate and channel many of the activities of these bodies and function effectively to publicise and sell Indian products abroad.

Mr. Manubhai Shah suggested that each export promotion council should have a separate wing to concentrate on the work of publicity and sale abroad through participation in exhibitions. Each council should be equipped to study and also disseminate knowledge on what products are available for sale and export and to which region. This should be done with the aid of regional exhibitions and well-run show rooms. Mr. Manubhai Shah said that each export promotion council should participate in its individual capacity in exhibitions in countries which offer scope for the sale of the products it deals with. The State Trading Corporation and the Minerals and Metals Trading Corporation should also explore possibilities of having permanent exhibitions or large show rooms abroad.

ROURKELA EXPANSION

The first consignment of materials ordered by Hindustan Steel Ltd. for the expansion of the Rourkela Steel Works to an annual capacity of 1.8 million tons has been received at the plant site. The consignment comprises equipment and machinery for a 125 tons per day rotary kiln plant designed

for the production of sinter dolomite for the manufacture of tar dolomite bricks to be used for the lining of the oxygen blast LD-converters at Rourkela. The order valued at approximately Rs. 6.3 million was awarded to the Westofen GmbH, Wiesbaden, a subsidiary of the Didier-werke AG of Germany. About 25 per cent of the total contract value will be commissioned by Didier sub-contractors in India. Although the contract came into force only in July this year, the firm succeeded in shipping approximately 550 tons of machinery and equipment for this contract during September-October, 1963. Erection will be completed by July next year.

Under HSL's Rourkela expansion scheme, Koppers Export GmbH, Essen, Germany, has been awarded the contract recently for adding capacity to the existing by-products recovery plant. Present planned capacity of 1,680,000 nm³ day coke oven gas will be increased to purify 2,520,000 nm³ daily and to recover the various by-products. In detail, the following units will be extended: the gas primary cooling units, the gas conveying units, the electrostatic gas detarrer, the gas final cooling unit, the benzol washing and distillation unit, and hydrogen sulphide absorption unit and the plant for obtaining sulphuric acid by the wet catalysis method. Further, a plant for the recovery of ammonium sulphide for the total coke oven gas capacity is to be newly installed. The Koppers installation at Rourkela has been commissioned in 1959. The expansion work of this plant is scheduled for completion by October, 1965.

MACHINE EXPORTS

A permanent office of the Indian Engineering Export Promotion Council will be opened in Frankfurt on December 1. This office will inform German and European buyers about the profitability of purchasing Indian made industrial products. The idea of this bureau originated with an Indian manufacturers' delegation, headed by Mr. S. L. Kirloskar, which toured Germany early this year.

AID FOR INVESTORS

By improving already existing tax privileges, the Government of the Federal Republic of Germany expects to encourage private business to invest more than previously in developing countries. A Bill for that purpose was recently given a first reading by the German Bundestag. All parties represented in the House welcomed the Bill. There is a reasonable chance that the Bundestag will give a second and third reading to the Bill. The Socialist Democratic party's opposition which had criticized not only some of the planned measures but also the idea of the Bill itself, when the Bill was drafted, has changed its attitude and is now one of the strongest supporters of the Bill. Both the Bundestag and the Federal Government hope that the Bill will work as a new incentive for increased private investment in the developing countries. So far private German investments abroad have reached a total of about 5,000 million D-marks, including only a small proportion invested in developing countries.

PROTECTION TO DYESTUFF INDUSTRY

The Government of India has accepted the Tariff Commission's recommendation that protection granted to the industry should be continued for the remaining period of protection, that is, till December 31, 1964, at the existing rates of duty. The Government has also accepted the Commission's recommendation to continue the concessional duties at present leviable on certain intermediates up to December 31, 1964, when the position will be reviewed in regard to the need for further protection.

In the Resolution, the Government has taken note of

certain ancillary recommendations of the Commission for assistance to the industry and will take suitable steps to implement them as far as possible. The attention of the producers of organic and inorganic chemicals/intermediates and the manufacturers of sodium sulphide/dyestuffs is also drawn to some of the recommendations in the Resolution.

CHRYSLER TURBINE CAR

The Turbine car designed by Chrysler in the US has controls and instruments of the same type as those in any conventional car. It incorporates many luxury features including power steering, power brakes, power window lifts and leather seats and trim. The real difference lies under the bonnet. Chrysler Turbine engine supplies vibrationless power immediately. It is light and compact with only a fraction of the parts of a piston engine. It is reliable, economical and runs at a high peak of efficiency.

The front end has its functional elements merged into the form of the car. The 7-inch (18 cm.) headlights are set in bold outlining rings. These simulate a bladed turbine wheel. The grille is designed with horizontal aluminium bars framed in stainless steel. The headlamp housings serve as the front bumpers with additional protection from the heavy gauge number plate housing. In profile, a low, thin roofing silhouette rests on the car's narrow front and wide rear pillars. The low appearance is emphasised by a subtle horizontal crease-line along both sides of the body. It has been produced in only one colour — turbine bronze. Its roof and rear pillars are covered in black vinyl. The turbine symbolism is repeated at the rear end in the ribbed tubes housing the reversing lights. These, and the tail and indicator lights are recessed into the massive bumper area. The most significant advance among the accessories is featured in the heater assembly. This incorporates an "instant heat" gas-to-air exchanger.

STEADY PROGRESS OF CIVIL AVIATION

According to figures for the first half of 1963, Air-India and the Indian Airlines Corporation carried more passengers and cargo than during the corresponding period of 1962. There was an increase in the frequency of Air-India's services to the USA to a daily service during the summer, the commissioning of an airport surveillance radar at Bombay and the signing of an agreement between India and the Federal Republic of Germany relating to air services. The first prototype Kartik single-seater high performance sail plane was successfully test-flown.

During the first half of 1963, the Indian Airlines Corporation, on its scheduled services flew 16,013,456 km., carrying 505,365 passengers, 15,996,936 kgs. of cargo and 3,801,287 kgs. of mail, as against 15,537,419 kms. flown and 452,958 passengers, 15,977,141 kgs. of cargo and 3,345,195 kgs. of mail carried during the corresponding period of 1962. The capacity ton kilometres during the period under review was 65,628,281 as against 58,707,049 during the corresponding period of 1962. Air-India introduced an additional service on the route Bombay-New Delhi-Bangkok-Hong Kong-Tokyo with effect from April 1, 1963. The two Corporations during the period under review and eight air transport companies and seventeen flying clubs continued to hold permits for non-scheduled operations. On non-scheduled services, Indian air carriers flew 3,839,336 kms., carrying 44,805 passengers and 17,037,740 kgs. of cargo during the first half of 1963, as against 3,121,710 kms. flown and 61,482 passengers and 20,856,832 kgs. of cargo carried

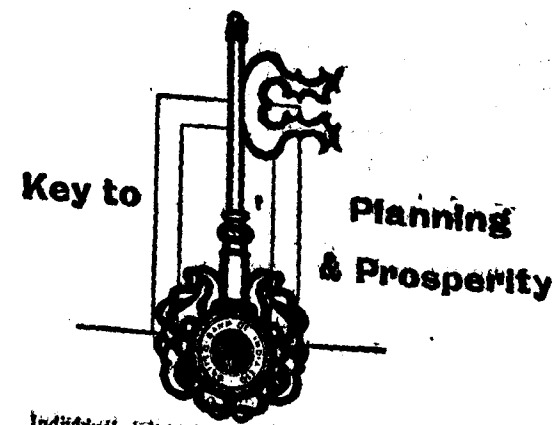
during the corresponding period of 1962. Eightytwo aerodromes were maintained by the Civil Aviation Department at the end of June, 1963.

AIR FRANCE

Air France maintains that the group fare is a major consideration in developing traffic. At a recent IATA conference, at Salzburg, Air France's proposal concerning reduction of fares for both first class and economy class were among the very lowest submitted for consideration. For New York-Paris, Air France recommended one way economy class fares of \$225 and for the months of June, July, August and September, the fare of \$265. For first class, Air France suggested a fare reduction to \$350 instead of the present \$475, one way New York-London.

PRODUCTION OF UE DIESEL ENGINES

An agreement for the production and sales of Mitsubishi UE diesel engines was signed on October 31, between Mitsubishi Shipbuilding Engineering Company Ltd. and Sasebo Heavy Industries, Ltd. Types of UE diesel engines to be manufactured by Sasebo under Mitsubishi licence are the UEC 75/150 and UEC 85/160 cross-head type high output engines for large sized vessels and the UET 52/65 trunk piston type for large power dredgers and power generating plants. Besides the agreement with Sasebo, Mitsubishi had already concluded a license agreement with the following four Japanese companies: Kobe Hatsudoki Company Ltd. (February, 1957); Hayashika Shipbuilding and Engineering Co., Ltd. (August, 1959); Akasaka Iron Works Company Ltd. (December, 1960); Ube Industries Ltd. (March, 1961). Mitsubishi company expects that the production of UE engines, especially that of the high output UEC diesels will be increased through the agreement with Sasebo, well-known for the construction of large-sized vessels.



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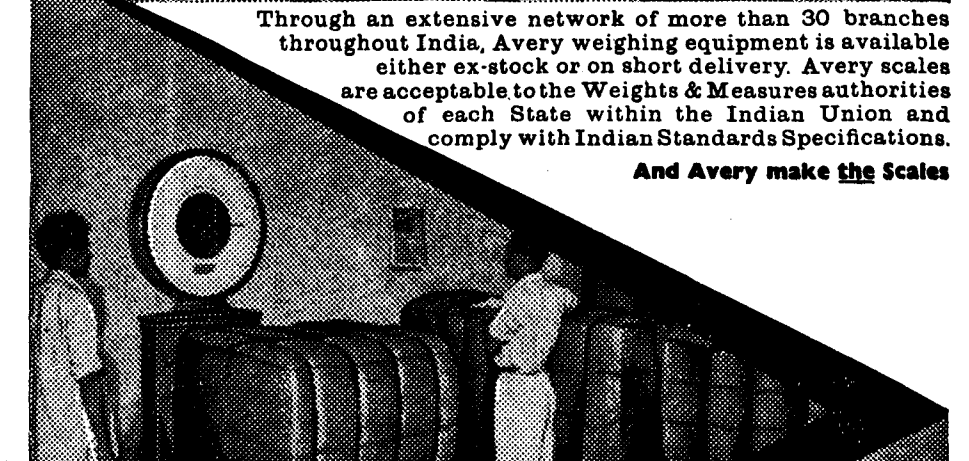
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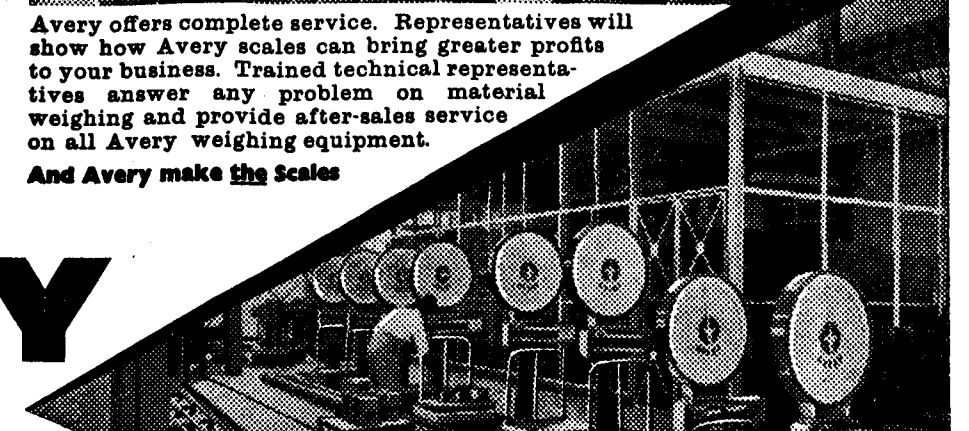
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Company Affairs

INDIAN METALS ISSUE

INDIAN METALS and Ferro Alloys Ltd. is expected to enter the market early next month with a public issue of Rs. 36.17 lakhs, made up of 161,700 equity shares of Rs. 10 each and 20,000 redeemable cumulative preference shares (9.5 per cent) of Rs. 100 each. The whole of the preference issue and Rs. 11 lakhs of the equity issue have been under-written. The company, which was incorporated in November, 1961, has an authorised capital of Rs. one crore in 800,000 equity shares of Rs. 10 each and 20,000 preference shares of Rs. 100 each. The issued capital at present is Rs. 20.52 lakhs and the company proposes to raise a further capital of Rs. 54.48 lakhs—Rs. 34.48 lakhs in equity shares and Rs. 20 lakhs in preference shares. Of the present issue, the Industrial Development Corporation of Orissa Ltd. has agreed to subscribe equity capital of the value of Rs. 16.50 lakhs and directors and their friends have agreed to take up Rs. 1.81 lakhs.

The company has been licensed to set up a plant for the manufacture of ferro-silicon at Rayagada in Orissa. The principal raw materials for the production of ferro-silicon are quartzite, scrap iron and coke. About 10 miles from the plant site there is an extensive high purity deposit of quartzite for which a prospecting licence has been granted by the Government of Orissa. The company has entered into collaboration agreement with Elektrokemisk A/S of Oslo for the supply of necessary equipment and technical know-how. The total capital outlay on the project is estimated at Rs. 1.36 crores which will be financed by the capital issue of Rs. 75 lakhs, loan of Rs. 39 lakhs in foreign exchange from the ICICI, a rupee loan of Rs. 5 lakhs from the Orissa State Financial Corporation and borrowing of Rs. 17 lakhs from banks.

KEYTUA CHEMICALS

Keytuo Chemicals Limited, a new company, will enter the capital market on November 27 with their public issue of equity capital worth Rs. 4.90 lakhs. The subscription list will close on December 10 or earlier, but not before November 30. It has an authorised capital of Rs. 10 lakhs all of which is issued. The directors and their friends have agreed to take shares worth Rs. 5.10 lakhs. The factory premises at Andheri near Bombay have been finalised and the construction is expected to commence shortly. The company will start with the production of styrene emulsions with a capacity of 1,000 litres per day which will gradually be increased to 5,000 litres. The trial production is expected to start by April 1964.

The manufacture of plastisol for the purpose of coating and foam will be the second item on the manufacturing programme which will be undertaken by the end of 1964. It also proposes to manufacture certain basic chemicals like potassium chloride, light basic magnesium carbonate, sodium sulphate and table salt and then go on to the manufacture of bromide chemicals and sodium sulphate, subject to the availability of the technical know-how. It may be added that technical know-how is being made available by the research laboratories in the country.

EVEREST REFRIGERANTS

Everest Refrigerants Ltd., which proposes to manufacture halogenated and fluorinated methane gases like freon, and other chemicals, will enter the capital market shortly with a public issue of Rs. 25 lakhs. The authorised capital of the company is Rs. two crores and issued capital Rs. 60 lakhs divided into 480,000 equity shares of Rs. 10 each and 12,000 redeemable cumulative preference shares (9.3 per cent) of Rs. 100 each. The directors and their friends and associates will subscribe equity and preference shares to the extent of Rs. 19 lakhs and Rs. 6 lakhs respectively. Technical Enterprises Inc., USA, the technical collaborators, will subscribe

equity shares worth Rs. 10 lakhs. The balance of Rs. 25 lakhs made up of 790,000 equity shares and 6,000 preference shares will be offered to the public for subscription. The entire issue is underwritten. The technical collaborators, Technical Enterprises, Inc. of USA, are well-known designers and engineers in plant and machinery for the manufacture of chemicals. The factory, which will be located at Andheri, Bombay, is expected to be completed in the first quarter of 1964. The capital outlay for the project is estimated at Rs. 1.20 crores of which Rs. 60 lakhs will be raised by share capital and the balance by borrowings. The products to be manufactured by the company are widely used in air-conditioning, refrigeration, cold storage, deep freezing, etc.

MYSORE SUGAR

Mysore Sugar Company Ltd. is expected to enter the capital market to raise funds for its new expansion schemes. It has obtained industrial licence to manufacture a new product—"acetate"—with a capacity of 10 tons per day. For this purpose it formed a new company to be named as the Mysore Acetate and Chemicals Company Ltd. with an authorised capital of Rs. five crores. The Mysore Government will take shares of the value of Rs. 50 lakhs and the Mysore Sugar Company to the extent of Rs. 30 lakhs. The foreign collaborators will participate in the share capital to the extent of Rs. 68 lakhs for part payment of the plant and machinery and the technical know-how. Shares worth Rs. 77 lakhs will be offered to the public. The Mysore Sugar Company proposes to manufacture acetic acid and acetic anhydride from alcohol and sell them to the new company. The annual production target for cellulose triacetate will be 1,000 tons. The foreign collaborators who will supply machinery and plant and technical know-how are a well-known photographic film manufacturers of Belgium. The collaborators also include an American and a Swedish corporation. The estimated cost of the project is around Rs. 4.15 crores which will be raised partly by share capital, partly by foreign loans and loans from the ICICI and the remainder from Indian banks.

DELHI CLOTH MILLS

The Delhi Cloth and General Mills Company Ltd., proposes to increase its issued capital by Rs. one crore to Rs. 6.77 crores by issuing 200,000 right shares and 200,000 redeemable cumulative preference shares, both of Rs. 25 each. The right shares are likely to be issued at a premium of Rs. 5 a share or at such premium as may be fixed by the Government. The company has applied to the Controller of Capital Issues for necessary sanction. According to the company's latest annual report, for the year ended June 30, 1963, the increase in capital is proposed to meet in part the cost of two projects — PVC and rayon tyre cord — at Kotah. Since the start of these projects there has been an all-round rise in machinery prices, cost of construction and labour and incidence of customs duty.

The company also proposes to float a new company which will be a wholly owned subsidiary to undertake exports. Initially, the new company will deal mainly with the exports of DCM products, but its activities will be extended to the purchase, export and import of all types of commodities, including those made by other companies. The authorised capital will be Rs. 10 lakhs, divided into 10,000 equity shares of Rs. 100 each. To start with, the issued and subscribed capital will be Rs. one lakh.

The working of the company for the year under review shows that the operations of the chemical division including vanaspati were satisfactory, but the sugar factories suffered a slight set-back. The crushing capacity of the Mawana sugar factory is being increased from 1,500 to 3,000 tons a

day. The caustic soda plant of the PVC project has gone into production and the entire PVC plant is expected to be commissioned by the end of this year. Work on the rayon tyre cord project is also in progress where the first batch of machinery has already been shipped from the USA. The capacity for spinning from waste is being increased and a new plant is being set up in the Swatantra Bharat Mills for this purpose. The company has been granted an industrial licence for establishing a staple bleaching powder plant of 15 tons a day. To purchase plant and machinery for this factory an agreement has been reached in principle with the ICICI for a loan of DM 945,000 which works out to nearly Rs. 11.25 lakhs.

CENTRAL BANK ISSUE

The directors of Central Bank of India have decided to raise additional capital by issuing 634,625 new ordinary shares which will be offered at a premium of Rs. 5 per share to the existing shareholders in the ratio of one new ordinary share for every two existing shares held. This will increase the paid-up capital of the bank from Rs. 3.15 crores to Rs. 4.74 crores and the reserves from Rs. 5.10 crores to Rs. 5.42 crores, bringing the total capital funds to Rs. 10.16 crores. The bank had obtained consent last year to this issue but on account of the declaration of emergency and the consequent unsettled conditions in the market, the directors had to postpone it.

METTUR CHEMICALS

The directors of the Mettur Chemical and Industrial Corporation Ltd. proposes to increase the dividend on its new preference shares from 9 per cent to 9.3 per cent. It may be recalled that the company has been given permission by the Controller of Capital Issues to make a fresh preference issue of Rs. 30 lakhs along with the equity issue of Rs. 60 lakhs. At an extraordinary general meeting held in March, 1962, it was resolved to fix dividend on new preference shares at 9 per cent, free of company's income tax, but subject to deduction of tax at source. In view of the conditions prevailing presently in the market, the directors have now realised that the new preference shares should carry a dividend of at least 9.3 per cent in place of 9 per cent. Necessary resolution in this regard is to be passed at an extraordinary general meeting of the company to be held on November 30.

INVESTA MACHINE TOOLS

The Controller of Capital Issues has permitted Investa Machine Tools & Engineering Co. Ltd., to issue at par to the existing ordinary shareholders further equity capital of Rs. 25 lakhs in the ratio of one new ordinary share for two existing ordinary shares. On the 25,000 new ordinary shares, a sum of Rs. 25 is payable on application, Rs. 25 on allotment and the balance of Rs. 50 as and when called up by the directors in two calls of Rs. 25 each, the first call to be made not earlier than three months after the date of allotment and the second and final call not earlier than three months thereafter.

COOPER ENGINEERING

The Cooper Engineering Ltd. will soon increase its share capital by Rs. 45.20 lakhs by the issue of 45,200 equity shares of Rs. 100 each at par. The new shares will be issued to the shareholders in the proportion of one for every two shares held. During the year ended June 30, 1963, the sales of the company increased from Rs. 1.93 crores to Rs. 2.61 crores. After providing Rs. 18.68 lakhs for depreciation and Rs. 3.92 lakhs for development rebate, the directors have proposed to pay a dividend of 8 per cent, subject to tax, which will absorb Rs. 7.23 lakhs. An amount of Rs. 3.23 lakhs has been transferred from development rebate reserve to general reserve out of which the dividends have to be paid. The production and sales of engines, machine tools and shaping machines were considered satisfactory. The ICICI has agreed to sanction a loan of Rs. 18.50 lakhs in free foreign exchange for the manu-

facture of vertical turret lathes. The company will also undertake the manufacture of automatic looms in collaboration with Messrs. Draper Corporation, USA.

HIND EQUIPMENT

Hindustan Equipment Supplies Ltd., Bombay, proposes to expand its output of alarum timepieces. Its licensed capacity of 150,000 pieces a year, to be achieved under a phased programme, has been executed ahead of the schedule. The company now proposes to step up its output to 200,000 pieces by 1964 and raise it progressively thereafter. Out of 110 parts in an alarum timepiece, the company is producing 103 indigenously and the rest are being imported to be assembled at the factory. In terms of value, the imported components presently work out to rupee one a piece assuming the consumer price at Rs. 30. It has submitted a proposal to the Development Wing for the manufacture of these vital components at a cost of Rs. 7.50 lakhs. The directors are of the opinion that the manufacture of the balancing assembly would be in the best interests of the country if the Government assured them that other manufacturers in the field would absorb their requirements from the company. Meanwhile, it has a proposal to undertake the manufacture of transistorized clocks. These expansion schemes would mean an expansion of the company's capital base subject to the policy of the Government.

ASIAN CABLES

Asian Cables Corporation Ltd. has maintained its steady progress and its new PVC cable plant has recently been commissioned into service. The company has also started the export of these cables to some West Asian countries and the price realised is about the same as offered to English cables. The foreign collaborators of the company, Messrs. Phelps Dodge Enfield International Corporation, USA, have paid full amount of Rs. 53.64 lakhs against 53,642 new equity shares allotted to them. It has received the necessary licence for the import of machinery for power cables and magnet wires plant for which orders have already been placed. The machinery against these orders will start arriving from January, 1964. The power cable plant is expected to go into production by the third quarter of 1964 and the magnet wires plant by the middle of 1964. Construction of factory building is progressing and the technicians are already under training in the UK at the collaborators' works.

AEG ENGINEERING

AEG of West Germany, well-known manufacturers of electrical machinery and equipment, have formed in collaboration with their Indian agents, a company for the purpose of erection, commissioning, servicing and repairing AEG equipment in the country. The new company to be called AEG Engineering of India Private Ltd., will have expert foreign and Indian technicians to assist Indian industries in solving problems of electrification and automation. The paid-up capital will be Rs. 10 lakhs in which AEG will have 50 per cent holding. The company expects to play an important part in the expansion of the Rourkela Steel Plant where the most modern five-stand cold rolling mill, the electro-sheet mill and all processing lines will be installed with AEG equipment from West Germany.

HOLMAN-CLIMAX MANUFACTURING

Holman-Climax Manufacturing Ltd., registered in October, 1958, is today a flourishing enterprise engaged in the production of portable and stationary air-compressors, rock drills, air hoists, industrial pneumatic tools, their accessories and spare parts. Its development has followed the pattern of phased manufacture which is now quite familiar in this country. Formed as a collaboration between the Bird-Heilgers Group and Holman Brothers Ltd., Camborne, England, it has established its factory at Titaghur. It started with 70 per cent

imported and 30 per cent indigenous components and now the machinery produced by the company is utilising only a little less than 100 per cent indigenous content. The collaborators are consultants and technical advisers to the company and have provided facilities for training qualified Indian technicians in close association with the industrial training institutes run by the West Bengal Government. The progress of the company could be judged from the performance of 1962 alone when it installed 35 machine tools and added another 20,000 sq. ft. to the existing works at Titaghur making a total of 60,000 sq. ft. It proposes to supply industrial pneumatic tools to the Government of India and has received orders from Associated Cement Companies apart from a considerable amount of business that is done within the Bird-Heilgers Group in fulfilling its needs in mining and industrial engineering. The Kolar goldfields also have been using Holman equipment consistently for many years.

INDIAN RUBBER EXPANSION

The Indian Rubber Regenerating Company Limited proposes to expand the annual installed capacity of its rubber reclaiming plant from 5,000 tons to 10,000 tons in order to meet the swelling demand for reclaimed rubber. The annual demand for such rubber is expected to go up from 10,000 tons to 16,000 tons in the fourth Plan period. The current value of reclaimed rubber imports exceeds Rs. one crore. The company has started booking orders for the reclaimed rubber and proposes to sell its products directly, without appointing any selling agents.

CAPITAL ISSUES

Four companies have been authorized by the Controller of Capital Issues to raise capital totalling Rs. 2.83 crores. One company will issue bonus shares, two equities and one equities plus redeemable preference shares. One of the com-

panies is offering part of its issue to non-resident Indians in Africa. This is a new company.

In the case of three companies, the consent of the Controller of Capital Issues is valid for 12 months, while for the fourth, it is valid only up to 25th February, 1964.

Guest, Keon, Williams Limited, Calcutta, is issuing bonus shares of the value of Rs. 2,10,72,910 on capitalization out of its share premium account. The proposed issue will be made in the ratio of one bonus share for every two shares held.

The Southern Gas Limited, Bombay, is to issue capital of Rs. 22,50,000 divided into 22,500 equity shares of Rs. 100 each for cash at par. The money will be used for setting up a factory for the manufacture, compressing and filling of both oxygen and acetylene gases.

Eastern Ceramics Limited, Bombay, a new company is to issue capital of Rs. 25 lakhs for cash at par consisting of Rs. 20 lakhs in equity shares of Rs. 10 each and Rs. 5 lakhs in 9.3 per cent cumulative redeemable preference shares of Rs. 100 each. Out of this, equity shares of the value of Rs. 13.75 lakhs will be offered for subscription to non-resident Indians in Africa and the remaining shares will be issued privately in India. The proceeds of the issue will be utilized for the manufacture of sanitary ware and glazed tiles. This is in supersession of an earlier issue. The consent is valid up to 25 February 1964.

India Pistons Limited, Madras, is to issue capital of Rs. 25 lakhs divided into 2,50,000 equity shares of Rs. 10 each to be issued privately at a premium of Rs. 15 a share. Of this 1,08,750 shares worth Rs. 10,87,500 (nominal) will be offered to Associated Engineering Limited, UK, against supply of plant and machinery and the balance for cash. The remaining shares will be allotted to Simpson and Company, Madras, for cash. The proceeds will be utilized for a second expansion for trebling the present production of the company.

TENDER NOTICE

Percentage rate tenders on prescribed forms obtainable on cash payment of Rs. 2/- each from the office of the undersigned are invited from contractors on the approved list for the following works:—

Name of work	App. Cost	Earnest Money	Time limit	Date and time of opening the tenders
Providing Interim Disposal Works at Panipat—Constructing 39" dia R.C.C. Sewer Screening Chamber, Collecting Tank, Pump Chamber and Laying Rising Main etc. and works contingent thereto	Rs. 50,000/-	Rs. 1,000/-	8 months	10-12-63 at 3-00 P.M.
Construction of 3 Nos. Rectangular & 6 Nos. Elevated Tanks at various places in Public Health Division, Karnal	Rs. 1,62,000/-	Rs. 3,300/-	18 Months	-do-
Providing 4 Nos. Tubewells at various places in Public Health Division, Karnal (with Reverse Hydraulic Rotary method.)	Rs. 1,00,000/-	Rs. 2,000/-	6 months	-do-

Plans specifications and further details can be seen in the office of the undersigned on any working day from 9-00 A.M. to 4 P.M.

Executive Engineer,
Public Health Division, Karnal.

BOOKS BRIEFLY

Who Saves?

Contractual Saving in India: By National Council of Applied Economic Research, New Delhi; Pp. 129; Price Rs. 7.50.

THE NATIONAL Council has, during the last few years, devoted a number of studies to the problem of saving in this country and has covered, in the volume under review, two modes of saving which are found predominantly in urban areas, namely, life insurance and provident fund. The role of both of these in households (which are responsible for about 8 per cent of national savings) has been, no doubt, of great significance; as much as 70 per cent of the contractual saving—life insurance and provident fund—is made by urban households which account for less than one-fifth of the total households in the country. Through a nationwide urban sample survey, the Council attempted to study in the last quarter of 1960 the various characteristics of the actual and potential savers, though it could not study the reasons for the presence of a large number of non-insurance and non-provident fund contributing households at all income levels.

Savings through these two channels in India constitute nearly one per cent of the national income or about 2 per cent of the non-agricultural income. This compares unfavourably with the USA, the UK and Japan where the corresponding percentages are 3.0, 3.8 and 3.5 respectively, implying that there is ample scope for further increasing contractual savings in this country. This conclusion is also re-emphasized by the Survey conducted by the Council which shows that as many as 84.4 per cent of the households did not have a single

member who was covered by life insurance. Despite the doubling of the total number of life policies issued between 1952 and 1960, less than one-fifth of the urban households were covered by the policies issued by the Life Insurance Corporation. The participation in provident funds was more common than life insurance; about 28 per cent of urban households, according to the survey, contributed to provident funds. It was also found that there was little competition between insurance payments and contributions to provident funds and that there was possibility of increasing the volume of urban household saving through both these methods, because there were households at all income levels who did not save in either of these forms. An increase of 10 per cent in life insurance at all income levels, it was estimated, was likely to throw up insurance premia payments by Rs 28 crores in the short period.

How far the capacity of these households to save has remained unimpaired since the last quarter of 1960 (when the survey was conducted) is hard to say but there are indications to show that it has been reduced to a certain extent. Prices have risen by 10 per cent in the last three years, additional surcharge on income-tax was levied in the last budget and the Compulsory Deposit Scheme will continue to take away a slice of the income of the income-tax paying classes. There is no direct or indirect evidence to show that incomes of these classes have moved up to match these increasing burdens.

It has been rightly suggested that another survey is required to know more about the attitudes of the non-participating respondents.

Readers' Roundtable

NO SUBSTITUTE FOR CAPITAL

Sir, — The article on the Wealth Tax in the issue of "Eastern Economist" of October 25 was very interesting. If the country has got only Rs. 350 crores wealth in the hands of over 1,300 people, the amount being equal to 700 million dollars, what result can you expect in the way of production. Yet it is this Rs. 350 crores which accounts for most of the revenues of the Central and State Governments. In the United States, industrial investment runs to over a thousand billion dollars. Approximately 500 people are earning over a million dollars. There are quite a few individuals having wealth of over billion dollars each. It is because of this that the United States has become an affluent society where almost everybody has his wants met. It is capital which multiplies and produces. If we in this country do not let capital accumulate, then what is there to multiply — except, of course, population? Consumption alone is not going to create more resources. It is this aspect which is not realised.

It has been emphasised that everybody should have housing. For a country such as India even if we have four million houses built every year, it will not provide sufficient accommodation for the entire population even in the next 50 years, as by that time the population will increase and all the old houses would start crumbling. Yet in the last 13 years of Planning, not even a million houses have been built. I do not understand what type of socialism it is which prevents people from becoming better off. In case of housing one has neither to bring any raw material from abroad nor is there difficulty in construction. Because of controls and restrictions on the economy, people cannot get coal and they cannot burn bricks. They cannot also produce as much cement as there

is demand for it for housing construction and other purposes.

A country such as Germany, even when it has a high income, is unable to compare in living standard with the United Kingdom, because the latter has accumulated wealth over three centuries and is therefore much better off than Germany in respect of capital accumulation. Unless therefore we create capital which multiplies and which is used by people for their comforts, such as, housing and other facilities which can be acquired over a certain number of years and owned by them as capital assets, we will never be able to improve our living standards. What we need is more capital, more capital assets, people owning more capital in various forms for investment and social security as well as current consumption.

New Delhi.

"REALIST"

OFFICIAL HOLIDAYS

Sir,—The Maharashtra Government is to be congratulated on reducing holidays from 28 to 18. There are far too many holidays in our country. Instead of having several holidays to honour the increasing number of heroes, Gandhi Jayanti can be the day for honouring all of them; Republic day in January is enough to affirm our faith in an independent democratic Republic. New Year's day need not be a holiday. In fact, we should begin the new year with purposeful work.

Similarly, the practice of declaring holidays when leaders die should be discontinued. At present, when such holidays are declared, mourning takes the form of visit to movie theatres and other places of entertainment! Cannot work be stopped for half an hour before the closing time of the day and a condolence meeting held when an important leader expires?

"ARISTIDES"

RECORDS AND STATISTICS

Yields From Income Tax: 1956-57-1961-62

INCOME-TAX ASSESSMENTS BY TYPES OF ASSESSEES

(Amount in Rs. Crores)

Type of Assessee	1956-57				1960-61				1961-62			
	No. of assesseees	% to total	Income assessed	% to total	No. of assesseees	% to total	Income assessed	% to total	No. of assesseees	% to total	Income assessed	% to total
1. Individuals	499,621	86.2	551.8	59.0	828,347	87.0	777.8	61.0	940,246	87.7	884.6	56.2
2. Hindu Undivided families	39,492	6.8	63.4	6.8	70,390	7.4	88.7	7.0	73,222	6.8	96.8	6.1
3. Unregistered firms and other Assn. of persons	23,458	4.0	32.7	3.5	27,708	2.9	31.9	2.5	29,556	2.8	39.3	2.5
4. Registered firms	6,551	1.1	51.9	5.5	15,396	1.6	127.5	10.0	17,712	1.6	148.7	9.4
5. Companies	10,780*	1.9*	235.9*	25.2*	9,959	1.0	247.9	19.4	11,464	1.1	405.0	25.7
6. Others	..	..	..	..	424	0.04	1.1	0.09	429	0.04	1.0	0.06
TOTAL	579,902	100.0	935.7	100.0	952,224	100.0	1274.9	100.0	1072,629	100.0	1575.4	100.0

* Including "others".

DISTRIBUTION OF INCOME AND TAX ASSESSED ACCORDING TO SOURCES OF INCOME

(Rs. Crores)

Source of Income	1956-57				1960-61				1961-62			
	Income	% to total	Tax	% to total	Income	% to total	Tax	% to total	Income	% to total	Tax	% to total
1. Salaries	207.4	21.9	22.8	8.9	291.1	22.6	29.7	9.3	339.3	21.2	33.4	7.1
2. Interest on Securities	13.6	1.4	6.4	2.5	12.5	1.0	7.0	2.2	19.7	1.2	12.9	2.7
3. Property	33.8	3.6	7.1	2.8	37.3	2.9	7.1	2.2	42.7	2.7	8.6	1.8
4. Business & Professions	574.7	60.8	173.7	67.8	733.9	56.9	203.2	63.9	928.7	58.1	320.6	67.9
5. Dividends	55.2	5.8	24.6	9.6	63.8	4.9	30.5	9.6	86.1	5.4	45.7	9.7
6. Capital Gains	..	..	..	..	3.6	0.3	0.8	0.3	6.3	0.4	1.4	0.3
7. Other Sources	60.9	6.5	21.5	8.4	148.5	11.4	39.9	12.5	176.0	11.0	49.4	10.5
Total:	945.6	100.0	256.1	100.0	1290.7	100.0	318.2	100.0	1598.8	100.0	472.0	100.0

Note: The figures given above are before rebates, refunds etc. and consequently may differ from other statements.

DISTRIBUTION OF BUSINESS AND PROFESSIONAL INCOMES

(Rs. Crores)

		1956-57			1960-61			1961-62		
		No. of assesseees	Income assessed	Tax assessed	No. of assesseees	Income assessed	Tax assessed	No. of assesseees	Income assessed	Tax assessed
1.	Forestry, mining and quarrying ..	4,909	19.2	8.2	3,065	13.1	6.3	4,228	26.6	15.6
2.	Primary Industries and processing and manufacture of foodstuffs (incl. beverages and narcotics)	11,883	45.8	20.1	12,174	44.3	20.8	13,682	54.5	27.5
3.	Processing and manufacture of Textiles and leather and products thereof	10,524	55.4	26.9	12,320	40.5	20.2	15,021	58.4	32.3
	Metals, chemicals and products thereof	10,324	44.1	21.5	13,925	65.3	36.9	17,508	105.5	64.2
	Cement, rubber and other mineral products	12,626	28.8	11.3	14,704	33.2	14.3	16,373	80.9	42.6
4.	Construction and utilities	12,304	21.2	5.3	15,970	27.0	7.8	17,974	34.2	11.0
5.	Commerce, transport and commu- nications	1,84,335	245.3	47.1	3,61,368	399.9	63.7	3,78,962	435.9	74.7
6.	Finance	40,523	80.4	27.9	43,626	76.2	27.7	49,191	103.0	45.2
7.	Services and professions	37,169	34.6	5.5	37,225	34.5	5.6	40,044	39.7	7.4
TOTAL		3,24,597	574.7	173.7	5,14,377	733.9	203.3	5,52,983	928.7	320.6

DISTRIBUTION OF INCOME OF INDIVIDUALS

Grade of Income	(No. of Assesseees in Thousands) (Amount in Rs. Crores)													
	1961-62							1957-58						
	Before Tax				Tax			Before Tax				Tax		
	Assesseees		Income		Amt.		% of (5) to (3)	Assesseees		Income		Amt.		% of (12) to (10)
	No.	%	Amt.	%				No.	%	Amt.	%			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Below 3,000	26.3	2.8	3.4	0.4	0.1	0.09	2.9	9.7	1.7	1.5	0.2	0.09	0.1	6.2
3,001 — 7,500	579.7	61.7	286.4	32.4	4.2	3.7	1.5	320.5	56.2	166.9	27.6	3.3	3.7	2.0
7,501 — 15,000	214.4	22.8	222.1	25.1	11.0	9.8	5.0	154.8	27.2	159.8	26.4	8.5	9.4	5.3
15,001 — 25,000	70.0	7.4	133.3	15.1	13.6	12.1	10.2	48.6	8.5	92.4	15.3	9.8	10.8	10.5
25,001 — 50,000	37.6	4.0	127.4	14.4	28.3	25.1	22.2	27.2	4.8	91.8	15.2	20.5	22.7	22.3
50,001 — 70,000	6.3	0.6	36.6	4.1	13.3	11.8	36.3	4.6	0.8	28.6	4.4	9.8	10.6	35.9
70,001 — 1 lakh	3.3	0.4	26.9	3.0	12.1	10.7	45.0	2.4	0.4	20.0	3.3	9.1	10.1	45.6
1 lakh — 5 lakhs	2.6	0.3	41.3	4.7	24.7	21.9	59.8	2.2	0.4	37.3	6.2	23.3	25.7	62.4
Above 5 lakhs	0.08	0.01	7.2	0.8	5.3	4.8	73.6	0.099	0.02	8.9	1.5	6.4	7.0	71.8
Total	940.2	100.0	884.6	100.0	112.6	100.0	12.7	570.2	100.0	605.0	100.0	90.3	100.0	14.9

DISTRIBUTION OF ASSESSEES, INCOME AND TAX BY GRADES OF INCOME: 1956-57

(No. of Assesseees in Thousands)													
(Amount in Rs. Crores)													
	GRADE OF INCOME (Rs.)												
Type of Assesseees	Below 4,200	4,201-8,400	8,401-10,000	10,001-15,000	15,001-25,000	25,001-40,000	40,001-55,000	55,001-70,000	70,001-1 lakh	1 lakh-2 lakhs	2 lakhs-5 lakhs	5 lakhs-& over	Total
1. Individuals													
No. of assesseees ..	30.6	282.7	40.5	68.6	44.4	19.2	6.4	2.8	2.3	1.5	0.5	0.1	499.6
Income ..	8.1	166.2	37.3	83.4	84.3	59.4	29.9	17.2	18.6	20.5	15.4	11.7	551.8
Tax ..	0.3	4.5	1.7	5.4	9.0	12.0	9.0	6.4	8.4	11.8	10.6	8.5	87.6
2. Hindu Undivided Families													
No. of assesseees ..	0.3	7.5	8.8	10.8	7.5	2.8	0.8	0.3	0.3	0.2	0.06	0.01	39.5
Income ..	0.07	4.6	7.9	13.3	14.2	8.6	3.9	2.1	2.3	2.8	1.9	1.9	63.4
Tax ..	..	0.1	0.2	0.8	1.5	1.7	1.2	0.8	1.0	1.5	1.2	1.0	11.0
3. Unregistered firms & other associations of persons.													
No. of assesseees ..	0.9	12.9	2.1	3.3	2.2	1.0	0.3	0.2	0.2	0.1	0.1	0.01	23.5
Income ..	0.3	7.4	1.9	4.0	4.3	3.2	1.6	1.1	1.7	2.0	2.9	2.3	32.7
Tax ..	0.02	0.2	0.1	0.3	0.5	0.7	0.5	0.4	0.7	1.1	1.8	1.7	7.9
4. Registered firms.													
No. of assesseees ..	..	..	..	..	..	..	2.8	1.4	1.3	0.9	0.2	0.03	6.6
Income ..	..	..	..	..	..	..	13.0	8.4	10.4	12.0	5.3	2.7	51.9
Tax ..	..	..	..	..	..	..	0.09	0.1	0.3	0.5	0.4	0.2	1.6
5. Companies & other concerns													
No. of assesseees ..	2.8	1.2	0.3	0.7	0.9	0.9	0.5	0.4	0.5	0.8	1.0	0.8	10.8
Income ..	0.4	0.7	0.3	0.9	1.8	2.8	2.5	2.7	4.3	11.4	25.5	182.5	235.9
Tax ..	0.2	0.3	0.1	0.4	0.8	1.3	1.2	1.3	2.0	5.4	11.7	83.7	108.5
6. Total													
No. of assesseees ..	34.5	304.3	51.7	83.4	55.1	23.9	11.9	5.1	4.5	3.6	1.7	1.0	579.9
Income ..	8.9	178.8	47.4	101.6	104.6	74.0	51.0	31.4	37.3	48.5	51.1	201.0	935.7
Tax ..	0.5	5.1	2.2	6.9	11.8	15.7	12.0	9.0	12.4	20.2	25.6	95.2	216.6

DISTRIBUTION OF ASSESSEES, INCOME AND TAX BY GRADES OF INCOME: 1961-62

(No. of Assesseees in Thousands) (Amount in Rs. Crores)													
GRADE OF INCOME (RS.)													
Type of Assessee	Below 3,000	3,001-7,500	7,501-10,000	10,001-15,000	15,001-20,000	20,001-25,000	25,001-50,000	50,001-70,000	70,001-1,00,000	1 lakh-2 lakhs	2 lakhs-5 lakhs	5 lakhs & over	Total
1. Individuals													
No. of assesseees ..	26.3	579.8	110.1	104.3	45.5	24.5	37.6	6.3	3.3	2.1	0.5	0.083	940.2
Income ..	3.4	286.5	94.8	127.3	78.5	54.7	127.4	36.6	26.9	28.3	13.0	7.2	884.6
Tax ..	0.1	4.2	3.6	7.4	6.8	6.8	28.3	13.2	12.1	16.1	8.6	5.3	112.6
2. Hindu Undivided Families													
No. of assesseees ..	0.05	27.5	14.9	14.6	6.6	3.6	4.7	0.6	0.3	0.2	0.079	0.018	73.2
Income ..	0.06	16.7	12.9	17.7	11.3	7.9	15.7	3.7	2.7	3.2	2.5	2.4	96.8
Tax ..	0.002	0.3	0.4	1.0	1.0	1.0	3.5	1.4	1.3	1.9	1.7	1.8	15.2
3. Unregistered Firms & other Associations of persons													
No. of assesseees ..	0.2	17.3	3.8	3.4	1.6	0.9	1.4	0.3	0.2	0.2	0.1	0.04	29.6
Income ..	0.03	8.3	3.3	4.2	2.7	2.0	4.9	1.7	1.9	3.1	3.1	3.9	39.3
Tax ..	Neg.	0.2	0.2	0.3	0.3	0.3	1.1	0.6	0.8	1.4	1.5	2.1	8.7
4. Registered Firms													
No. of assesseees ..	..	..	..	..	..	..	5.2	5.5	3.5	2.6	0.7	0.96	17.7
Income ..	..	..	..	..	..	..	23.5	32.5	29.1	35.2	19.1	9.3	148.7
Tax ..	..	..	..	..	..	..	0.1	0.5	0.8	1.4	1.2	0.8	4.9
5. Companies													
No. of assesseees ..	2.3	1.4	0.5	0.8	0.6	0.4	1.3	0.6	0.6	1.0	0.9	1.1	11.5
Income ..	0.3	0.7	0.5	1.0	1.0	0.9	4.7	3.6	4.8	13.7	27.9	346.0	405.1
Tax ..	0.1	0.3	0.2	0.5	0.5	0.4	2.3	1.7	2.3	6.6	13.7	167.2	195.9
6. Others													
No. of assesseees ..	0.06	0.06	0.02	0.04	0.06	0.03	0.1	0.03	0.006	0.001	..	..	0.4
Income ..	Neg.	0.03	0.02	0.05	0.10	0.07	0.48	0.19	0.05	0.01	..	..	1.00
Tax ..	Neg.	0.02	0.01	0.03	0.06	0.04	0.2	0.1	0.03	Neg.	..	..	0.6
7. Total													
No. of assesseees ..	28.9	626.0	129.4	123.1	54.3	29.4	50.4	13.4	7.9	6.2	2.2	1.3	1,072.6
Income ..	3.7	312.3	111.5	150.2	93.7	65.7	176.7	78.4	65.3	83.5	65.6	368.8	1,575.4
Tax ..	0.3	5.1	4.5	9.2	8.6	8.5	35.6	17.6	17.2	27.5	26.8	177.1	338.0

DISTRIBUTION OF INCOME ACCORDING TO SOURCE OF INCOME AND TYPE OF ASSESSEES: 1960-61
(Rs. Crores)

Source of Income	Individuals	Hindu Undivided Families	Unregistered Firms and other associa- tion of persons	Registered Firms	Companies	Others	Total
1. Salaries							
Income: Amount	..	291.0	0.1	..	..	..	291.1
Per cent	..	99.97	0.03	..	..	..	100.0
Tax: Amount	..	29.7	0.03	..	..	..	29.7
Per cent	..	99.9	0.1	..	..	..	100.0
2. Interest on Securities							
Income: Amount	..	3.3	0.3	0.8	0.2	7.9	12.5
Per cent	..	26.4	2.4	6.4	1.6	63.2	100.0
Tax: Amount	..	0.8	0.08	0.3	neg.	5.8	7.0
Per cent	..	11.5	1.2	4.4	..	82.8	100.0
3. Property Income							
Income: Amount	..	26.1	7.4	0.8	0.6	2.5	37.3
Per cent	..	70.0	19.8	2.0	1.5	6.7	100.0
Tax: Amount	..	3.9	1.1	0.2	0.02	1.9	7.1
Per cent	..	54.9	15.4	2.7	0.2	26.8	100.0
4. Income from Business and Professions							
Income: Amount	..	302.4	62.2	27.7	124.7	216.0	733.9
Per cent	..	41.2	8.5	3.8	17.0	29.4	100.0
Tax: Amount	..	27.8	6.5	5.3	4.0	158.7	203.2
Per cent	..	13.7	3.2	2.6	2.0	78.1	100.0
5. Dividend Income							
Income: Amount	..	35.3	3.6	1.3	1.2	22.3	63.8
Per cent	..	55.4	5.6	2.0	2.0	35.0	100.0
Tax: Amount	..	11.7	1.2	0.7	0.06	16.7	30.5
Per cent	..	38.5	3.9	2.4	0.3	54.9	100.0

DISTRIBUTION OF INCOME ACCORDING TO SOURCE OF INCOME AND TYPE OF ASSESSEES: 1960-61 (Contd.)

(Rs. Crores)

Source of Income	Individuals	Hindu Undivided Families	Unregistered Firms and other associa- tion of psrsons	Registered Firms	Companies	Others	Total
6. Income from Capital Grains							
Income: Amount	2.4	0.2	0.06	0.06	0.9		4.6
Per cent	66.3	5.6	1.6	1.6	24.9		100.0
Tax: Amount	0.5	0.04	0.01	neg.	0.3		0.85
Per cent	58.8	4.7	1.2		35.3		100.0
7. Other Sources							
Income: Amount	121.5	15.5	1.7	1.1	8.6	neg.	148.4
Per cent	81.9	10.4	1.1	0.8	5.8		100.0
Tax: Amount	29.2	3.7	0.6	0.06	6.3	neg.	39.8
Per cent	73.4	9.3	1.4	0.1	15.8		100.0
8. All Sources							
Income: Amount	781.9	81.2	32.3	127.9	258.2	1.1	1,290.7
Per cent	60.6	6.3	2.5	9.9	20.0	0.09	100.0
Tax: Amount	103.6	12.1	7.2	4.2	189.7	0.8	318.2
Per cent	32.6	4.6	2.3	1.3	59.6	0.2	100.0

DISTRIBUTION OF INCOME ACCORDING TO SOURCE OF INCOME AND TYPE OF ASSESSEES: 1961-62

(Rs. Crores)

Source of Income	Individuals	Hindu Undivided Families	Unregistered Firms and other associa- tion of persons	Registered Firms	Companies	Others	Total
1. Salaries							
Income: Amount	339.1	0.2					339.3
Per cent	99.94	0.06					100.0
Tax: Amount	33.3	0.05					33.4
Per cent	99.1	0.2					100.0
2. Interest on Securities							
Income: Amount	3.5	0.4	1.0	0.2	14.6		19.7
Per cent	17.8	2.0	5.1	1.0	74.1		100.0
Tax: Amount	0.9	0.1	0.4	0.007	11.5		12.9
Per cent	7.0	0.8	3.1	neg.	89.1		100.0
3. Property Income							
Income: Amount	29.7	7.3	1.0	0.8	3.3		42.7
Per cent	69.6	18.4	2.3	1.9	7.7		100.0
Tax: Amount	4.6	1.5	0.2	0.04	2.5		8.5
Per cent	54.0	14.9	2.3	0.4	29.3		100.0
4. Income from Business and Professions							
Income: Amount	336.1	0.0	33.3	144.7	348.5	1.0	928.7
Per cent	36.2	7.0	3.6	15.6	37.5	0.1	100.0
Tax: Amount	34.1	7.3	7.3	4.7	266.4	0.3	320.6
Per cent	10.6	2.3	2.3	1.5	83.1	0.2	100.0
5. Dividend Income							
Income: Amount	39.9	5.0	1.8	1.3	38.2		86.1
Per cent	46.3	5.8	2.0	1.5	44.4		100.0
Tax: Amount	13.6	1.9	0.9	0.08	29.3		45.7
Per cent	29.8	4.1	2.0	0.1	64.0		100.0
6. Income from Capital Grains							
Income: Amount	3.7	0.4	0.2	0.3	1.7		6.3
Per cent	58.7	6.3	3.2	4.8	27.0		100.0
Tax: Amount	0.7	0.08	0.05	0.02	0.5		1.4
Per cent	51.9	5.9	3.7	1.5	37.0		100.0
7. Other sources							
Income: Amount	138.9	19.2	2.4	2.0	13.6		176.0
Per cent	78.9	10.9	1.4	1.1	7.7		100.0
Tax: Amount	32.2	5.5	1.0	0.1	10.7		49.5
Per cent	65.1	11.1	2.0	0.2	21.6		100.0
8 All Sources							
Income: Amount	890.9	98.0	39.7	149.3	419.9	1.0	1,598.8
Per cent	55.7	6.1	2.5	9.3	26.3	0.06	100.0
Tax: Amount	119.4	16.1	9.9	4.9	321.0	0.8	472.0
Per cent	25.3	3.4	2.1	1.0	68.0	0.2	100.0

Source: Central Board of Revenue.



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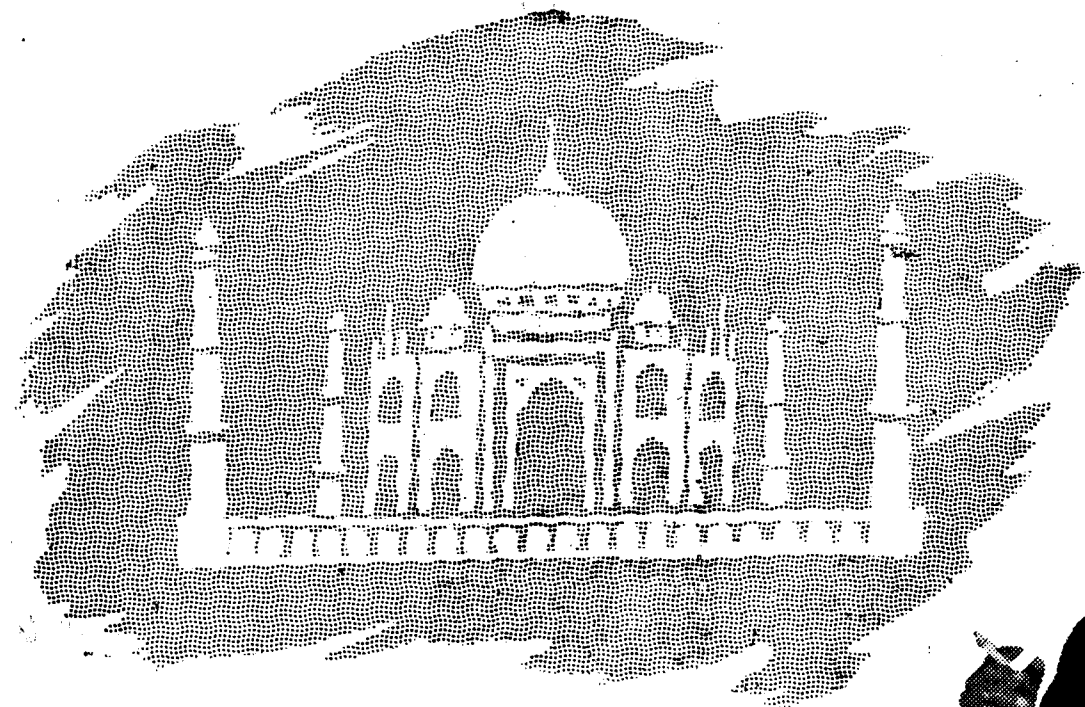
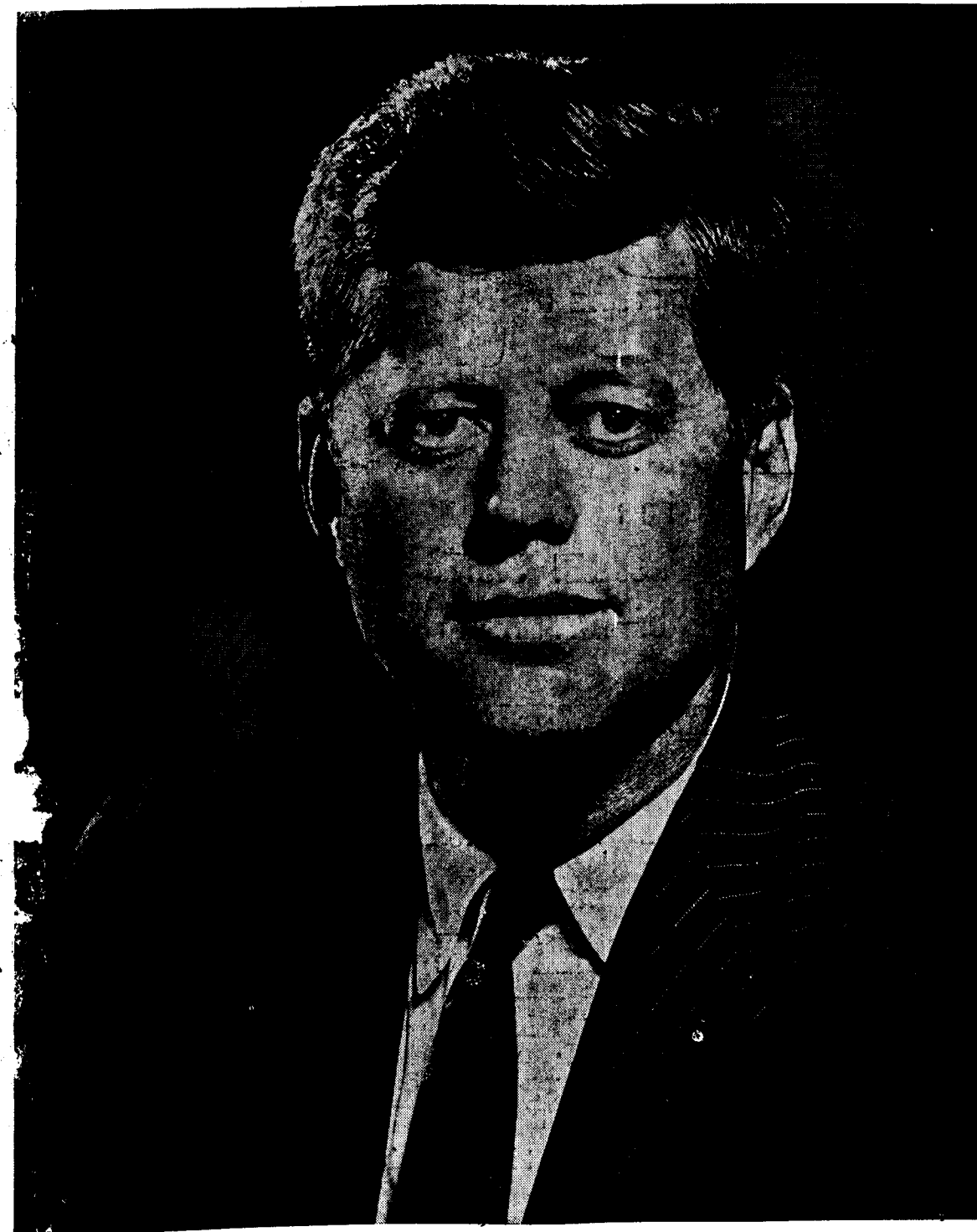
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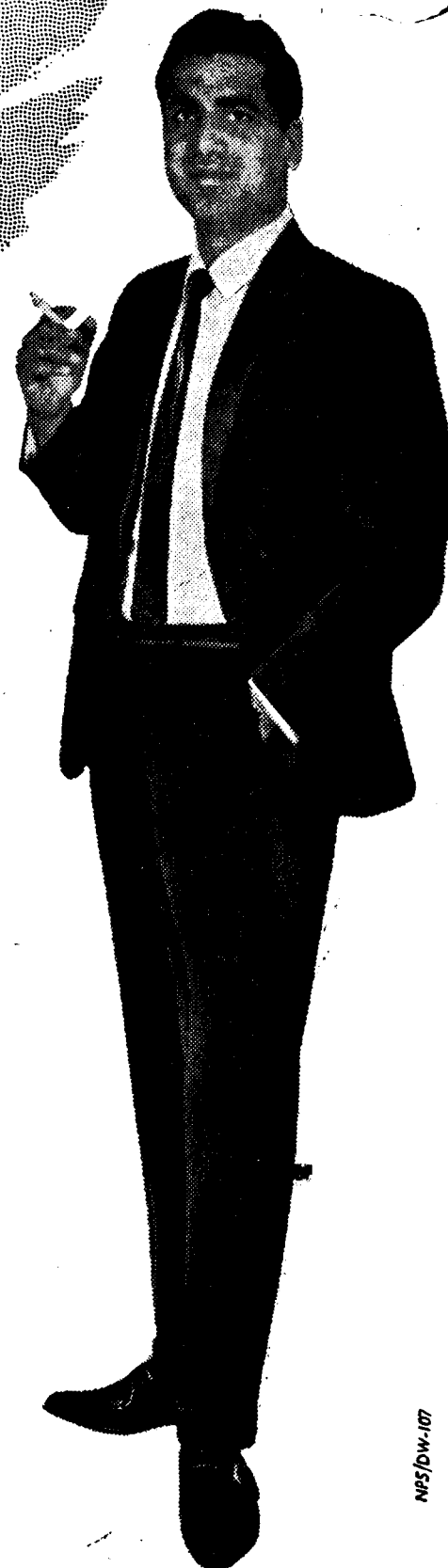
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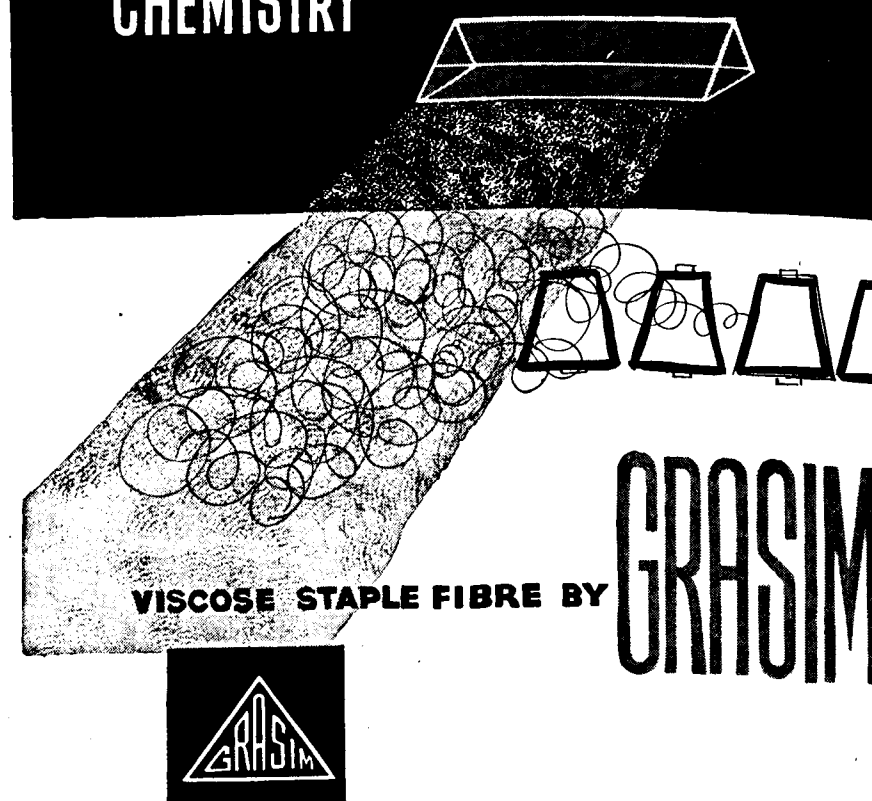
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Sugar Gone Sour

IT IS UNFORTUNATE that, on the eve of his well-deserved promotion as Minister of Food and Agriculture, the hard-working and unassuming Mr. A. M. Thomas had to stand up in Lok Sabha and abjectly confess that the management of the sugar economy by his Ministry in recent years has ended in a dismal failure. He referred somewhere in his statement to the inherent instability of production in industries which are based on agricultural raw materials. In the case of the sugar industry, however, this plea is wholly untenable since it cannot at all be argued that the fall in sugar production in the last season or in the season before was occasioned to any extent by fluctuations in the output of sugarcane. It must be borne in mind that factories crush only a portion of the entire cane crop and that this percentage is less influenced by the total size of the crop than by the vagaries in official policies with regard to the sugar industry.

It is surprising that Mr. Thomas did not have the candour to admit that the mess which has been created in the sugar economy had its origin in the deliberate decision taken by the Government in the 1961-62 season to direct factories to cut the crushing of cane by 10 per cent. The disastrous discouragement consequently imparted to sugar production could have been corrected had the Government created the necessary economic climate for increased crushing of cane by factories. This they unfortunately failed to do. Mr. Thomas listed the various measures which the Government has taken, this year, to increase sugar production. But what is the use of dwelling on the Government's wisdom in this respect when it has been clearly demonstrated that the policy of "too little, too late" which the Government has been following in the matter of incentives is grossly inadequate for the Government's declared purpose of stepping up sugar production fast enough to provide for domestic consumption as well as for the large export market which is offering? If sugar production last year was barely 2.3 million tons, it was clearly because the Government failed to see that the concessions it grudgingly granted then were not enough to stimulate the industry sufficiently. Worse still, apart from absence of adequate incentives, the emergence of controls with a threat of more restrictions to come, has naturally had the effect of discouraging production further. Mr. Thomas himself has admitted in his statement that whenever distribution is controlled consumption has tended to go down, and where there is a possibility of consumption going down, it is but natural that production would tend in advance to adjust itself to lower levels. It ought to be plain, therefore, that, if the relatively long-term policy for sugar is to be that of increasing its production steadily so that the needs of the growing population and the requirements of a higher standard of living are met within the country, while at the same time sufficient quantities are left over to meet the substantial demand in world markets, it is unwise and self-defeating for the Government to go in for controls on production and distribution in the short period.

It is a pity that even after repeated failures in sugar policy the Government still lacks the gumption to understand or the guts to face up to the fact that, if the objective of a high level of production is to be achieved, it is necessary to give up panicky resorts to controls as well as to abandon the niggardly policy of keeping the sugar industry on short rations where incentives are concerned. It indeed surprises us that there should at all be any necessity for us or anybody else to dwell on the shortcomings of the Government's sugar policy as it has been practised in recent years. After all it is there for all to see that the Government has succeeded neither in protecting the consumers' interest in particular, nor in promoting the national interest in general. If its object has been to prevent a

rise in sugar prices it has not been able to do so. On the contrary it has been forced to take steps which have been adding to the cost of sugar production and, therefore, to the price. The Government has not also been able to prevent local shortages in the festival season. Consequently, it cannot be claimed that even the short-term interests of the consumers have been served. In other words, the long-term purpose of higher sugar production has been surrendered without any compensatory gain in the form of even temporary relief to consumers.

As for the national interest, the record is even more dismal. At a time when, as Mr. Thomas had to concede, prices in the world market are ruling very much higher than our cost of production and there is a golden opportunity for exporting amounts up to one million tons and earning Rs. 150 crores of foreign exchange, there is no substantial surplus of sugar for export, thanks to the Government's mismanagement. It becomes particularly difficult to forgive the Government for its bungling when it is remembered that not many years ago this country was heavily subsidizing the export of sugar at a time when world prices were low, the argument then advanced in favour of this policy being that the subsidies would pay for themselves as India built

itself up in due course as a major exporter of the commodity. Mr. Thomas, of course, is in no position today to talk about India being a major exporter in the foreseeable future. Actually he has been reduced to confessing that he sees no escape from shortages until long-term planning of sugar industry can bring about lasting improvement. Regarding exports, Mr. Thomas refers to existing export commitments of 300,000 tons and then remarks that there are possibilities of exports of another 200,000 to 300,000 tons "if we can secure it". In any country, democratic or other, where the accountability of the administration to the public is enforced to any degree, these words alone should have been enough to indict the Government of the gross mismanagement of economic affairs and a deplorable failure to look after national interests. But here in India it is always possible for the Government to blame the weather or the private sector by turn and then proceed to talk glibly about long-term planning.

We wonder what right Mr. Thomas or, indeed, anybody speaking on behalf of the Ministry of Food and Agriculture or the Government of India has to use the phrase "long-term planning". Millions of people have had to go without sufficient sugar or have had to pay high prices for their purchases during the recent

festival season. Simultaneously, the country is losing crores of rupees of foreign exchange which it was open to it to earn — and this at a time when the Government is sermonising ceaselessly on export promotion. Can any spokesman of the Government claim in these circumstances that the public must place confidence in the Government's planning, long-term or short-term? The fact that Mr. Thomas could speak of a buffer stock of sugar while world prices are nearly double our cost of production shows that his Ministry has not even begun to grasp elementary economic facts. Why should we be asked to sit on our surplus stocks of sugar (assuming that we have a surplus some day) if or when we could sell them at a good price abroad and supplement our foreign exchange resources? Glib talk such as this about buffer stocks and the rest shows that either the Government is ignorant or is not serious when it tries to manage individual industries or the national economy.

Mr. Thomas ought to understand that the Government has forfeited the right to ask the public to repose confidence in its sugar policy. If it wants to recover that right, it has to show in the immediate present that it can act boldly and imaginatively in the matter of stimulating a permanent, substantial and steady increase in sugar production in the immediate future. This object is not difficult to achieve because the built-in inhibitions and prejudices from which the Government's sugar policy has suffered, can be got over by a firm exercise of judgment. To start with, it must be realized that the organised sugar industry can never compete for supplies of cane unless, in the first place, the price of cane is de-controlled and secondly, and in consequence, the price of sugar is also de-controlled. This is the only way to restore sanity to the economics of the sugar industry. Fears that this would lead to sky-rocketing sugar prices are totally unfounded. It must be borne in mind that the demand for sugar is elastic, which means that prices cannot keep rising without demand tapering off. Secondly, it has been shown again and again that the sugar industry instinctively responds readily to de-control by increasing production. Therefore, the two powerful correctives of rising production and slackening demand as prices rise can be depended upon to lead to a reasonable level of prices being maintained, except in the very short period.

To the extent that faint hearts in the Government and elsewhere have to be nursed, the Government may for a short period after de-control take up a limited portion of the output of each sugar factory at a level of prices negotiated with the representatives of the industry and allocate the stocks thus acquired to the various States for distribution through fair price shops or consumer co-operatives. With this safeguard and complete de-control of movement not only of sugar but also Khand-sari and Gur, it should be possible to ensure that the normal trade channels resume functioning normally all over the country. Fortunately, the rail transport posi-

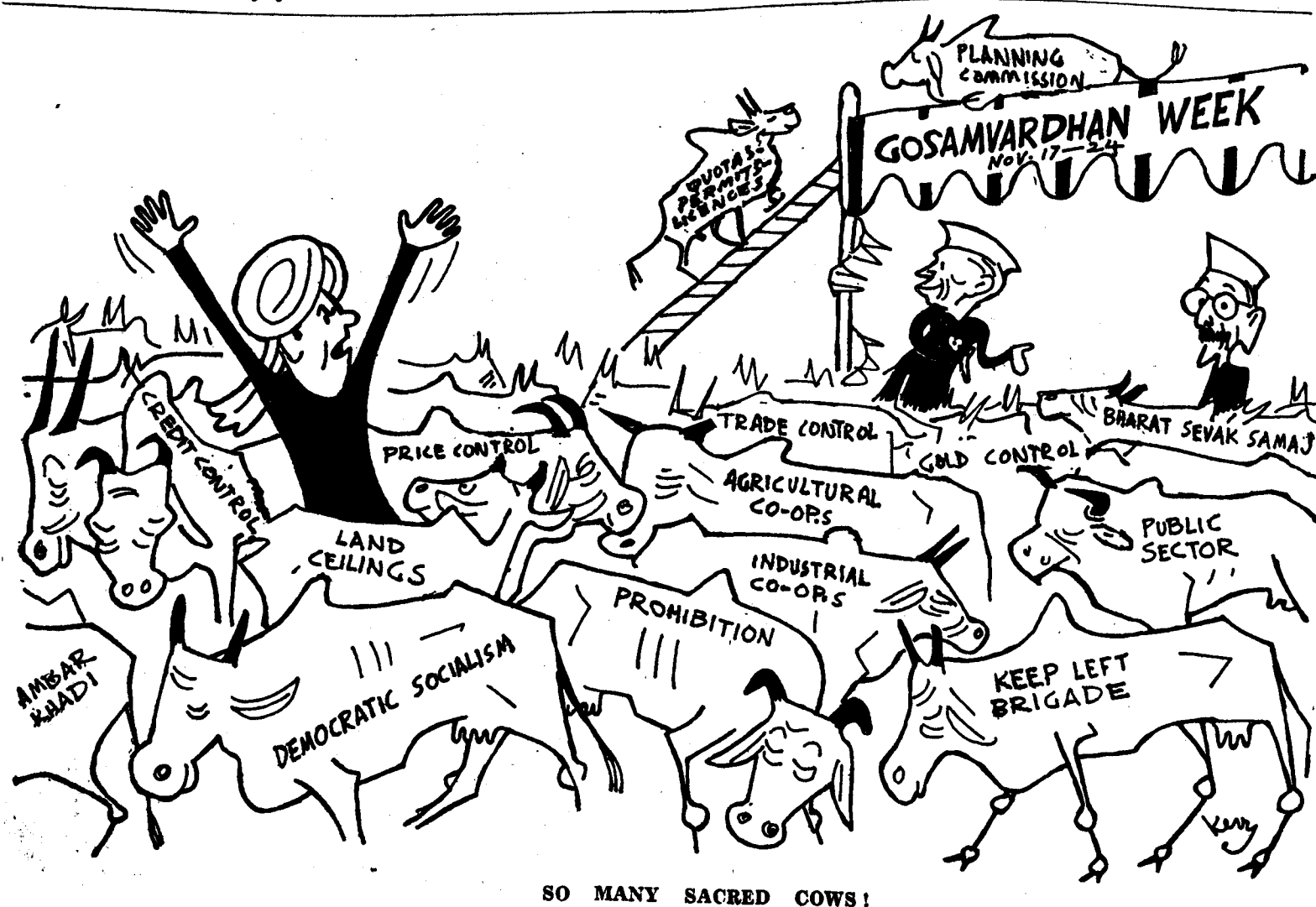
tion is fairly easy at present, with the result that the Railways should be able to provide all the transport that may be needed by the sugar industry. Thus one possible argument against complete de-control of production and trade, namely, the possibility that enough transport may not be available for the proper distribution of sugar in consuming areas disappears.

There has been so much talk, especially lately, of the need for increasing farm earnings, modernize agriculture and make the farmer interested in science and improved techniques. Surely one way of doing all this is to give every encouragement for the development of profitable commercial outlets for the main agricultural produce. In the case of sugarcane, both the fast rate at which the domestic demand for sugar is growing and the bright prospects of a high level of world trade over the years are there to be availed of. According to informed sources, it is possible for this country to negotiate long-term export contracts for up to one million tons of sugar per year on the basis of London prices prevailing at the time of shipment. It is also the case that foreign business men are prepared, if necessary, not only to sign contracts but also to help in organizing large sugar farms in this country on commercial lines besides providing foreign exchange — if this, again, is necessary — for the putting up of modern sugar plants

Eastern Economist 20 Years Ago

NOVEMBER 26, 1943

It is at this time of the year that New Delhi buzzes with speculations about the Finance Member's Budget plans for the coming year. As the revenue and expenditure figures for the first six months are now available, they may be taken as a fair basis for the revised estimates. The increase in revenue collections as compared with the previous year during these six months is as much as Rs. 300 crores. If the same proportion is maintained one may expect that the revised estimates for the whole year may exceed the Budget estimates by over Rs. 60 crores—a total of over Rs. 250 crores as against the Budget estimate of Rs. 195½ crores. There are certain interesting features of the revenue returns which may well have a bearing on the Budget proposals for the coming year. Though the Finance Member anticipated a decrease of Rs. one crore in customs receipts for the year, the first six months alone have yielded an increase of Rs. 3 crores. It looks as if the coming six months' yield may be even more fruitful, for the Government of India have announced their intention to import large quantities of goods. So also under "other heads," though the Finance Member has anticipated a decrease, the actual earnings during these six months have improved to the extent of Rs. 6 crores. The only revenue source which has failed to come up to expectations is the salt duty, but the coming six months may make up the deficiency now disclosed. Taking the figures as a whole the Finance Member has every reason to be satisfied with the revenue returns which have substantially exceeded his expectations. From the revenue point of view at least, the Finance Member can hardly put up a case for imposing any additional taxation.



SO MANY SACRED COWS!

quickly by importing equipment. We just do not see any reason why the Government should not address itself to these possibilities vigorously. Instead of thinking in sterile and narrow terms — of fixing the retail price of sugar to the last naya paisa, or banning the export of *burfi* or *peda* from Delhi or saying how much should be paid for sugarcane in Muzaffarnagar and how much in Ahmednagar — the Food and Agriculture Ministry would do well to start thinking in terms of

big development. We strongly urge that instead of holding periodic meetings with Food Ministers in the States to discuss gloomily and largely pointlessly how to make one grain of sugar do where two are needed, the Food and Agriculture Ministry ought to call for a development conference to draw up for prompt implementation a programme for expanding capacity and production in the industry as much as possible and as fast as possible.

Performance of Public Sector in Andhra Pradesh

THE INEFFICIENCY of public sector undertakings has been discussed in recent months both inside the Lok Sabha and outside indicating that the implications of the extension of the public sector in certain spheres have not been in the interest of the country. By and large, these discussions have centred in the working results of the undertakings controlled by the Union Government as very little is known about the fate of similar undertakings run by State Governments. A happy departure in this regard has been provided by Andhra Pradesh whose Director of the Bureau of Economics and Statistics has published the first volume on the working results of the public sector undertakings in that State. Most of the financial data provided relate to 1959-60. Some of the units have already advertised their working results for later years, but it is not without interest to study, through one publication, the performance of all these units in the same year.

Broadly, there are four different types of undertakings run by the State Government. To the first category belong the autonomous bodies such as the Andhra Pradesh State Financial Corporation and the State Road Transport Corporation. Secondly, there are eight Government Department undertakings. To the sphere of industry belong the remaining two categories, broadly divided into those where the State Government command a majority share and those where the State Government have only a minority share.

Table I alongside gives the results of the working of the autonomous bodies which together commanded Rs. 9.24 crores of capital and showed a gross profit, before taxation, of not more than Rs. 22.1 lakhs. The return on capital, thus, worked out to 2.2 per cent which is less than half of even the ruling bank rate. The rate of return in the case of the Financial Corporation at 3.7 per cent in 1960-61 is not discouraging in view of the fact that in that particular year the bank rate was around 4 per cent and the Financial Corporation was hardly five years old. Naturally, it could not increase its profitability ratio to a high figure because of its basic objective of assisting industries in the State by providing loans at comparatively cheaper rates of interest. What is really discouraging is the performance of the State Road Transport Corporation which employed a total of

Rs. 7.5 crores and could not show a profit of more than Rs. 13.6 lakhs giving a rate of return of 1.8 per cent only. It may be stated that the Road Transport Department started operating in 1932 as a part of the Nizam State Railway and at that time it had a very limited area of operation with a fleet of 33 vehicles only. The establishment of the new Transport Corporation on January 11, 1958, with larger financial allocations made the sphere of its activity wide commanding a fleet of more than 900 vehicles. Hitherto, all the financial allocations made by the State to the Corporation have been used up in buying new buses. The State has set the target of nationalizing road transport throughout its territory. It is stated by the Corporation that the financial allocations made by the State Government so far are not sufficient to extend its activities all over the State. No indication is, however, provided of any anxiety on the part of the Corporation to see that the capital invested is fruitfully employed.

Table II (p. 1103) gives the working results of the Government Department undertakings. The tale of the Road Transport Corporation is repeated here as well except for the distilleries and alcohol factories where the State Government enjoys monopoly and is able to reap a

Table I

PROFITABILITY RATIOS OF AUTONOMOUS BODIES

Undertaking	Account- ing Year	Total Capital (Rs. lakhs)	Sales (Rs. lakhs)	Gross Pro- fits (Rs.)	Per- centage of (3) to (2)	Per- centage of (3) to (1)
Andhra Pradesh State Financial Corporation	'60-61	176.0	..	6.5	..	3.7
Andhra Pradesh State Road Trans- port Corporation, Hyderabad	'59-60	748.0	..	13.6	..	1.8
TOTAL	..	924.0	..	20.1	..	2.2

harvest of enormous profits. This will be clear from the working results of the Government distilleries which with a total capital of Rs. 15.9 lakhs in 1959-60 was able to show a gross profit, after depreciation, of Rs. 15.7 lakhs. This also applies to the Andhra Pradesh Alcohol Factory and the Government Power Alcohol Factory though the return on capital in both the cases was much lower than that of the distilleries. Wherever competition with the private sector units is involved, the working results present a very dismal picture. Andhra Paper Mills is a clear illustration of the non-remunerative character of investments in industrial undertakings run by the State Government. In 1959-60, the total capital invested in paper mills was Rs. 100.5 lakhs while gross profits were not more than Rs. 3.3 lakhs showing a rate of return of 3.3 per cent. The Estimates Committee of the State Legislature had enquired into the working of this unit and had put forward some recommendations. It had recommended that the supplies of paper to the Government by the mills should be reduced to one-third of the annual production. A suggestion was also put forward for the establishment of a separate pulping unit which is feasible as a part of the present expansion programme so as to stop import of wood pulp. How far these suggestions will go in improving the working results of this unit (which was started in 1923 and has had a very chequered career involving it in liquidations a number of times) remains to be seen. The Estimates Committee had, however, not given any indication about the working of the unit to say if a detailed costing was necessary to ensure a reasonable cost of production. It could not be that the unit was supplying paper to the State Government at a concessional rate; the prices of paper have been fixed by the Central Government and while the industry has been agitating for a rise in paper prices, the working

results of most of them were not as unfavourable as that of this unit.

Keeping the above facts in view, the Andhra Pradesh Government are actively considering a proposal to hand over the paper mills to private sector. A declaration to this effect was made by the Chief Minister, Mr N. Sanjeeva Reddy, in the Legislative Assembly on November 14, 1963. He also said that a final decision on the subject would be taken shortly after taking into consideration the opinion expressed in the House. A sum of over Rs. 6 crores was needed for the expansion of the paper mills and the Government had on hand many vital projects for which funds were needed. It was for the precise objective of releasing these funds for development in other spheres that the State Government had come to the conclusion that it was in the larger interests of the community that the unit should be handed over to the private sector. In the same speech, he also said that the State's progress could be ensured only when the public and private sectors prospered simultaneously. If only the public sector were to perform the task of economic expansion, it might take a century to achieve the objective. It was also the intention of the Government to dispose of minority shares in industrial undertakings in the State so as to provide incentive for starting of new industries. The State has under consideration a proposal to dispose of a certain proportion of shares in the Nizam Sugar Factory (discussed hereafter) in which the Government has 75 per cent of the shares. It is proposed to sell these shares to local agriculturists. This step will create a feeling among the agriculturists of the area that the factory belonged to them. This, indeed, is a welcome change in the attitude of the State Government which has at long last realised that the public sector alone

TABLE II.

PROFITABILITY RATIOS OF GOVT. DEPARTMENT UNDERTAKINGS

Undertaking	Accounting year	Total Capital Employed (Rs. lakhs)	Sales (Rs. lakhs)	Gross Profits	Per- centage of (3) to (2)	Percentage of (3) to (1)
The Government Ceramic Factory	1959-60	15.2	6.1	1.0	1.6	10.5
Andhra Pradesh Life Insurance Department	1955-56	199.9	..	..	..	..
Govt. Distilleries	1959-60	15.9	29.8	15.7	52.7	98.7
Andhra Pradesh Power Alcohol Factory	1959-60	27.3	12.2	4.4	36.1	16.1
Andhra Paper Mills	1959-60	100.5	39.6	3.3	8.3	3.3
The Govt. Power Alcohol Factory	1959-60	13.3	10.4	3.7	35.6	27.8
Govt. Block Glass Works	1959-60	3.2	0.2	..	..	..
Govt. Fruit Preservation Factory	1958-59	2.3	0.5	..	..	..

cannot push through the development projects in the State.

Table III sets out the working results of the undertakings wherein the State has a majority holding. Except for the Nizam Sugar Factory—which is the largest sugar mill in India—the performance is in line with the usual working of the public sector undertakings. Tungabhadra Steel Products showed a rate of return of not more than 2.2 per cent. In the case of Singareni collieries and the Hyderabad Chemicals and Fertilizers, the profitability of capital was a little lower than 5 per cent in both the cases. In the case of the Nizam Sugar Factory, the rate of return was as high as 34.1 per cent. With a capital of Rs. 7.1 crores in 1959-60, the gross profit, before taxation, was Rs 2.44 crores. Partly, the profit had emerged because of the comparative lean all-India output of sugar and also various other advantages which the mill enjoyed. Particular mention needs to be made of the 16,000 acres estate where sugarcane is grown under the management of the company. Steps have been taken by the factory in recent years to encourage a rise in the yield of sugarcane and its sucrose content by advancing loans and supply of improved seeds and fertilizers to farmers. The factory was started in 1937 when it had a capacity of crushing 1,000-1,200 tons of cane per day. Currently it has a crushing capacity of 4,500 tons per day—more than four times the capacity in relation to 1937. In addition to the manufacture of sugar, it supplies molasses to the Government Power Alcohol Factory and has a confectionery unit of its own. Plans are afoot to manufacture newsprint from bagasse which is partly used as a fuel in the factory.

The fourth category of undertakings, namely those where the State Government has a minority share, consists of fourteen units and their working results are shown in Table IV (p. 1105). It is seen that the rate of return on capital, taking all the fourteen undertakings

together, was 6.7 per cent. There were two outstanding cases amongst this group, namely, the Vazir Sultan Tobacco Company and the Hyderabad Laminated Products Ltd., which had a rate of return around 30 per cent. The Vazir Sultan Tobacco Co., Ltd., was incorporated as long back as 1930 when it took over business of Vazir Sultan and Sons, manufacturers of cigarettes. In certain areas of this country, the Imperial Tobacco Company has been acting as the sole distributor of the company's brands of cigarettes. The most popular brand is 'Char Minar' whose present sales exceed Rs. 6 crores per annum. Hyderabad Laminated Products was incorporated in 1947. Since December, 1951, it has been under the control of M/s. Best & Company (Private) Ltd. and has been doing extremely well. Not all the raw materials needed for the products of the company are available within the country, amongst the imported ones being such chemicals as phenol, meta cresol and formaldehyde. Kraft paper, laminates, fabric, alcohol, etc., however, are readily available within the country. Efforts are being made to expand the capacity of the factory further.

The Andhra Pradesh Government holds shares of the value of Rs. 47.6 lakhs out of the total share capital of Rs 136.9 lakhs in Praga Tools Corporation Ltd., that makes the State Government a minority share-holder in the fortunes of the company. The Government of India holds shares of Rs. 70 lakhs and is the major partner. The administrative functions of the company are vested in the General Manager who acts under the overall policies of the Government of India. The rate of return on capital employed in the unit was 2.2 per cent only. Two of the units—Hyderabad Allwyn and Hyderabad Asbestos — which are under the control of Hyderabad Agencies Private Ltd. have shown improved results in recent years; they were in financial straits before coming under the control of the present management. In 1959-60, the net profit of Allwyn, after pro-

TABLE III.

UNDERTAKINGS IN WHICH STATE GOVT. HAS A MAJORITY SHARE

Undertaking	Accounting year	Total Capital Employed (Rs. lakhs)	Sales (Rs. lakhs)	Gross Profits	Percentage of (3) to (2)	Percentage of (3) to (1)
The Singareni Collieries Co. Ltd.	1960	866.6	640.0	41.4	6.5	4.8
The Hyderabad Chemicals & Fertilizers Ltd.	1959-60	64.8	79.3	3.2	4.0	4.9
The Nizam Sugar Factory Ltd.	1959-60	715.2	604.2	244.4	40.5	34.1
Tungabhadra Steel Products Ltd.	1960-61	83.5	4.8	1.8	37.5	2.2
TOTAL		1,730.1	1,328.3	290.8	21.9	16.8

viding for depreciation and development rebate, was 3.6 per cent of capital employed; the latest balance-sheet for 1962-63 has shown a better performance at a net profit of Rs. 7.2 lakhs with a total capital of Rs. 390 lakhs, showing a profitability of 4.4 per cent along with a steady increase in output as well as a widening of the range of its products. Sales of Allwyn have registered a steep rise from Rs. 1.75 crores in 1959-60 to Rs. 2.59 crores in 1962-63.

Hyderabad Asbestos Cement Products Ltd. which came under the control of the present management in 1958, has recorded spectacular progress. The total output of the unit was less than 20,000 metric tons in 1958 but it had risen to nearly 58,000 metric tons in 1962 and, according to the present reports, is likely to exceed the mark of 100,000 metric tons in 1963. It means that in five years the volume of output of asbestos has multiplied five times. A heartening feature of the working results for the year ended 31st December, 1962, was that it was possible for the company to wipe off completely all the past losses and to declare dividend which was at the rate of Re. 1 per share, absorbing a sum of Rs. 1.18 lakhs. The company is likely to do much better in 1963 because of the doubling in production in a single year and also because of the ready demand for its product.

The Sirpur Paper Mills improved its gross profit (after providing for depreciation but not taxation) from

Rs. 19.4 lakhs in 1959-60 to Rs. 33.3 lakhs in 1960-61 and Rs. 38.0 lakhs in 1961-62. The sizable increase in profit resulted despite the fall in output from 32,240 tons in 1959-60 to 22,820 tons in 1961-62 because of a protracted labour strike resulting in the closure of the factory for nearly three months. The working results in 1962-63 again showed a further deterioration because of the illegal strike by the workers for more than three months. The net sales dropped from Rs. 460.98 lakhs in 1961-62 to Rs. 340.02 lakhs in 1962-63. There was, as a natural consequence, a fall in profits which were almost one-seventh of the level in the preceding year. Equity dividend had to be slashed to 50 nP. gross per share against 80 nP; but for the strike the working results would have been markedly different. Its present capacity at 36,000 tons will be increased by another 11,400 tons per annum after the completion of the expansion programme. Sirsilk Ltd. has also, since 1959-60, shown a rise in total sales from Rs. 2.75 crores to Rs. 3.33 crores, but its net profit declined from Rs. 3.60 lakhs to Rs. 0.38 lakhs mainly because of the strike in the factory which lasted nearly a quarter of the year. Happily, the factory has resumed work after an amicable settlement with labour and Sirsilk is likely to show very good working results in the current year. By and large, it may be asserted that the units in this category which have come under the sway of dynamic managements have improved their financial results significantly and have a promising future ahead of them.

TABLE IV.

PROFITABILITY RATIOS OF COMPANIES IN WHICH THE STATE GOVERNMENT HAS A MINORITY SHARE

Undertaking	Accounting year	Total Capital Employed (Rs. lakhs)	Sales (Rs. lakhs)	Gross Profits†† (Rs. lakhs)	Percentage of (3) to (2)	Percentage of (3) to (1)
The Azam Jahi Mills Ltd.	1959-60	280.1	226.3	5.9	2.6	2.1
The Hyderabad Construction Co. Ltd.†	1959	80.0	9.4	..	..	..
Bio-Chemical & Synthetic Products Ltd.	1960	22.4	5.1	1.7	33.3	7.6
The Sirsilk Ltd.	1959-60	730.2	228.0	23.3	10.2	3.2
The Sirpur Paper Mills Ltd.	1959-60	673.6	437.8	19.4	4.4	2.9
The Vazir Sultan Tobacco Co. Ltd.	1959-60	325.0	660.9	95.5	14.4	29.4
The Hyderabad Allwyn Metal Works Ltd.	1959-60	145.0	175.6	5.2	3.0	3.6
Hyderabad Chemical & Pharmaceutical Works Ltd.	1959-60	14.9	15.7	1.4	8.9	9.4
The Deccan Procelain & Enamel Works Ltd.	1959-60	3.6	2.3	0.1	4.3	2.8
Debonair Ltd.	1959-60	3.2	0.3	0.04	13.3	1.3
Hyderabad Tin Products Ltd.	1959-60	2.7	4.1	0.06	1.5	2.2
The Hyderabad Laminated Products Ltd.	1959-60	37.4	51.7	12.0	23.2	32.1
The Hyderabad Asbestos Cement Products Ltd.	1959-60	72.4	82.8	3.2	3.9	4.4
Praga Tools Corporation	1959-60*	155.5	47.9	3.4	7.2	2.2
TOTAL		25,46.0	19,47.9	1,71.2	8.8	6.7

*Accounts for 9 months only.

†Net loss of Rs. 5.02 lakhs.

††After providing for depreciation but not for taxation.

A Great Man, Great President

DEATH CAME suddenly to John Fitzgerald Kennedy, the 35th President of the United States of America, after 35 months of office. It was not the love of mythical gods, but malice of mean men that killed him. Whatever might have been the immediate motivation of the tortured thoughts that ended in the dark deed, by fighting for what is good and true, what is just and fair, in the affairs of men, the late President had provoked the evil forces of this world to array against him. It may be that, when the whole truth, and nothing but the truth, of that tragic Friday in Dallas comes to be revealed and recognised, the impulse that fired that fatal shot might be traced to some specific political passion or prejudice. But it would still be true that Kennedy died essentially because, like Mahatma Gandhi and Abraham Lincoln before him, he had to be a martyr in his cause before his Message could reach out into the hearts of ordinary men and women.

Kennedy was President for less than three years, but during that brief period he did succeed in accomplishing great good. He taught his own country and the world that the task of guiding great nations is not one for the political mercenary, but a responsibility of men of faith, vision, courage and intellect. He took his place in the White House so seriously that he spared no effort at gathering around himself for advice and admonition some of the most dedicated and the most able men his country could give him. It is perhaps thanks to this one factor that he has been able to achieve his many great successes in such vital areas as world peace, international economic development and the progressive resolution of racial conflicts in the United States and elsewhere. Kennedy in his middle forties was perhaps too young to want to be a philosopher king, but his deep humanity had its own philosophic quality just as his enormous craftsmanship as a campaigner on the rough course of American politics was at all times redeemed by a rare touch of the larger statesmanship. To one to whom the world owes so much, India's own indebtedness is large. He had respect for our history and values, sympathy for our battle with poverty, a willingness to help us always and particularly on the occasions of our greatest need. As the head of the most powerful nation in the world, he used its strength not as a giant but as a gentleman. As the leader of the richest country in the world, he used its wealth well and wisely. Kennedy at 46 is among the Immortals.

Voice of India

Paying a tribute to President Kennedy, the Prime Minister, Mr. Jawaharlal Nehru, said in Lok Sabha, on November 25:

"We meet here, today, under the shadow of shock and sorrow. To many of us, it is a personal shock and grief. But the crime that has been committed was something more than a personal one. It was a crime against humanity. A man has been struck down in pride of youth and achievement: a man of ideals, vision and courage, who sought to serve his own people as well as the larger causes of the world.

"President Kennedy revived among his people the ideals enshrined in the American Constitution and in a changing world, sought to apply them to the problems of today. He endeavoured, not without success, to work for the removal of the tensions that burden and distract the world and to ensure an abiding peace. He devoted himself to the removal of injustice and inequalities among men. In his own great country, he laboured for civil liberty

and worked so that Negroes might enjoy full freedom and opportunity without discrimination based on race or colour. In the wider world outside, a great part of which still suffers from poverty and lack of opportunities for growth, he threw his great energy and weight in favour of the development of under-developed countries so that people everywhere should have the blessings of freedom and the advantages that modern science and technology give.

"Wealth and prosperity came to his own country. To these President Kennedy added a deeper human and moral outlook which embraced in its scope the peoples of the world.

Self-Evident Truths

"To these great causes he dedicated himself, and the picture of a great President emerged which brought a measure of hope to the peoples of the world. To his high office he gave lustre and grace and people in distant parts of the world looked upon him with hope and affection. The memory of his great predecessor Abraham Lincoln, the Emancipator, was revived, and in the confusions and conflicts of the present day world came a vision of the "self-evident truths" that all men are created equal and have certain inalienable rights, and till these are fully achieved the vision of the founders of the American Republic will not be realised in its completeness.

"The gracious lady, his wife, to whom our thoughts must turn today in deepest sympathy, came to India and we had the privilege to give her an affectionate welcome. It was our hope that President Kennedy would also pay us a visit and he had himself expressed a wish to do so. That will not take place now, as an assassin's hand has put an end to a life which had already flowered so well and which gave promise of greater achievement in the future.

"A great President and a great man is dead, struck down by one of his own countrymen. We sorrow for this as indeed we must, but perhaps he has served the causes he cherished by his death even as he laboured for them in his life. Let us all draw inspiration from his fragrant memory and pay our homage to it.

"These words which I have said, I am sure, represent not only my sentiments but the sentiments of all the Members here and all the Parties that are represented in this Parliament."

Text of statement made by Secretary-General, Mr. R. K. Nehru, on behalf of the Government of India, at the Special Service held in the U.S. Embassy in New Delhi for the late President Kennedy on November 25:

"We have met here today, in deep sorrow, to honour the memory of a great President of the United States. A man of high purpose, deep vision and noble ideals, he had won our admiration and respect. More and more, the world as a whole, recognising his great qualities, was looking to him for leadership. And now suddenly, in his very prime, while his work was beginning to bear fruits, his illustrious life has been ended.

"We are all utterly shocked and deeply grieved by the tragic event which took place three days ago. President Kennedy's sudden death is a heavy loss for us all and has shaken the world. Our deepest thoughts today, our prayerful thoughts, are with those who were near and dear to him personally. We also share the deep sorrow of the great American people in the irreparable loss which they have suffered. The world as a whole has also suffered, for President Kennedy was not only a great President of the United States; he was also a great world leader who had dedicated himself

(Continued on page 1109)



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(Contd. from page 1106)

to the cause of world peace and the advancement of freedom, racial equality and human welfare.

"We in India have lost a genuine friend for whom we always had the highest respect. His sympathetic understanding of our problems and interest in the welfare of our people were deeply appreciated by us. We were encouraged by his interest and understanding in the efforts we are making to build our country in peace and freedom.

"The Government and people of India today are mourning the loss of a friend of India who was also a great world leader. Throughout the world, rich tributes are being paid to his illustrious memory. There can be no better tribute on our part than to resolve, on this day, that we shall dedicate ourselves anew to securing and strengthening the great cause of world peace and human progress which President Kennedy had made his own and to which he was able to make such an outstanding contribution in a few years before laying down his life."

Quality of His Head and Heart

"A man does what he must — in spite of personal consequences, in spite of obstacles and dangers and pressure — and that is the basis of all human morality." (A personal testament).

"My fellow Americans, ask not what your country can do for you, ask what you can do for your country."

"My fellow citizens of the world, ask not what America will do for you, but what together we can do for the freedom

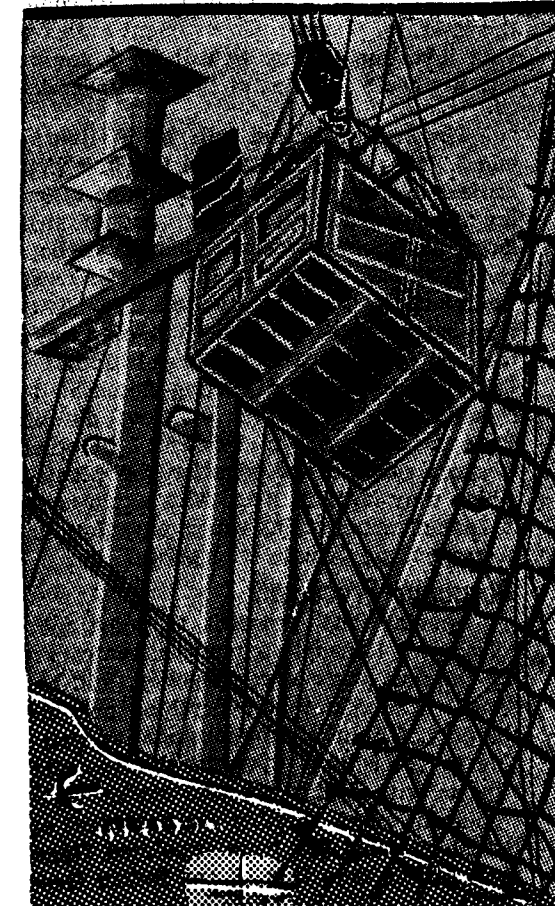
of men." (Inaugural address, January 20, 1961).

"To those people in the huts and villages of half the globe struggling to break the bonds of mass misery, we pledge our best efforts to help them help themselves, for whatever period is required — not because the communists may be doing it, not because we seek their votes, but because it is right. If a free society cannot help the many who are poor, it cannot save the few who are rich." (Inaugural address, January 20, 1961).

"We are attempting to provide equality of opportunity so that all citizens, regardless of the race, have a chance to participate fully in our life". (Television interview, April 19, 1961).

"Our goal is not the victory of might, but vindication of right — not peace at the expense of freedom, but both peace and freedom, here in this hemisphere, and we hope, around the world". (Radio-TV address to the nation when offensive missiles discovered in Cuba, October 22, 1961).

"We in this country, in this generation, are — by destiny rather than by choice — the watchmen on the walls of world freedom...as was written long ago, 'except the Lord keep the city, the watchman waketh in vain'." (Excerpt from the speech he was going to make in Dallas, Texas, November 22, 1963, but never made).



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Highlights of the Week

MINISTERIAL RESHUFFLE

THE SECOND major Ministerial reshuffle and re-organization of the various Ministries at the Centre since the implementation of the Kamaraj Plan, has been announced. The Ministry of Scientific Research and Cultural Affairs has been abolished and the subjects merged in the Ministry of Education. The Ministries of Mines and Fuel and Steel and Heavy Industries have been reconstituted, the former as a new Ministry of Petroleum and Chemicals and the latter as the Ministry of Steel, Mines and Heavy Engineering.

The Ministry of Education will have two departments: (1) the Department of Education; and (2) the Department of Science. The former will deal with all matters previously handled by the Ministry of Education and the latter with subjects hitherto dealt with by the Ministry of Scientific Research and Cultural Affairs, except International Congress of Orientalists, revision of Gazetteers and administration of Muslim Waqfs.

The new Ministry of Petroleum and Chemicals also will have two departments under it: (1) the Department of Petroleum; and (2) the Department of Chemicals. All the subjects relating to petroleum under the former Ministry of Mines and Fuel have been placed under the Department of Petroleum. The Department of Chemicals will look after matters relating to fertilizers (transferred from the former Ministry of Steel and Heavy Industries), and petro-chemicals, synthetic rubber, drugs and other chemicals, plastics, dyestuffs, caustic soda and soda ash, chlorine, sulphuric acid, soaps and detergents, insecticides, antibiotics and power alcohol (transferred from the Ministry of Industry).

Interchange of Deptts.

The Ministry of Steel, Mines and Heavy Engineering will have three departments: (1) the Department of Iron and Steel; (2) the Department of Heavy Engineering; and (3) the Department of Mines and Metals. The subjects under the charge of the Department of Iron and Steel remain unchanged. The subjects under the previous Department of Heavy Industries, other than Fertilizers, have been placed under the new Department of Heavy Engineering. Subjects relating to mines, coal and non-ferrous metals, hitherto dealt with by the former Ministry of Mines and Fuel, have been placed under the charge of the Department of Mines and Metals.

The Ministry of Industry has been left to deal with matters relating to industrial policy, industrial co-operation, patents and designs, development of cables, light engineering, light electrical and light consumer industries, raw films, optical glass, hardboard, paper and newsprint, tyres and tubes, salt and small-scale and village industries.

The enlarged Ministry of Education has been placed under the charge of Mr. M. C. Chagla, the new Minister appointed to the Cabinet. Mr. Bhakt Darshan has been appointed as a Deputy Minister to assist Mr. Chagla. Mr. Mono Mohan Das, hitherto Deputy Minister in the Ministry of Scientific Research and Cultural Affairs, has been transferred in the same status to the Ministry of Education. This Ministry, thus, has now three Deputy Ministers: Mr. Bhakt Darshan, Mr. M. M. Das and Mrs. Sundaram Ramachandran. Prof. Humayun Kabir has been made the Minister-in-charge of Petroleum and Chemicals. He will also continue to administer the three subjects of International Congress of Orientalists, Gazetteers and Muslim Waqfs. Mr. O. V. Alagesan, who held the charge of the Ministry of Mines and Fuel as Minister of State, becomes Minister of State in the Ministry of Petroleum and Chemicals. Mr. C. Subramaniam has been redesignated as the Minister of Steel, Mines and Heavy Engineering. His deputy, Mr. P. C. Sethi, becomes Deputy Minister in this reorganised

Ministry. Another change is that Mr. A. M. Thomas, hitherto Deputy Minister in the Ministry of Food and Agriculture, has been promoted to the rank of Minister of State in this Ministry.

MINISTER FROM BONN

MR. WALTER SCHEEL, Minister for Economic Co-operation in the Government of the Federal Republic of Germany, arrived in New Delhi on November 23 for a visit which is to last till December 8 and which takes him to Patna, Calcutta, Jamshedpur, Rourkela, Madras, Bangalore and Bombay, besides Kathmandu, the capital of Nepal. Although the crammed itinerary has managed to include a few necessary and desirable diversions, such as visits to the Taj and Mahabalipuram, it is evident that the West German Minister is here on no holiday trip. Mr. Walter Scheel, who belongs to the Social Democratic Party, partners with the Christian Democrats in the Coalition at Bonn, is a young energetic and hard working Minister who has some very definite ideas on how the West German Government and West German industry could and should participate in the industrialisation of developing nations. Mr. Scheel is reputed to be in the confidence of the leaders of German industry to an extent possibly greater than even the trust given to Chancellor Erhard, the architect of the German economic miracle. The Federal Minister for Economic Co-operation takes the view that while Bonn should certainly continue to render assistance through development loans, the recipient countries should increasingly turn to German private capital and private enterprise for resources for in the issues of German Government aid as well as German private investment seem to call for a frank exchange of views and a sincere attempt at mutual understanding.

Mr. Walter Scheel will be in Rourkela on December 2 and 3. It is unfortunate that this first visit to this outstanding project in Indo-German economic co-operation should be taking place against the background of strikes and production losses at the steel works. There is perhaps insufficient appreciation in this country of the state of sensitiveness of German sentiment to troubles in Rourkela. There has lately been some adverse comment, not altogether unjustified, in the West German press on the question of "Indian working discipline". Dusseldorf: "It (Indian working discipline) does not yet come up to European standards. In other words, the Indian workers still do not consider the plant as their own, with which they have to live. This again is somewhat the failure of Indian management which pays first class experts less than corresponding private enterprises."

Durgapur Precedent

'Handelsblatt' proceeds to point out that erection work relating to Rourkela expansion, contrary to the practice during the first stage of construction, will be executed by Indian firms. It admits that everything possible has been done on the part of Rourkela management as well as from the German side to co-ordinate operational responsibility of the German experts with Indian erection work. Nevertheless, it raises a significant query whether the precedent of Durgapur, where a British national has been appointed General Manager with a rank higher than that of the Indian General Superintendent, a step "could become necessary in time". Whether Mr. Scheel exactly these terms or not, it is reasonable to assume that the question of ensuring the efficient execution of Rourkela expansion is bound to figure prominently on his agenda in New Delhi.

Meanwhile, further light has been thrown on the proposed

utilisation of the Rs. 47.36 crores assistance committed by West Germany for India's development during the third year of the current Plan. Approximately Rs. 12 crores of this are to be used for implementation of four projects: (i) the Special Steel Project at Rourkela; (ii) the Alloy and Tool Steel Project of the Mysore Iron & Steel Works; (iii) the expansion of the Government's truck project; and (iv) power transmission and distribution equipment. The balance Rs. 35.36 crores will be available for (a) importing equipment for some specially agreed continuing projects such as the Rourkela Fertilizer Plant, the Neyveli Briquetting and Carbonisation Plant, the Kalinga Pig Iron Plant and the Mysore Government's new electric factory; (b) import of non-project commodities; (c) assistance for financial institutions like the National Small Industries Corporation and the Industrial Credit and Investment Corporation of India (to be re-lent to private sector medium-sized industries); and (d) placing of orders for buying ships. Some suppliers' credit is also proposed to be made available for the last mentioned purpose.

Next only to U.S.

The total assistance that West Germany has extended to India since the beginning of the second Plan totals Rs. 360.63 crores — next only to that provided by the United States under the Aid-India Club. Of this, aid to the tune of Rs. 140.06 crores has been given for the second Plan and the remainder Rs. 220.57 crores for the first three years of the current Plan. Bulk of the assistance has come in the form of credits, although some outright grants and technical assistance has also been there. Indo-West German economic co-operation should get a further fillip as a sequel to the current visit of Mr. Walter Scheel. So far as private West German investments in India are concerned, the one inhibiting factor in the recent past has been that West Germany has been insisting on our subscribing to an Investment Guarantee Scheme under which the safeguards to be provided for West German investments will have to be more preferential than those provided for investments from the other Western countries. The Government of India, though it appreciates the West German point of view, has its limitations because such guarantees have to follow a general pattern. The most that it is prepared to offer is an agreement on the pattern of the one entered into with the United States. If this issue is resolved satisfactorily during Mr. Scheel's present visit, it will go a long way in stepping up the flow of private West German capital to this country. Today, there are said to be some 65 firms here which have West German equity participation in their capital to the tune of Rs. 6 crores. Some of these are wholly German and others joint ventures.

OPERATION 'SIKSHA'

THE SUCCESSFUL completion of the air exercises held in eastern and north-western India during the last fortnight with assistance from the US, the UK, and Australia, goes to show that given an opportunity and equipment, the Indian Air Force personnel can stand on an equal footing with the best in the world. The operation should help in inspiring further confidence in our Air Force and needs to be hailed as a landmark in its short history. It takes our defence preparations against the Chinese a good step further. The US Administration made available for these exercises a major portion of the equipment, especially the radar system, and 18 Sabrejets, the F-100s. The UK provided the electric and communications apparatus, besides a squadron of 12 Javelins. Two Canberra bombers were sent by the Australian Royal Air Force. Over a hundred Hunters, Gnats, Canberra Jets and Vampires participated from the Indian side.

Besides the valuable experience and training which these exercises have provided to the IAF personnel in the handling of modern sophisticated air equipment, they are believed to have lent force to the Indian contention that the Chinese menace can be met squarely only if the IAF is equipped with supersonic aircraft. A detailed assessment, however, must await an analysis of the results of the operation.



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THE NATION NEEDS YOUR SAVINGS

FROM THE PRESS GALLERY

Off-Guard and Flat-Footed

By A. K. MUKERJI

NEW DELHI: Monday.

WITH THE shadow cast at the time of writing by the double tragedy over the week-end—the death in a helicopter accident of top-ranking officers of our Services and President Kennedy's assassination—the compulsion is strong for suspending criticism for a while. Nevertheless for the record it is necessary to note that seldom has Parliament opened its sessions with the treasury benches so off-guard and flat-footed as they were last week. Obviously, despite the Kamaraj Plan re-invigoration and Jaipur (or was it because of these?) they found it irksome to remember that sleep-walking was the surest way to falling flat on one's nose.

It is possible the Opposition made much too much of the Walcott affair—and that on the very first day when the Congress MPs apparently took it for granted that all that they needed doing was to relax and yawn (both literally and metaphorically). Mr. Nath Pai in particular drew a couple of quite irrelevant red herrings across the trail, especially in his speech while moving his motion of adjournment, which possibly mirrored the depth of his feelings but certainly added no new cubits to his stature as a parliamentarian. The chink in his armour showed up clearly when Mr. Indrajit Gupta Communistically interspersed his support to the motion with plentiful references to the tycoons and Maharajahs friendly to the adventurer Walcott and rounded up with a warning to the USA ("neo-imperialist, Capitalist?") that the bonafides of its professed friendship for us would be in question unless it caught the American culprit and handed him over to our Government.

Bizarre and Grotesque

All this was bizarre and grotesque and disproportionately extravagant. Nevertheless there is no pardoning the Government's failure, first, to oppose at the very outset the consideration of the motion but for which the Congress members (even the Ministers) would not have kept quiet when the Speaker asked whether there was any objection to it and, then, to properly appraise what really was at stake. Mr. Walcott's escape with his Piper Cub from Safdarjang airport, whatever the explanation for it in formal, legalistic terms, was a matter that was, all told, one of our honour before the world since it tended to expose our administrative vigilance in the midst of the emergency as extremely poor. The Home Minister as well as the Transport Minister could have easily retrieved the position by treating it as such. Instead, they fell back on a defence positively lame on most counts and as unconvincing on the whole as the Opposition scare-crow of a major lapse in the Government's security set-up.

That the lapse on the score of security arrangements is generally glaring is beyond doubt as proved all over again by Mr. Nehru's conspicuously laboured enunciations last week in both the Houses while dealing with the arrests connected with Pakistan's espionage activities in India; and also by the public disclosure by Mr. S. N. Dwivedy (PSP) of how the Deputy Chief of Pakistan's Central Intelligence Service had recently slunk in un-noticed in the garb of a Buddhist lama and had gone back unchecked after staying for some time in the Ladakh Buddha Vihara in the very heart of the capital. But it was clearly straining credulity to link up this lapse with Mr. Walcott's get-away. Neither of the two spokesmen of

the Government cared to make this point central to their thesis.

The position was not materially different when the Home Minister, Mr. Gulzari Lal Nanda, moved the motion introducing the Bill for the continuation of the Preventive Detention Act. Maybe the debate slated on the Bill will make things clearer but last week it did not seem wholly clear that the case in favour of the Bill was impregnable. Two points already made—one by Mr. H. V. Kamath and the other by Dr. Ram Manohar Lohia—remain to be answered to carry conviction. Since Defence of India Rules already provide for cases such as those covered by the Preventive Detention Act, what is the need for having two measures for dealing with almost self-same contingencies? Secondly, if there is need for Preventive Detention, would it not be proper to incorporate its provisions in the Penal Code rather than have a separate, special measure? However, the arguments the Opposition advanced—and these are bound to be repeated in elaboration when the Bill comes up for discussion—were more sentimental than tenable and to no small extent a tongue-in-cheek business. After all it was not for nothing that no member actually contested the validity of the principle of preventive detention, which was admitted to be an unavoidable evil in some circumstances.

Administrative Sloth

On a par with the experience during these two debates was that of the Government's approach in both the Houses to the crucial problem of corruption and administrative sloth and inefficiency. During the discussion following questions in the Rajya Sabha on the enquiry by the Das Commission into the Kairon affair, Mr. Nehru was markedly circumspect while referring to the Chief Minister of the Punjab, but landed into his earlier mistake during the last session of overly energetic defence of one under fire—this time of the Chief Minister of Kerala. The facts of the case may be impeccable (as claimed) but the more important question surely is how the Government projects the image of its being unqualifiedly keen on rooting out corruption.

This failure to face realities was at its crassest when the Government came during the week to deal with economic issues—both those currently agitating the public mind and those intimate to the country's economic health. In point of fact it was on these issues that the Government's approach seemed shot through with ideas mirroring an amazing degree of irresponsibility, amateurishness and casualness. The answers to questions and statements in the two Houses on the acute food (including sugar) and price situations offered about the worst examples of this. Reference may be made to Mr. A. M. Thomas's 'faux pas' on the rice prices in West Bengal, which provoked angry protests from the Opposition, even from the Congress benches, and eventually compelled him to later appear before Parliament in virtual sack-cloth and ashes to apologize for the hopelessly wrong figures earlier quoted by him.

Characteristically this same cavalier casualness marked the Government's overall approach revealed during the debates and statements on Mr. Kanungo's motion on Public Sector undertakings and, inevitably more strikingly, in the ever irrepressible Minister of International Trade, Mr. Manubhai Shah's breath-taking 'obiter dicta' on, among other things,

the development of automobile industry and his optimistic ooziings on export prospects.

As if to underscore the pity of it all, Mr. Kanungo's motion in the Lok Sabha for setting up a watch-dog committee of both the Houses on public sector undertakings sparked as many as 28 amendments, not a few of them from Congress members, at least one of whom (Mr. A. C. Guha) even pressed for a division! The motion was eventually adopted by the Lok Sabha but not without leaving the legacy of a nagging doubt. Though welcome, as most members said, especially after the inclusion under its sway of Hindustan Aircraft, Bharat Electronics, Mazagaon Docks and Garden Reach Workshop which had initially been proposed to be excluded, it remains to be seen if the Committee does not find itself shorn, as Mr. Guha put it, of the rights and prerogatives hitherto available to the Estimates and Public Accounts Committees.

The week ended on a sad note, following the news conveyed by the Defence Minister of the death of six officers of the Services. A day earlier, Mr. Nehru introduced the Minister of Education, Mr. M. C. Chagla, to the Lok Sabha.

The week witnessed the re-emergence of the linguistic spectre, thanks to Hindi fanatics—the Lohia Socialists mostly but not a few among the Congress members too. The DMK member who raised a point of order in Tamil in the Lok Sabha actually rang an alarm bell. It is in the interests of the future of Hindi as an official language that the lesson of this warning does not go unheeded. What can be won through patience and liberal accommodation of non-Hindi-speaking communities might well be lost for good otherwise.

Automobile Debate

The debate in the Rajya Sabha on the private member's motion of Mr. Krishna Chandra (Congress) on the report of the Development Council for the automobile industry highlighted a number of interesting points but it will be best remembered because it made the Minister of Steel, Mines and Heavy Engineering, Mr. C. Subramaniam, put his foot into his mouth. Besides suggesting that a way to reduce car prices would be to go in for a uniform model by all the manufacturers as this would cut down the cost of spares and ancillaries, he allowed rhetoric to get the better of him when, in the course of his elaboration of the best way of reducing prices, he went on virtually to play to the gallery on the issue of the nationalization of the industry, though for reasons apparently of expediency he was discreetly equivocal. The point he left untouched or evaded was how to resolve the problem of essential materials unavailable in the country, and difficult to have freely so long as the foreign exchange position continues to be tight, in the absence of which increased output of automobiles (the key to reduction of costs) is impossible. This, taken with the high proportion of taxation of various kinds in pricing structure of automobiles, is really the crux of the problem and there is no use complaining that the Development Council of the industry has not succeeded in its task of promoting development.

Question Hour

THE UNION Finance Minister, Mr. T. T. Krishnamachari, told the Rajya Sabha last week that the State Bank of India had agreed to assist a few of its clients in obtaining loans in foreign currencies for financing some essential imports. Such loans, he added, were intended to be repaid from the subsequent export earnings of the borrowers. The assistance to be rendered by the Bank would be within the scope of the Government's import and other policies and specific approval would have to be obtained from the Union Government in each case. This scheme, Mr. Krishnamachari further stated,

was at present purely experimental. It was, therefore, not possible to indicate the extent to which assistance might be granted by the State Bank under it.

Iron and Steel Prices: Mr. C. Subramaniam said in the Lok Sabha that the Government was still considering the recommendations of the Raj and the Producers' Committees on the control of price and distribution of steel. However, the first sale price of steel would be fixed by the Joint Plan Committee of the main producers as envisaged by the Raj Committee.

In a written reply he indicated that for reducing costs and for conserving skills in specialized fields of steel construction the Government proposed to set up a new corporation for undertaking a sizable share of all new steel works construction.

The MIGs Project: Giving information on the Airframe and Aero-Engine Factories for the manufacture of MIG fighter aircraft in collaboration with the Soviet Union, Mr. K. Raghuramaiah, Minister of Defence Production, said the project reports completed by an Indian team in consultation with Russian specialists "were currently under examination by Government."

The Minister added that land had been acquired at Koraput in Orissa and was being acquired at Nasik in Maharashtra. Administrative approval for the first-phase construction programme, amounting to Rs. 3.5 crores, had been issued for the Airframe Factory at Nasik. For the Aero-Engine Factory at Koraput, the first-phase estimate, amounting to Rs. 3.16 crores was under examination. A site near Hyderabad in Andhra Pradesh had been selected for the factory to be established for the manufacture of electronic components.

Production of AVRO-748s: In answer to a question on the production of AVRO-748 transport planes at the Aircraft



POLITICS MAKES STRANGE BEDFELLOWS!

Manufacturing Depot, Kanpur, Mr. Raghuramaiah said three aircraft of Series I had been completed; the manufacture of the fourth aircraft of Series I and the fifth and sixth aircraft of Series II was now in hand. When asked whether any foreigner was still working at the AMD, the Minister replied in the affirmative adding that the foreigner was a stress-engineer whose services had been retained only to train Indian personnel.

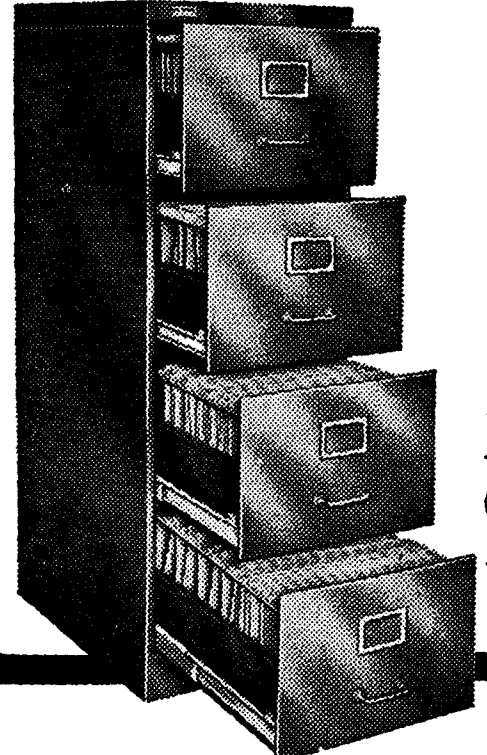
Helicopter Programme : In reply to another question, the Minister said the Hindustan Aircraft Ltd., had a plan for the manufacture of helicopters in collaboration with French firms. The manufacturing programme was under consideration.

Trade Agreements : Mr. Manubhai Shah, Minister of International Trade, told the Lok Sabha that a trade delegation

from France and another from West Germany were expected early next year. By March next Afghanistan, Algeria, Bulgaria, Ceylon, Hungary, Philippines, Poland, Rumania, and South Korea, among others, were expected to send trade delegations.

The Minister said the volume of Indo-Soviet trade during 1963 was estimated at Rs. 50 crores each way and that it was expected to reach about Rs. 110-crores each way in 1966.

Gold Control Rules : Mr. T. T. Krishnamachari, Finance Minister, said the Rules would be revised if it was found that relaxation would help relieve unemployment among goldsmiths. But they would in no case be so revised as to defeat the objective of the measure. In no case would dealers be permitted either to sell or buy ornaments above 14 ct. purity.



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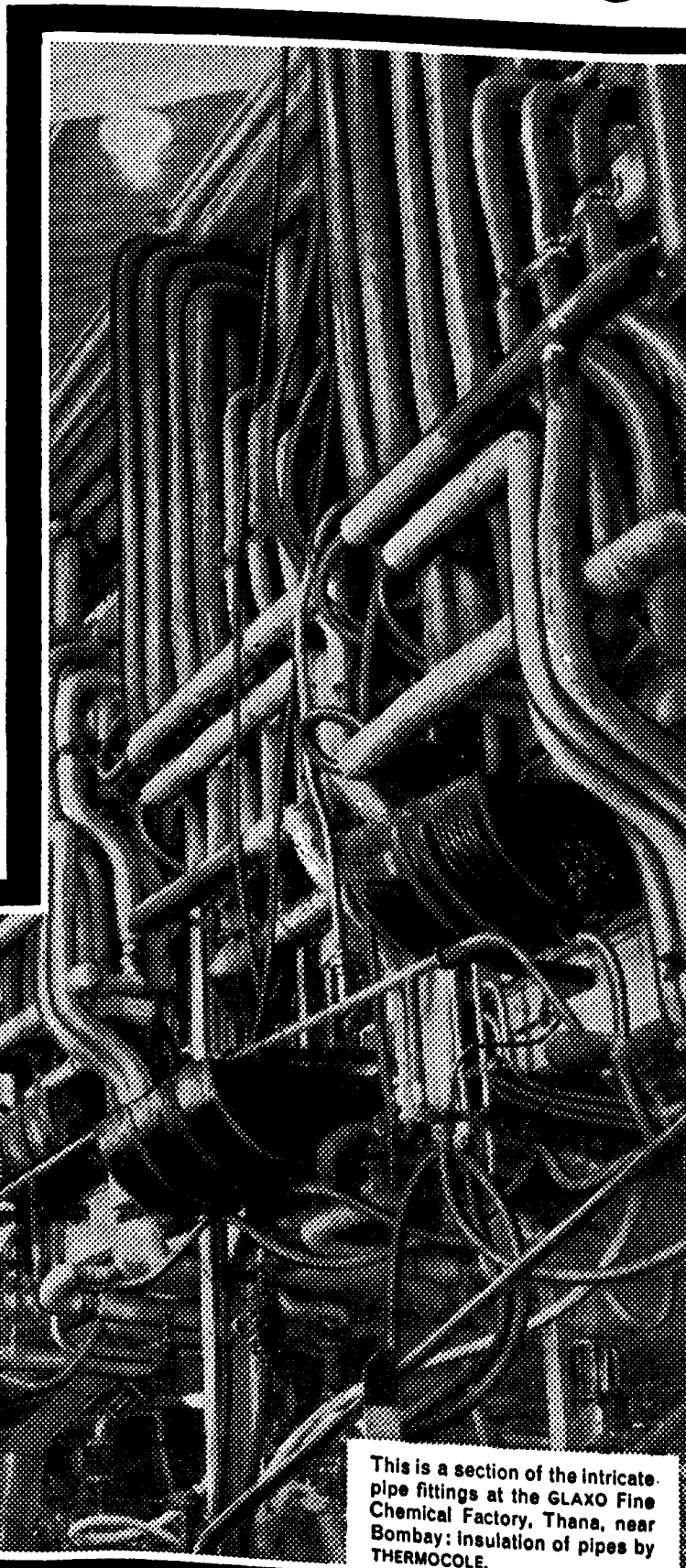
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Is There Democracy in India?

By C. RAJAGOPALACHARI

DEMOCRACY IS a form of government in which the people as a whole have effective power and control over affairs. The people may exercise this power directly or through elected agents under a free electoral system. A government in which a party oligarchy operates in the name of the people and in effect holds all power is only a democracy in name. Reality, not mere definition, makes the government a democracy that is, a government by the people. The difference between reality and legal definitions is well brought out by the most recent example of artificial definitions, the proposed 17th Amendment according to which every field shall be deemed to be a zamindari estate and every owner of land a zamindar.

Constitutions refusing freedom of action to none but a single party which has seized power are not democracies. But communist parties claim that the governments of Soviet Russia and China are democracies. The claim is put forward not only by communists but now by several rulers in Africa and elsewhere. They argue that democratic government can be run by a single party, under a system by which no other party but the one in power can legally exist. This is based on the proposition and made plausible on the ground that opposition views can be and are expressed and considered inside the single party in power. There may be for some time just government under this system but it is not democracy. It is an oligarchy—government by a few who control all power. There were articles published recently in the 'New Leader' by Susan and Peter Ritner condemning what was called "one-party democracy". Tom Mboya of Nairobi (Kenya), however, wrote a long letter published in the same journal claiming that Western democracy is not the only type of democracy in the world and that in a single party rule such as now obtains in Kenya, because the rule of law is recognised, the judiciary is independent, the press is respected, and trade unions and other pressure groups are also allowed to exist; power is distributed and so the Kenya Government run by the Kenya African National Union party is not a dictatorship or oligarchy but democracy. This argument is fallacious. Indonesia's guided democracy is also claimed to be a democracy. So also General Ayub's Government in Pakistan. These examples are likely to grow. We do not want that kind of democracy. They are not democracies except in name. What they mean is that there can be good government outside democracy. The usual plea is that an emergency prevails which does not end but continues indefinitely or that some permanent circumstances of the country call for that kind of government. This may be so, but those governments are not democracies.

Political Liberty in Jeopardy

Experience has taught us that political liberty is in jeopardy in all such arrangements whatever be the justification. Soon the rule of law comes to an end, the independence of the judiciary evaporates and the press becomes subservient. Trade Unions and other sectional organisations come under the strict regulations of the party in power and its leaders. There may be differences and discussions inside the party where the leader is sagacious, but it is monolithic all the same. The more powerful section inside always prevails and does not permit any opposition to be active or to be free to express itself and acquaint the people with its views. It is given no opportunity to canvass public support. Such canvassing would be treason and sooner or later the prison accommodates the dissidents. A pluralist structure is absolutely essential for a democracy to function as such. It is argued that every party organisation is really oligarchy. But assuming this, it is obvious that there must be such countervailing oligarchies keeping each other in order, so that democracies

This is the text of the Andrews Memorial lecture delivered by Mr. C. Rajagopalachari on November 22, under the auspices of St. Stephen's College, Delhi. Offering "a few words of personal explanation", the speaker said at the end of his address: "The College Union when inviting me desired that I should speak on this occasion on the problems and prospects of democracy in India. I suggested that I might speak on Charlie Andrews's Mission in India and not on the subject proposed which can possibly make me appear as if I seized a students' platform for pushing a political controversy forward. But the College Union insisted that I should speak on that topic and so I have done. I have not gone into greater detail than I have done in order to reduce the controversial topics to the absolute minimum."

Answering questions, Mr. Rajagopalachari said: "I will prefer an evolutionary movement for the establishment of a real democracy in the country, but it may not be possible to prevent a revolutionary movement."

Question: Is India a democracy at present?

Answer: I have made it clear it is not.

Q. What are the prospects of democracy here?

A. Bleak.

Q. Where does the hope lie?

A. In young angry men who will stand up for individual liberty.

Q. Why is India described as the largest democracy?

A. There can be no illusions about the size. But the definition of democracy is wrong.

Q. Is the present party doing more to strengthen itself rather than democracy?

A. You have spoken my mind.

may be really democracies. In the cracks between these countervailing oligarchies, the individual has some chance to draw free breath, although all political parties may deteriorate into oligarchies. The one-party system democracies where the ruling party faces no powerful opposition or none at all always ends in totalitarianism and in the wreckage of individual freedom without which there can be no real democracy.

So then democracy must have a ruling party as well as a party or parties in opposition operating effectively. No party in office can be assumed to have perfect wisdom. Unless another party is in a position to criticise and point out errors and there is an open debate there is no democracy.

This is the point at which we can examine the problem and assess the prospects of democracy in India.

The expensive nature of the elections is a big block in the way of a good strong opposition party forming itself and sitting in Parliament in India. The economic hold of the party in power makes the rise of any other party extremely difficult if not impossible. And one party rule adopting what is called socialism means total economic power vesting in the ruling party, making the rise of any other parliamentary party practically impossible.

The poverty of the people which we wish to remove, and which until it is removed is there, produces two results. One is that no others but those in power can afford to go through the expensive elections. The other is that votes are easily purchased in large blocks so that it cannot be said that there is a free electoral system. The single-party control over Indian affairs and the simultaneous elections to the State legislatures and to Parliament practically on the same issues

or on the same ideologies, together lead to the extinction of State Governments as independent units united in a federation. The Union becomes a legal fiction. The States dwindle into local boards completely controlled by the central organization. And if a policy is adopted by this monolithic government of State control over the whole national economy, it leads to very grave consequences, viz., total loss of individual freedom. Such freedom as prevails is enjoyed only by licence and permission at the option of the central authority.

Unless then the system of election be re-organized so as to make elections very much less expensive and unless a new party arises strong enough to act as countervailing force in Parliament and in the State legislatures against the party now in power, there is not much of a prospect for real democracy. This new party may arise by a split in the present ruling party. The chances of an opposition party arising by a split in the ruling group are small in my opinion, because careerism dominates the atmosphere in the ruling party.

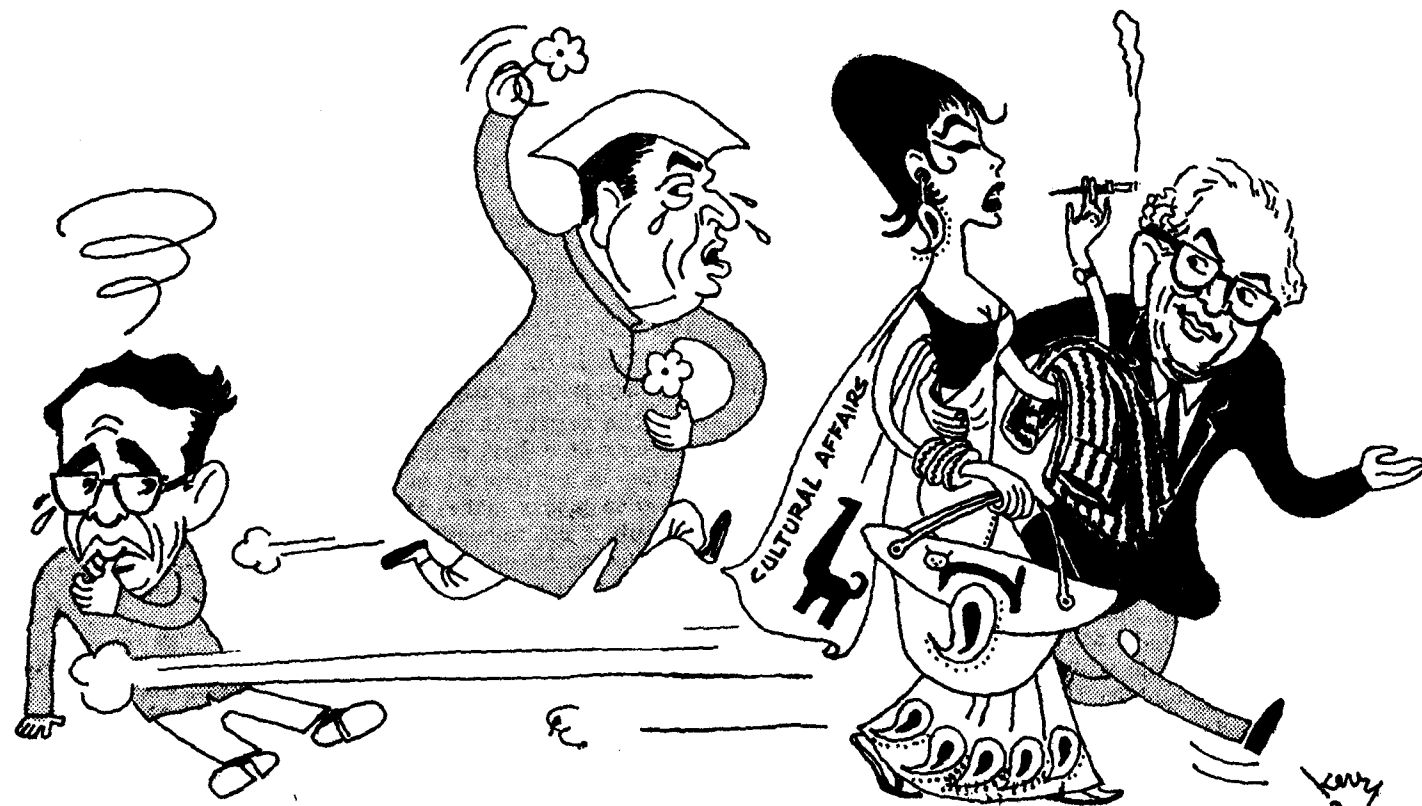
The present leadership has not only secured for itself total power over the economy which is disastrous for free elections and for any individual freedom but it has by maintaining an image of divine heirship to authority robbed the bulk of our young people of their power of thinking in an independent and orderly way. It has drained the individual citizen of all confidence in himself. This spiritual damage is not less than what Gandhiji complained the British regime had done in its time. It was not in my opinion so bad then as it is now under Swaraj. If the Congress Party sets about organising its committees to control the official machine, viz., the ministers, the heads of departments and the district officials, there will be an end of democracy as we understand it. It will be a replica of the Soviet system of a powerful minority's absolutism. I have set out our problems. One can state the problems. When we proceed to appraise prospects we are in a difficult field. Mice and men may propose and plan. But times and circumstances change. Calculations go wrong and

God disposes. When things go very wrong anything may happen. It is dangerous to foretell; because often foretelling itself brings about catastrophes. As against this dark picture, I may put before you my hope that the people of our country have solid virtues and will not allow things to go wrong. They will assert themselves and save democracy in spite of single party tyrannies and their cumulative powers. When good government fades away from Asian regimes, the nexus between the civil administration and the strong defence forces organized and maintained by government gets weakened. When this happens the forces maintained by the nation for security become themselves a greater danger to democracy. We should not forget this. We should also remember the presence of a communist party with a strong base among industrial workers, always bent on subverting democracy and intent on establishing a minority regime in the name of the oppressed proletariat. The defence forces and the radio stations and the communist party are not minor elements of danger although if and as long as good government is established and running smoothly, these are not only not dangers but very useful each in its own way.

A stable democracy and a strong opposition party always to be faced daily by the ruling party are essential for democracy and good government. Educated young men and women should assert themselves and be active and bring about these conditions — not lapse into inactivity. They should learn to follow the Gita doctrine of how to live and die — to act according to conviction irrespective of prospects of success, not allowing difficulties and doubts to lead to inaction:

कर्मण्येवाधिकारस्ते मा फलेषु कदाचन ।
मा कर्मफलहेतुर्भूर्मा ते सङ्गोस्त्वकर्मणेन ॥

I believe in the potentiality of our youth, be they in colleges or outside. A time will come when weighing their private interests and security against national calamity, they will dare to lose all in a bid for true democracy.



BETTER TO HAVE LOVED AND LOST...

Are Our Planning Targets Realistic?

By T. M. RAO

IN DEVELOPMENT planning the first question that would arise is: "How much total investment is needed to produce target increases in per capita income?" In order to answer this question, the relationship between Investment I and the consequent increase in income Y, has to be determined. This relationship I/Y is called the incremental capital-output ratio (ICOR).

In measuring ICOR for any given country it is necessary to obtain wealth estimates for at least two different dates, income estimates for the same dates and calculate the ratio between the increment in capital and that in income. The dates must be far enough apart in time so that the probable margin of error in the estimate of capital or income at each date is small relative to the increment between the dates. It is only for a relatively few countries that long income series are available. Added to this, no precise measurements of the aggregate capital stock of various countries are available. "For these reasons the number of countries for which the necessary set of estimates can be made without a feeling that the statistical margin of error present renders the conclusion very doubtful."¹

In the absence of a long series of income and wealth statistics it is possible to derive ICOR from national income statistics available over short periods. However an ICOR derived from a short period in the past is not really useful as a basis for projecting capital requirements. To determine the capital requirements of a given income target, one needs a figure, preferably for each major sector of the economy, approximating an average relation between additions to the stock of capital and increases in national income over some period in the future.

Benjamin Higgins observes: "The use of an average over five previous years is justified only if those five years are part of a much longer period, so that there is a solid basis for assuming that the average for the five years is an approximation to a ratio that is stable in the long run, and if the planning period will not be significantly different from the last five years. If, for example, the previous five years represent the completion of a reconstruction period, while the plan explicitly provides for a long-run structural change, a projection of the ICOR in the recent past can be dangerous. Moreover, over short periods, the net investment figures in the national accounts are seldom an accurate measure of actual increases in the stock of productive capital. The net investment is usually derived from gross investment and a depreciation figure that is based on an accounting concept, rather than an estimate of the actual depletion of the stock of productive capital."²

ICOR and Priorities

There is the danger that planners may slip into the error of using ICOR as a factor in determining priorities. It is not the ICOR's that should be compared in choosing among investment projects, but their contributions to income during a crucial period. This has been clearly brought out in the following concept.

The goal of development policy is not the maximum output at a point of time but a maximum rate of growth over time. Consider the following example of two potential investments. The total output over the life span of Investment B is 400 as against 160 for Investment A. The capital-output ratios, on the other hand, are 5.0 and 2.5 respectively. In each case annual

output net of depreciation is 15. Which investment yields the greater increase in national output?

	Investment A	Investment B
Initial investment	100	100
Annual Output	40	20
Investment Life (years)	4	20
Annual straight line depreciation	25	5
Total output over investment life	160	400
Capital-output ratio	2.5	5.0

Overlooking any costs other than that of the investment, the output streams may be reduced to comparability by means of discounting. Given a rate of interest, it is possible to assign a present value to the income streams of \$40 for 4 years and \$20 for 20 years. Assuming an interest rate of 5 per cent, the present values would be \$142 and \$249 respectively. Thus Investment A is "worth" \$142 in output and Investment B is "worth" \$249. The choice would clearly favour Investment B and the fact that the capital-output ratio is less "favourable" is irrelevant.³

There is also danger in using in a country ICOR's derived from experience in other countries where statistics are more complete. The range of ICOR among highly developed countries is itself very wide: from 3 in the United States to 7.4 in the Netherlands. It would be difficult to decide from these figures what would be an appropriate ICOR for any particular underdeveloped country. The averages for individual countries, moreover, hide wide fluctuations in the figures from one year to another, or even from one decade to another. For the United States, ICOR varies from 4.8 for the period 1899 to 1919 to 1.9 for the decade 1919 to 1929. For Britain the figure ranges from 8.4 for the decade 1885 to 1895 to 0.4 for the period 1905 to 1909.

The figures (see Table I) show a range of ICOR from 2.3 to 7.4 for the industrially advanced countries. For the underdeveloped countries the figures show a range from 1.2 to 3.3.

There is a wide range of ICOR from one sector to another

TABLE I ICOR FOR VARIOUS COUNTRIES AND PERIODS		
Country	Period	ICOR
Long periods, reasonably reliable data:		
United States	1879-1953	2.3 : 1
Japan	1924-1939	4.7 : 1
Denmark	1864-1939	3.5 : 1
The Netherlands	1900-1952	7.4 : 1
Sweden	1896-1929	3.5 : 1
Long periods, unsatisfactory data:		
Canada	1895-1920	4.2 : 1
	1895-1929	2.7 : 1
United Kingdom	1865-1933	5.9 : 1
Australia	1913-1938	3.9 : 1
France	1852-1913	7.4 : 1
Italy	1861-1895	4.5 : 1
Underdeveloped countries:		
Short (plan) periods:		
Czechoslovakia	1948-1953	3.3
Poland	1950-1955	2.0
Hungary	1950-1954	3.2
Bulgaria	1949-1953	1.2
Yugoslavia	1947-1951	2.2

Source: Benjamin Higgins, *Economic Development*, W. W. Norton & Co., Inc., New York 1959, p. 645

of the same economy. For the United States, the highest sectoral ICOR's are more than 100 times as high as the lowest one. For India, the only other country for which sectoral estimates are available, the range is from 1 to 5. Even with this range of structural variation, it is apparent that the aggregate ICOR will depend a good deal on the investment structure in the development plan, and that it will change as the structure of investment changes in the course of economic development. (See Table II).

TABLE II
ICOR's for VARIOUS SECTORS

Country and Sector	ICOR
United States ¹ :	
Trade and services	0.1 or less
Manufacturing	1.3 to 2.0
Housing and Public Utilities	10 or more
India ² :	
Calculations:	
Cement	3.0 — 3.5
Pulp and paper	3.5 — 4.0
Iron and steel	3.5 — 4.0
Agriculture	1.0
Estimates:	
Small industries	2.0
Factories	3.0
Mining	4.0
Communication and transport	5.0

Source: 1 United States Department of State, "Intelligence Report No. 7670", Washington, D.C., 1958.
2 Massachusetts Institute of Technology, India Project.

The effect on estimates of capital requirements of relatively small errors in ICOR estimates is borne out by an arithmetic example. Assuming an investment coefficient of 0.1 (that is, that net investment is 10 per cent of net national income) one obtains the following results:

ICOR	Rate of Growth (%)
3.0	3.3
1.8	5.5
4.2	2.4

Bearing in mind that the problem of economic development is essentially one of raising the growth rate by one or two percentage points, it is clear that the uncertainty surrounding the value of ICOR renders its application difficult. Assume, for example, that the development target is a 4 per cent growth in output per year and that we wish to determine the investment coefficient required to meet this target. The development equation would then yield the following results for the various ICOR's:

ICOR	Required Investment Coefficient (%)
3.0	12.0
1.8	7.5
4.2	16.8

The available data seem to indicate certain relationships between ICOR and other economic variables. In the figures for advanced countries, there is some indication that ICOR falls with the achievement of high levels of industrialization. This tendency is explained by the necessity of making heavy investments in social capital in the early phases of development. However, this experience may not be a reliable guide to results of planned development. If, for example, it is planned to concentrate on agricultural improvement in the early phases and gradually to increase the pace of industrialization, it is conceivable that ICOR would rise rather than fall in the course of the country's development.

There seems to be some indication that ICOR's may be particularly low in reconstruction periods, when existing plant

and equipment, land, skilled labour and management are being brought back into productive use.

There is also some evidence that ICOR's are lower where population growth is more rapid. There are two possible explanations for this relationship: rapid population growth prevents waste of capital by assuring markets for almost any investment; and a rapid increase in the labour supply permits capital accumulation without departing from the optimal ratio of labour to capital.

In the first five-year Plan (1951-1956) the Planning Commission raised two basic questions: "What increase in per capita income can we reasonably hope to attain over a given period of years? What rate of capital formation will be required to achieve it?" Underlying the Plan there were two basic assumptions: that population growth would continue at the rate of 1.25 per cent annually, and that the incremental capital-output ratio would start at 3:1 and rise gradually to about 4:1.

The actual capital-output ratio under the first Plan was calculated at 1.8:1, somewhat better than anticipated. Making allowance for the favourable monsoons and the shift in structure of investment, the ICOR for the second Plan was set at 2.3:1; it was estimated that in the course of subsequent Plans it would rise to 2.6, 3.4 and 3.7.

In relation to these assumptions, what has been the actual experience? The capital-output ratio for the second Plan which ended in 1961 turns out to be 3.1, which is clearly higher than the Plan estimate of 2.3. This would show that the estimates of the capital-output ratio have proved too optimistic. In other words the investment undertaken thus far has failed to produce the predicted increase in output. If this trend were to continue—there is nothing to indicate that it would not—the targets under the future Plans may have to be scaled down or in the alternative the rate of investment must increase appreciably.

India-China Contrast

Gross investment in India rose from 9.4 per cent of gross national income in 1950 to 15.8 per cent in 1957, an average of about 14.7 per cent. Over the same period Chinese gross investment rose from 10.7 per cent of gross national income to 22.0 per cent, an average of 17.6 per cent. But when one takes into account the greater growth of Chinese output, it appears that the absolute level of Chinese gross investment in 1957 was four times what it was in 1950, while in India investment had barely doubled over the same period. It also appears that a large share of total investment in India went into replacement and depreciation, so that the difference in net investment would be even more strikingly in China's favour.

More important than the difference in investment, however, was the difference in what was produced by investment in the two countries. China was simply more successful in raising output with a given volume of investment than India was. Professor Malenbaum made the following calculations of incremental gross capital-output ratios for the two countries⁴:

Period	India	China
1950-57		
First Plan years	4.05	2.08
pre-Plan years	3.29	2.38
post-Plan years	7.71	1.31
	4.97	

Thus "over the period as a whole, China generated a unit of gross income flows with essentially half the gross investment that was required in India."

In the third Plan, it is anticipated that national income would increase at the rate of five per cent per annum under the assumptions that capital formation would reach 14 per cent of net national product and population growth would be 2.14

per cent per annum. The growth rates for the economy in the fourth and fifth five-year Plans are expected to continue at five per cent per annum, given the rate of investment to reach about 17 per cent of national income.

The assumptions contained in the five-year Plans and anticipated growth rates are summarized in the following table:

Years	Average Rate of Investment	Population Growth per annum	ICOR	Rate of Growth of National Income
Actuals:				
1951-56	7%	1.58%	1.8	3.4%
1956-61	11%	1.91%	3.1	3.7%
Estimates:				
1961-66	13%	2.14%	2.6	5.0%
(third plan)				
1966-71	15%	1.90%	3.4	5.0%
1971-76	16%	1.47%	3.7	5.0%

While the assumption regarding ICOR in the second Plan was 2.3, it actually turned out to be 3.1. That is to say the investment undertaken had failed to produce expected increase in income. If the second Plan experience is any guide, then the assumption regarding ICOR in the third Plan may be wide of the mark. There is evidence to show that during a period of structural change the ICOR's tend to be generally high. Let us then assume an ICOR of 3.0 and accept the population growth of 2.14 per cent contained in the Plan frame. Then to achieve an annual growth rate of 5 per cent, it will be necessary to attain an average rate of investment of 15% of national income. This is certainly higher than the rate of investment of 14% expected to be achieved towards the end of the third Plan. Here below is indicated the extent of capital formation necessary to maintain a growth rate of 5 per cent during the successive plans:

Years	Population Growth Rate	ICOR (Assumed)	Rate of Investment Required
1961-66	2.14%	3.0	15.0%
1966-71	1.9%	3.5	17.5%
1971-76	1.4%	3.7	18.5%

It is not easy to attain the above rates of investment in the context of low level of savings in the country. "The Plan aims at raising the level of investment in the economy from about 11 per cent of national income by the end of the second Plan to about 14 per cent by the end of the third Plan. The rate of savings in the economy is at present around 8 per cent of national income. This has to be raised to about 11 per cent by the end of the third Plan, the balance representing inflow of resources from abroad."⁵

Given the resources for investment effort as indicated in the Plan frames, what indeed will be the growth rates that will be achieved during the next 15-year period? The following table seeks to provide some answers to this question.

Years	Rate of Investment (assumed)	ICOR	Rate of growth of National Income	Population growth per annum	Rate of growth of p.c.
1961-66	13%	3.0	4.3%	2.14%	2.1%
1966-71	15%	3.5	4.3%	1.90%	2.3%
1971-76	16%	3.7	4.3%	1.47%	2.8%

The fear that the rate of growth during the third Plan period may not exceed 4.5 per cent has also been expressed by Rosenstein-Rodan who based his conclusion on the fact that the ICOR assumed in the Plan may prove optimistic and also the fact that the average and marginal savings rates may fall below expectations. He has therefore urged that external aid to India might be increased during the fourth and fifth Plans

in order to maintain a five per cent growth rate.⁶

Should the estimates of per capita growth rates indicated in Table V prove correct, then the per capita income in India would be no more than Rs. 425 (about 90 U.S. dollars) by 1976. By the same year the United States per capita income is expected to reach nearly \$3000. This would go to show that the gap between the rich and poor countries would continue to widen.

In order to reach a per capita income of Rs. 475 (say about \$100) by 1976, it would be necessary to maintain a per capita growth rate of 3.1%. The following table shows what it means in terms of capital formation.

Years	Population growth rate	Rate of growth of income per head	ICOR (assumed)	Rate of Investment
1961-66	2.14%	3.1%	3.0	15.7%
1966-71	1.90%	3.1%	3.5	17.5%
1971-76	1.47%	3.1%	3.7	17.0%

The above figures would indicate that a much higher investment effort would be called for than what is contemplated in the plans. This is not beyond the realm of practicability, provided every effort is made to encourage greater private investment, both domestic and foreign.

1. Everett Hagen, A Paper on ICOR, Massachusetts Institute of Technology, Cambridge, Mass.
2. Benjamin Higgins, Economic Development, W. W. Norton & Co., Inc., New York 1959, p. 643.
3. United States Department of State, "Intelligence Report No. 7013", Feb. 7, 1956, pp. 9-11.
4. Malenbaum, India and China: Contrasts in Development Performance, Massachusetts Institute of Technology, cis, p. 15.
5. Third Five Year Plan, A Draft Outline, Government of India, Planning Commission, June 1960, p. 43.
6. P. N. Rosenstein-Rodan, International Aid for Underdeveloped Countries, CENIS. MIT. Jan. 1961.

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

(Incorporated in England)

5% RUPEE DEBENTURE STOCK, 1970
INTEREST FOR THE HALF-YEAR ENDING
31ST DECEMBER, 1963

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, 1964, to Debenture Stockholders registered in the books of the Company on 19th December, 1963. Applications for transfers received at the Company's office at Victoria House, Post Box 304, Chowringhee Sq., Calcutta, upto 19th December, 1963, 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 20th December, 1963, to 31st December, 1963 both days inclusive.

By Order of the Board,
D. P. M. KANGA,
A G E N T

Victoria House,
Calcutta, 18th November, 1963.

WINDOW ON THE WORLD

The Chances in Brussels

From Our Special Correspondent

BRUSSELS:

THE SIX Governments of the Common Market have fixed the timetable for the crucial negotiations that will be carried on here from now to the end of the year (and may be a bit beyond). The Council of Ministers will meet on December 2 to start the examination of two dossiers which (as was explained here last week) are closely connected: a report on the preparation of the Kennedy round of tariff negotiations, and the proposed regulations for a unified six-nation market in beef, rice and dairy produce. These are interdependent questions, it will be recalled because to the extent that the Six give preference to those farm products within the region, they discriminate against imports of the same products from outside, and notably from the USA. It happens that agricultural produce is among the USA's main exports to West Europe, and thus will be well up on the agenda when the Kennedy round opens. Moreover, the West Germans will agree to costly concessions on farm policy only if, in return, their partners give a firm undertaking to ensure the success of the Kennedy negotiations.

Then, on December 16 the Six will turn to consideration of the Mansholt plan, which suggests introduction of a single support price for cereals throughout the region as from next July. This revolutionary plan, which goes far beyond anything the Six are committed to in the Treaty or by their existing undertakings, raises questions that affect, directly, the incomes of about a fifth of the Common Market's population, and, indirectly, the export earnings of grain farmers all round the world and the price level in all the Six economies. It should be noted that negotiation on the two previously mentioned issues will not have been completed by December 16, so the debate on the Mansholt plan will be grafted on to a discussion that is already sufficiently complicated. Not only that, but some time in the same month the Six will have to settle the financial problem of how agricultural surpluses are to be subsidised for export. The idea is that members who continue to buy food from abroad when surpluses exist in the region should pay a special import levy that will be used to subsidise the sale on world markets of the Common Market food they declined to prefer.

Deadlines and Ultimatums

So the situation will be that parallel negotiations on these four separate but interdependent issues will be going on throughout December. As far as the agriculture ministers are concerned, it will be a non-stop session, with daily meetings lasting up to 18 hours succeeding each other right up to the end of the month. For, hanging over the Six are various deadlines, some arising from common consent to settle certain problems by a set date, others arising from more or less veiled ultimatums issued by various parties. For example, the matter of financing export of surpluses must be resolved, it has been agreed for months by the Six, before December 31, and the arrangements for beef, rice and dairy produce must also be completed by the same date, according to the accepted schedule. One ultimatum is no less precise: General de Gaulle has said that if the Common Market does not have a clear agricultural policy laid out by the end of the year, the whole venture will be in danger of shipwreck. The West Germans, for their part, have intimated that unless preparations for the Kennedy round are well advanced, taking account of the opening date set for that confrontation (May 4, 1964), all progress toward European integration will cease.

What are the chances of the Six fulfilling this exhausting

timetable before the year runs out? Very slight, in the view of veterans of diplomatic marathons here. However, the Six have resorted before today to the strategem invented in French budget debates of stopping the clock at midnight on December 31 and not opening the new calendar until the job is finished, even if that takes two weeks of the New Year. Thus, deadlines and ultimatums need not be taken literally, provided the negotiations are in full swing and seem to be making progress. As long as any possibility of accord is in sight, no one is going to pull out and implement his threats in the last days of December. Remains the question of whether any hope of agreement will subsist at that date.

Immense Stakes

Optimism on that score is far from general in Brussels. Though they may assess it as greater or less, everyone take seriously the possibility of a breakdown that could lead to a rupture among the Six. This is so because the stakes — financial, commercial, political and electoral — are immense, not only for the Six themselves but for the Americans who are feverishly active in the wings. Indeed, the decisive factor will probably be, not the pressure of the Americans, but suspicion among the Six about each other's attitude toward co-operation with the Americans. Specifically, if the Germans feel that the French are pressing for a degree of agricultural protection that would seriously indispose the USA (touching off a generalised "chicken war" right through the list of farm products) without contemplating generous tariff disarmament on manufactures, then they will take the risk of disrupting the community by blocking all further integration.

Conversely, if the French suspect that the Germans put the "cohesion of the Atlantic world" (i.e. pleasing the Americans) on the same footing as European integration, then there is no doubt that President de Gaulle will break off as brutally as he did with Britain, and for exactly the same reasons. Except in the polemic of his opponents, this does not mean that the General is systematically opposed to satisfactory arrangements with the USA, or that he envisages an entirely autarchic Common Market, etc. We have yet to see, in the detail of the coming negotiations, just what the Gaullist position is on each trade problem, but the general stand is clear enough. The European political entity, Paris declares, can be liberal or protectionist (and no doubt it would be better for all concerned if it were liberal), but the first requirement is that it exist as a political entity, and that means trade in manufactures, Holland is liberal and Britain protectionist, and as regards trade in farm produce Belgium is liberal and the USA protectionist, but all of that is secondary to the main point that inside Holland, Britain, Belgium or the USA national interests are put above outsiders' interests, however respectable. That is to say, those nations exist as political entities and the question of what foreign trade policy they pursue comes after. So it must be with the Common Market. Pleas for liberal import policies will be in season later, and there is no reason to think that Paris will stubbornly reject them, but anyone who at this stage puts maintenance of traditional imports above constitution of the European unit is not seriously concerned with Continental unity.

However clear these two positions may be, it is evident that much of the coming negotiation will consist in trying to judge the opposite party's ulterior motives, to weigh up his

intentions rather than the value of the particular propositions he is putting forward. It is for that reason that their upshot is essentially unpredictable. The details of the complex bargaining about individual products will, in the last analysis, matter much less than the general style of reasoning used by the French and Germans, not only in the conference rooms but in such vague discussions as recently in Paris between Dr Erhard and General de Gaulle.

This is inevitable because, for all the arid precision of the experts' dossiers, each side is inviting the other to leap into the unknown. The economists have filled volumes with exact calculations but no one really knows what will be the impact on millions of citizens of unifying grain prices at one swoop, or halving tariffs in trade between West Europe and the USA. It may be that the first measure will irritate West German farmers, affect the electoral fortunes of the Christian Democrats cast a large burden on the Federal Republic's budget, encourage uneconomic diversion of French farmland to wheat-growing, and ruin efforts to stabilise French prices. It may be, too, that tariff disarmament along the lines urged by Mr. Kennedy will expose European industry to ruthless competition from the bigger American corporations, further deteriorate the Common Market's large adverse trade balance, and so on. But none of these dangers would be insurmountable.

World Capital Market

By PAUL BAREAU

LONDON:

THE CITY of London has in the last few weeks laid claims to have become once again the greatest international capital market. A number of issues have been made in the City: to the Belgian Government, to Italy, to the City of Copenhagen, and a new loan to the City of Vienna is now in course of negotiation. There can be no denying the facts. But there has been considerable discussion and even criticism of the policies involved. Some critics of these projects have said that London's aspirations to become again the principal world capital market are illusions of grandeur and the kind of pride that comes before a fall.

The occasion for this sudden revival of what some had thought to be defunct activities was the recent U.S. Government decision to impose a tax on foreign issues made in the New York market (other than issues by under-developed countries) and on purchases of foreign securities by American citizens. This move, intended to provide part of the defence for the dollar during the persistence of the U.S. balance of payments deficit, was rightly seen here in Britain as an abdication — temporary at least — by the United States from their position as the greatest capital market in the world. It was, therefore, seen as a heaven-sent opportunity for London to usurp that position and regain the pre-eminence which it enjoyed in this context throughout the nineteenth and part of the twentieth centuries.

The ability to seize this chance was a substantial improvement in the United Kingdom balance of payments and the strength of sterling which has been an impressive reflection of that improvement. The most reassuring feature of the recent economic recovery in Britain has been the way in which a very satisfactory rate of domestic expansion has been reconciled with an ability to export more and to build up a sizable surplus in the balance of current international payments. As long as this can last, Britain can indeed play a much more active part than it has done recently in satisfying the capital needs of other countries.

The oddest and most significant feature of the recent

able, or without remedy, provided the Continentals were determined to deal with them as a community. That is what the figures cannot reveal, and so the outcome must depend on guesses about intentions.

Since the possibility of failure is envisaged, one is entitled to speculate on the consequences. They would be considerable. Not only would the Common Market be condemned to a more or less rapid decomposition (and the European Free Trade Area, its shadow, along with it), but the Kennedy plan for tariff reductions would evaporate. In that event GATT's days would be numbered and the Americans would be free to seek the new base for world trade that they have long had in mind: a fresh global trade organisation which this time included Soviet Russia and which would act as the trade and economic development body of the United Nations. Long before that plan had matured, however, Messrs. Kennedy, Erhard and Douglas-Home would have had to face their respective electorates, and they would do so empty-handed, obliged to confess the failure of the policies their governments have pursued these several years past. One can stop the dreary catalogue there, because it is already sufficiently catastrophic. Nothing less grave, however, would be the result of breakdown in the negotiations in Brussels in December.

resurgence in new foreign issues in the London market has been the technique by which they have avoided any pressure on the balance of payments and on sterling. Three loans have been made in foreign currencies. Dollars have been lent to Belgium and Italy and Swiss francs to Denmark. These operations involve no pressure on Britain's external finances since the currencies in question are borrowed from abroad and then relent to foreign borrowers. The only risk in such operations, and it is considerable but calculated, is that the periods for which these currencies are borrowed and then relent are not necessarily identical. The dollars which have been lent to Belgium are of the variety known as Euro-dollars. They are for the most part borrowed by London banks for relatively short periods. They have been lent to the Government of Belgium for three years. There is here some element of "borrowing short and lending long" but the London banking consortium is confident that it is doing no more than normal, traditional banking business and that it has reserves which will enable it to meet any demand by foreign depositors of Euro-dollars in London.

The development of these foreign currency issues is part of the emergence of an international capital market in foreign currencies. These currencies are usually given the prefix "Euro" but the markets in which they are dealt extend well beyond Europe. The reasons for the emergence of this international money or capital market is the wide margin that tends to separate credit and debit interest rates in countries such as the United States, Switzerland and even Britain. Given these margins, it pays the foreign holder of dollars, Swiss francs or sterling, to find another foreign borrower of these currencies rather than entrust his dollars, Swiss francs or sterling, to an American, Swiss or British bank.

Nowhere is this margin wider than in Switzerland where the banks in order to discourage the inflow of unwanted foreign refugee capital, have actually gone to the length of charging interest on money deposited with them on foreign account. What, therefore, can be more natural than that foreign holders of Swiss francs should deposit them not with a Swiss bank, where they will be charged for the privilege,

but at a reasonable rate of interest with a British consortium which is now relending these Swiss francs to the City of Copenhagen and, of course, making a reasonable profit into the bargain.

The Swiss authorities have expressed severe displeasure at this particular development. They have argued that since the City of Copenhagen does not need Swiss francs but a wide range of other currencies, it will sell Swiss francs in the market and, therefore, bring pressure on that currency. They have also argued that this particular operation must undermine their control of their own capital market; that it is, therefore, an unwanted and unpleasant intrusion into their own domestic affairs. The complaints, it should be added, have had little effect on the initiators of this particular operation in London. Their contention is that the Swiss franc is a convertible currency, that they have contravened no written or unwritten laws of banking etiquette and that the Swiss have only themselves to blame for allowing circumstances to develop in which a market in Euro-Swiss francs has emerged.

London, however, is doing more than merely acting as an intermediary. It is also lending some of Britain's own substance to foreign countries. That will be done with the Austrian loan which will be expressed in sterling. This operation has been specially favoured by the authorities who have announced that it can be issued in the denomination of

bearer bonds and that no income tax will be deducted from the interest paid on these bonds. This is an attempt to encourage foreign participation in this particular issue and thus to cushion its impact on sterling and on the British balance of payments. But the fact remains that some domestic subscriptions will be made and that in the context of this particular issue the consortium of City of London banks will be doing rather more than merely act as an intermediary.

Is this, then, the end of the control of capital issues in the London market? It has had a long life. It began in the 1930's in the usual informal, empirical way, with the setting up of an advisory Capital Issues Committee. It became a watertight and statutory affair with the outbreak of the war and the emergence of exchange control. Since the end of the war there has been a special and privileged position for sterling area borrowers in the London market: exchange control does not apply to other sterling countries. That preferential treatment is in process of being extended to the countries of the European Free Trade Association of which Denmark and Austria are members.

Whether the British balance of payments can stand a substantial outflow of capital is questionable. But there is a substantial surplus in Western Europe as a whole and the only really organised capital market in Western Europe is the City of London. It looks as though it were coming into its own as the mobiliser and redistributor of European savings.

LISTENING POSTS

Bowles Writes to P.M.

By Our Special Correspondent

NEW DELHI:

THE PRIME MINISTER'S recent insistence on the quick completion of land reform measures, according to knowledgeable circles, is at least due in part to a very interesting Memorandum which Mr. Chester Bowles, the US Ambassador, had sent to him on October 30 on what Mr. Bowles described as "the second stage in India's rural development".

Writing as "a friend and observer", Ambassador Bowles says that, while some progress has been achieved in the sphere of agrarian reforms and other areas of rural development, there is now need to pursue vigorously the "second stage" of development during which the first priority should be given to the strengthening of land reform legislation and administration. Secondly, the "second stage" should provide first for review and then for the improvement of existing rural programmes, such as agricultural improvement, community development, irrigation and rural electric power.

The US Ambassador has promised the Prime Minister another Memorandum in the near future on the "complex subject" of agrarian reforms with "some suggestions for action". Meanwhile, he has made a specific proposal relating to another field of rural development which, in his view, will represent a bold initial step "to give much greater depth to the community development programme with special emphasis on the rural towns". Briefly, his proposal is that, instead of concentrating on rural development in a single area an amount of resources which cannot realistically be found on the same scale for the country as a whole in any foreseeable future, a prototype for integrated development should be worked out on the basis of a single district in terms of the resources which could be spent on a district proportionate to what might be available for an all-India programme in 1977.

Ambassador Bowles concludes his communication with an offer that, while the programme he suggests "must be, by and large, an Indian effort", the US Government "will be delighted to assist within the limitation of our available resources". Spelling out this assistance, he mentions the assigning of technical people for setting up the test districts and peace corp volunteers for the work of guidance and training in such districts and the provision of United States-owned rupees for various projects as well as some foreign exchange loans for the purchase of transport, communications and hospital equipment and other essentials that may have to be procured from abroad.

★★

To recall the Finance Minister's picturesque phrase about changes in the composition of the Planning Commission, the snake, it appears, is going through a gradual process of shedding its skin. At least two Members are expected to leave shortly. Mr. C. M. Trivedi, the acting Deputy Chairman, has made a written request to the Prime Minister to relieve him of his responsibilities by the beginning of December. But Mr. Trivedi will not be retiring from public service. It appears that the Home Minister has invited him to act as an arbitrator in inter-State boundary disputes. Another Member of the Planning Commission, Prof. M. S. Thacker, is reportedly negotiating with the United Nations for employment. In the first flush of the emergency, Prof. Thacker was appointed Chairman of several emergency committees. Most of them probably have not been able to find work to do, which is perhaps why Prof. Thacker himself has been finding it possible to spend more time abroad than at home. Another stalwart who is also reportedly thinking of turning his back on Yojana Bhavan is Mr. Shriman Narayan who, it appears, is exploring possi-

bilities of being fitted into an appropriately senior position in the Congress Party organisation.

All these possible and probable departures, voluntary or otherwise, no doubt give the Prime Minister an opportunity to make amends for certain earlier appointments which had led the uncharitable to remark that the Planning Commission was being reduced to a cattle-shed. Unfortunately, it is by no means certain that Mr. Nehru is in a penitential mood. On the contrary, there are reports that a superannuated ICS official (who is shortly to leave a top job in the Central Secretariat) and an ex-Minister (who has been unlucky in a by-election and has been kept hanging around in New Delhi) are likely to be considered for the vacancies. The ex-Minister I need not name. The civilian in question is Mr. S. S. Khera, Cabinet Secretary. Of Mr. Khera's great competence and his excellent reputation in the various responsible positions which he has been filling so adequately throughout his career in the ICS, there certainly cannot be any doubt. But what may be doubted is that he can continue to serve his country best only by joining the Planning Commission. Here it is not irrelevant to point out that the Planning Commission already has amongst its Members an ex-ICS man, Mr. Tarlok Singh, whose administrative background, experience and training, if not temperament, are probably about the same as Mr. Khera's. Unless it is considered useful to shift Mr. Tarlok Singh elsewhere in due course and there are plans to that end, the High Command at Yojana Bhawan obviously does not stand to gain by the inclusion of another ex-civilian at this stage.

Incidentally, it is obvious that, although Mr. Nehru, naturally, will have the final say, at least three others will individually have a large voice in this matter. Mr. Nanda, who has managed to continue as a Member of the Planning Commission, may be depended upon to press his preferences. Equally clearly, the Finance Minister is unlikely to refrain from expressing some very definite views. And then there is Mr. Asoka Mehta — it may be flattering to his ego but it is certainly going to be embarrassing to him to be lobbied for support by two senior Central Ministers.

★★

The proposal that the Central Government should take over major irrigation and power projects from the State sector was made by the Andhra Chief Minister at the last meeting of the National Development Council. Mr. Sanjiva Reddi reportedly argued that if mineral-based development such as the erection of steel plants could be the responsibility of the Centre, there was no reason why water, which is also a natural resource, should not be harnessed for irrigation and power under Central responsibility, in cases where the projects are big and complex. Mr. Reddi's suggestion is stated to have met with immediate resistance from the Defence Minister, Mr. Chavan, who pointed out to the National Development Council that the taking over of irrigation and power projects by the Centre would change the entire concept of planning as a federal responsibility as distinct from an exclusive obligation of the Centre.

It may be pointed out here that Mr. Reddi's recipe is not a novel one. The Bhakra and Hirakud projects, for instance, were placed outside the State plans in the first five-year Plan and tied to the Centre's apron-strings. Subsequently, it was found that the arrangement did not work satisfactorily and, consequently, both projects were handed over to the States. It is, therefore, unlikely that Mr. Reddi's proposal will be found acceptable, but at least Chief Ministers of four States are stated to be not unfavourably inclined to support their

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colleague in Andhra. From the States' point of view, the proposal has the merit that it will not lock up a high proportion of State resources in major river projects which cost a lot of money and take time to yield a return on investment. The Central Government is being pressed for a decision, but an aspect of the matter which does not seem to have entered the calculations of Mr. Reddi and his supporters is that, if the Centre is to shoulder the responsibility that is being thrust on it, it will also naturally demand that it be left free to fix the pattern of priorities for the various major irrigation and power projects as among various States. Whether State governments will be happy to grant this discretion to the Centre is doubtful.

★★

The West German Minister for Economic Cooperation, Dr. Walter Scheel, currently on a visit to this country, told newsmen on Saturday that one of the reasons for the proposed change in his country's pattern of financing development aid was to clear the way for an increased flow of private capital to the developing countries. A Bill offering incentives to the West German entrepreneurs investing their capital in the under-developed countries, he added, had already been introduced in the West German Parliament. The German investors, Dr. Scheel thought, were particularly keen to come to India because the Indian economy had already reached a remarkable stage of development and the infra-structure here had been strengthened considerably.

Indo-German collaboration, Dr. Scheel opined, could cover almost all fields. He hinted that German investors would be agreeable to participating in joint ventures with Indians on a minority basis in the shareholding. They would also like to reinvest their profits here itself.

Dr. Scheel explained that the investment guarantees being sought by West Germany from India were warranted because of the past experience of the German investors abroad; they had lost all their assets in the foreign territories during the two world wars. Provision of these guarantees, he thought, would help the German investors to overcome their psychological inhibitions. Dr. Scheel will be holding the final round of discussions on this issue with the Government of India during his current visit.

Bokaro Project

Dr. Scheel ruled out the possibility of West German assistance for the Bokaro project on the ground that his Government had only limited funds at its disposal for extending development aid. A project of the proportions of Bokaro, he added, would have to be considered carefully before anything definite could be said about financing it.

The West German Minister agreed that it was no use extending credits to the developing countries for fostering their economic growth and at the same time adopting restrictive practices in regard to imports of their products. He assured that his country would exert its influence with the European Economic Community for the removal of trade barriers between it and the under-developed nations. As a proof of this liberal policy, he cited the instance of the E.E.C. agreeing to a nil tariff on tea and also reductions in duties on certain other imports from India. West Germany, he further pointed out, had started purchasing manufactured goods, such as sewing machines, from India. He suggested that we should undertake extensive market research and advertising in world markets for stepping up our exports.

One of the reasons for his present visit, Dr. Scheel said, was to make an on-the-spot study of the projects set up here with German collaboration so that he could be in a better position to plead with his Parliament for increasing aid to this country.

★★

The rearrangement of responsibilities among the Council of Ministers announced last week, does not complete the so

called reorganisation of the business of government. Two other instalments are envisaged, one by the end of this month and the other after the annual session of the Congress at Bhuvaneshwar, say, by the middle of January. The reorganisation announced during the week follows the recommendations of the Khera Committee, which made its report some time in September. The Khera Committee had recommended the creation of "blocks" or departments included in which were the Departments of Oil, Chemicals, including Fertilizers and Petro-Chemicals, Mines and Minerals, Steel, Engineering Industries, Light Industries, including Textile and Jute Industries, Small-scale Industries, Industrial Policy, Commerce, Education including Technical Education and Science.

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The Government of India has approved, in principle, the creation of further capacity in seven of the existing Paper mills by providing balancing Equipment or by effecting minor modifications. The details are (expansion in tons of paper per year): Titagur Paper Mills (three units) 20,000; Bengal Paper Mills 21,000; Orient Paper Mills 11,800; Sirpur Paper Mills 12,000; India Paper Mills 4,000; Rohtas Industries 11,800; and Shree Gopal Paper Mills 7,000.

★★

The Government of India has approved of a project for the manufacture of specialised greases by Victor Union Manufacturing Corporation Ltd., Calcutta in collaboration with UNOCO, Limited, a subsidiary of Union Oil Company of California. The foreign collaborators will import all capital equipment and will thereby contribute 49 per cent to the equity capital. Items to be manufactured are Greases, Soda, Aluminium, Barium, Calcium, Lithium, Lead soap, Strontium, and miscellaneous specialised base. On a single shift basis, the unit is expected to produce 800,000 kilograms a year.

These greases are being imported at present for use as lubricants in the steel and heavy machinery industries and the Railways. Estimated demand for these greases by 1966 is placed at 35,000 tons a year. There are two principal manufacturers of these greases at present. They are Balmer Lawrie and ESSO with licensed capacity of 16,000 tons and 6,000 tons respectively. In addition 2,000 tons of greases are being produced by small manufacturers.

★★

The Government of India has arranged for the import of 2,290 tractors from the Soviet Union and 1000 tractors in semi-knocked down condition from Poland to meet the urgent requirement of the farm sector. The following is the break-up:

Russian Tractors (Built-up)	
Make/Model	No.
DT-14B	1,500
DT-28	100
Byelarus-MTZ	690
Total	2,290
Polish Tractors (in s.k.d. packs)	
URSUS C-325	1,000

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Letters for the establishment of a joint regular shipping line between the ports of the two countries were exchanged last week between the German Democratic Republic and the Government of India. The arrangement which came into force immediately will be for a period of two years in the first instance. According to the Exchange of letters, the Director-General of Shipping, Government of India, and the Head of the Main Department of Shipping, Ministry of Transport of the German Democratic Republic, shall be the competent authorities for the two parties who will grant the most-favoured treatment to the vessels of either country while entering, leaving and staying in the ports of either party, except vessels engaged in coastal trade, inland, navigation

or fisheries under their respective jurisdiction. The cargoes assigned to the joint regular shipping line will be carried on the principle of share and share alike, irrespective of the terms of sale both in respect of general cargo and bulk cargo, with a view to maintaining equality between the two parties in respect of freight earnings.

★★

Mr. Manubhai Shah, Minister of International Trade, will lead a six-member Indian delegation to the Special Conference

Tall Talk on Automobiles

From Our Correspondent

BOMBAY:

THE STATESMENT of the Union Minister for Steel and Heavy Engineering, Mr. C. Subramaniam, that the Government was considering a proposal to set up a single automobile manufacturing unit with a capacity of 50,000 cars instead of the three existing manufacturers has come as a deep shock to the automobile circles in Bombay. According to a leading spokesman of the industry, the proposal was quite impracticable and that, in any case, it ignored the realities of the cost structure of the industry. Of the total cost, materials and components accounted for 70 per cent over which the industry had no control. Overheads accounted for 20 per cent of the cost and could be reduced by raising production. The principal problem was therefore one of tackling the major cost factor and the Government had not done anything to make available to the industry materials and components in adequate quantities and lower prices. 'The automobile industry is an industry of many other industries whose costs are unknown.' If the cost of automobile industry were to be brought down, the basic requirements such as steel, tyres, coke, pig-iron and various other components had to be stepped up. The Government should have some patience and first concentrate on building up the ancillary industries which feed the automobile industry. The amalgamation of three units may succeed only in increasing the confusion and dislocating production.

According to Mr. Lalchand Hirachand, Chairman of the Premier Automobiles Ltd., the proposal of the Minister to have a single unit would not be of any special advantage. The proposal was considered in the past and it was felt that it would pose a number of difficult problems, the chief among them being the transport of components. The real problem was due to heavy taxation and low volume of production.

★★

The wholesale prices of sugar in Maharashtra State were raised by Rs. 5.15 per quintal following a similar increase granted to sugar mills in the State. The revised prices, which came into effect from November 18, are being criticized as too low. The wholesale traders are allowed a margin of profit of Rs. 1.75 per quintal, inclusive of 50 nP. commission earmarked for the mills' agents. This margin of profit was fixed on the assumption that the expenses on transportation would amount to Rs. 3 per bag. Actually the transportation cost works out to Rs. 4.00 per bag, thus reducing the profit margin to 50 nP. per bag which is described as ridiculous in the context of the large investment in the business.

★★

The Standing Committee of the recognised stock exchanges of the country, which assembled in Bombay, decided to request the Government to relax the existing margin regulations on share business. The Committee made a number of useful suggestions aimed at serving the interests of brokers and investors alike. The President of the Bombay Stock Exchange, Mr. K. R. P. Shroff, presided over the deliberations. It was attended by the presidents of all the leading stock exchanges, except Calcutta and Indore. The Committee felt that in respect of units of trading in shares, it was desirable to have uniformity

in Asian Economic Cooperation beginning in Manila on the 3rd of next month. In 1961 a consultative group of experts, led by Mr. K. B. Lal of India, had reported on the possibilities of economic cooperation in the ECAFE Region. As a sequel to this another group of experts had prepared a report which was considered by the preparatory meeting held in Bangkok from October 21 to 26, this year. The conclusions emerging from the detailed discussions will be discussed by the ministerial conference at Manila.

on the different stock exchanges. It was decided to request companies to waive transfer, consolidation and splitting fees in the interest of investors. The Committee further agreed that it would be desirable for company directors to declare their dividends before the actual closure of transfer books with a view to avoiding subsequent accounting adjustments.

It was decided to request companies to issue share certificates and allotment letters in market lots. Companies, according to the Committee, should also be requested to take decisions on dividends, bonus and right issues so that these could be communicated to the stock exchanges during the trading session. The companies should accept shares for transfer received after the closure of transfer books when the shares had been despatched in time but the delay had been caused owing to conditions beyond the shareholders' control. A recommendation would be made to the Government for making arrangements for the sale of share transfer stamps at different places for the convenience of investors in the mofussil. As regards the question of members of one stock exchange opening offices in areas of other recognised stock exchanges, the general view was that the opening of such branches would affect the business of members of smaller exchanges. Important public companies would be requested to issue, in conformity with the listing arrangements, periodical reviews about their working for the information of members.

★★

The ECAFE Conference on the development of the fertilizer industry in Asia and the Far East was inaugurated here last week by the Union Minister for Steel and Heavy Engineering, Mr. C. Subramaniam. He disclosed that India was ready to offer technical assistance to the ECAFE countries for setting up fertilizer units in the region. This country's plans visualize production of from 1.5 to 2 million tons of nitrogen per annum by the end of the fourth Plan. During each year of that Plan, it is proposed to complete two new factories.

Mr. Subramaniam pointed out that the problem of the high foreign exchange cost of equipment had to be dealt with by developing indigenous know-how and facilities for fabrication of fertilizer plants. The Government of India had in this connection taken steps for setting up a pressure vessels plants with British assistance and a pumps and compressors plant with Soviet assistance. There was a move to make naphtha the basic raw material for the industry. This might help to bring down cost. The Minister invited concrete suggestions from the conference for an effective and yet not too costly a system of extensive soil analysis. He also stressed the importance of a training programme for the farmer on a mass scale in the use of fertilizers in gaseous and liquid forms as well as in the solid state.

Mr. A. G. Menon, Chief of the Industries and Natural Resources Division of the ECAFE, in a statement read on behalf of Mr. U Nyun, Executive Secretary of the ECAFE, observed that the output of fertilizers rose from over 1.5 million metric tons to over 2.5 million metric tons in terms

of plant nutrients between 1953 and 1961. Nearly 70 per cent of the increase was, however, accounted for by Japan. The limited size of the domestic market in most of the countries was the cardinal impediment to the development of the industry in the region. Within the next five years it was estimated that in the region's consumption of fertiliser nutrients would increase

K. K. Birla Puts the Record Straight

From Our Correspondent

CALCUTTA :

SOME OF the extremist speeches made at the AICC session at Jaipur were subjected to critical analysis by Mr. K. K. Birla in his address to the Indian Chamber of Commerce last week. The President of the Chamber vigorously rebutted the thesis that the concentration of wealth was increasing and that monopolistic tendencies were threatening democracy or the people's welfare.

An important point made by Mr. Birla was that since the rate of growth of the national income was falling behind the increase in population, it had become urgently necessary to step up investment and production by encouraging domestic enterprise as well as foreign investments through enlightened economic policies.

Mr. Birla said in part :

"I am glad that there is some evidence of re-thinking in the statements recently made by our new Finance Minister, Mr. T. T. Krishnamachari, and the steps that he has already taken particularly in regard to the monetary policy. Shri Krishnamachari has so rightly observed that the financial and economic policy must serve first and foremost the requirements of rapid growth. To the extent that ideological concepts do not restrict economic expansion and curb individual initiative and enterprise but seek to stimulate and reward the same, it should be possible to realise this objective. After all, if a social system has to justify itself, it has to provide adequately for human welfare which means freedom from want, social security, opportunity for betterment, and the like. These are objectives common to any progressive society. If the new approach towards future economic expansion is less restrictive and more helpful to individual initiative and enterprise, it will go a long way to develop the country's economy faster.

Right Step

"Liberalisation of supply of credit for productive purposes which has recently been announced by the Reserve Bank is a step in the right direction although to what extent the demand for capital for more production will be met is yet to be seen. The resources for investment have continuously to expand which means that people should have more to save and to invest. Ultimately, production could not be increased on a sustained basis without a significant revival of investment activity. Therefore, as the economic and fiscal policies take shape in the light of this new thinking and fresh approach towards rapid economic growth, I hope, there will be indications of a better climate for investment activity than what has been prevailing so far.

"Foreign businessmen who have been interested in participating in the equity capital in Indian industrial development have been discouraged mainly by two factors: firstly, the pattern of the present structure of corporate taxation and secondly the dilatory procedures and policies relating to industrial licensing. We have the assurance from the Finance Minister that he will review the fiscal policies so as to meet the requirements of rapid growth. It is necessary that the country should not lose the growing opportunities of attracting more equity capital from abroad, particularly when there is keenness on the part of foreigners to invest in countries like India which have such large market potentialities. As regards procedural difficulties in industrial licensing and delays which have discouraged both foreign and Indian investors, I am glad that the Government have shown some awareness of this pro-

blem as has been indicated by the appointment of a Committee to study this question and suggest remedies. While during recent years the Government have from time to time taken steps to appoint committees on various problems, not in all cases has there been an effective implementation of the recommendations of such committees. I feel that this question of simplification of the licensing procedure and the removal of rigidity in economic planning is of fundamental importance to the country at the present moment...

"Today, planning has become so rigid that even where it is possible to set up industries without foreign exchange requirements, it is not possible to do so. The list of industries included under licensing has continued to increase with the growth of our economic planning which has been too rigid. It is not new to mention that as a result of the far too complicated licensing procedures involved and the large number of authorities and Government departments which come into the picture, it becomes extremely difficult to get the green signal to set up an enterprise for several months and sometimes for indefinitely and once he finds the Indian procedure frustrating for setting up of new enterprises. It is an irony that at present even where the Government agrees to certain principles, there is delay in taking decisions; for, the officials sometimes take the view that it is safer 'not to act' rather than 'to act'.

Streamlined Procedure

"I would suggest that the Government should declare in advance the lines of new industries where foreign collaborations are invited and in those specific fields they must set up a time-schedule and an agreed policy among the various departments, and they should be able to say that within a certain minimum period of time a foreign collaboration will be given a green signal. The procedure should be streamlined by eliminating a large number of time-consuming steps which have to be taken to promote an enterprise; and a single co-ordinating authority should sanction setting up of new enterprises within a minimum period of time. In this connection, on the utilisation of foreign aid and I do hope that this Committee would recommend effective measures for the maximum utilisation of foreign aid and loans. It is unfortunate that be utilised speedily due to various restrictions and delays in the rupee resources, as without matching rupee capital sometimes foreign aid becomes infructuous.

"I would like to touch upon one other important aspect of our economic policy and planning which concerns the approach to the so-called concentration of wealth and economic power. It may of interest to members to know that recent wealth tax statistics have indicated certain significant facts. It appears that the bulk of assessments in both 1960-61 and 1961-62 were in the net wealth bracket of Rs. 2 lakhs to Rs. 12 lakhs. The total number of Wealth Tax assesseees in 1961-62 were 23,815 of which 22,407 or roughly 94 per cent were in the net wealth bracket of Rs. 2 lakhs to Rs. 12 lakhs. The 1,408 in number which is only about 6 per cent of the total has increased in the lower slabs while the number of assesseees in the higher slabs and the average per capita wealth has come

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down. The data which is available now shows that the wealth tax is fast reducing the wealth tax assesseees in the group above Rs. 50 lakhs. Their number as a matter of fact has dwindled from 191 in 1960-61 to 165 in 1961-62 or by 14 per cent over a year. At this rate very soon this class of assesseees is likely to vanish. The fact that the fiscal policy leads to disinvestments among a class of people is not conducive to higher economic activity in the country. The erosion of capital in this manner reduces capital formation and discourages both foreign and indigenous investment. Private foreign capital is attracted more towards Indian counterparts which have substantial financial backing and industrial experience.

"Income-tax Statistics compiled by the Central Board of Revenue have recently become available for the year 1961-62. A study of the figures therein shows that between 1956-57 and 1961-62, small incomes have increased both in numbers and in the total aggregate while the bigger incomes are declining. In the income group "Not exceeding Rs. 15,000", the number of assesseees has risen from 422,328 in 1956-57 to 820,441 in 1961-62, i.e. by about 95 per cent. The total assessed income of these assesseees, rose during the period from Rs. 294.95 crores to Rs. 511.96 crores, i.e. by about 75 per cent. On the other hand, incomes above Rs. 2 lakhs have substantially declined both in number and aggregate. The number of assesseees with an income of above Rs. 2 lakhs fell from 650 in 1956-57 to 543 in 1961-62, that is by about 16 per cent. The total aggregate of the incomes of these assesseees fell during the same period from Rs. 27.07 crores to Rs. 20.10 crores, that is by about 26 per cent. This shows that income disparities, of which one hears frequently from political platforms, are definitely getting reduced, and the rich are not getting richer as alleged.

No Concentration of Economic Power

"I would also refer to the recent survey by the Reserve Bank based upon 70 companies which includes 10 of the largest companies in India. This survey showed that out of a total capital of Rs. 272 crores covered by these companies, as much as Rs. 212 crores was owned by 492,000 shareholders out of which 52 per cent were individuals and the rest institutions. Among the individuals 65 per cent hold shares of the value of Rs. 1,000 or under and 28 per cent hold shares of the value not exceeding Rs. 5,000 each. This was the position in 1959. During recent years the number of small shareholders has increased further. Today the position is that companies are owned by a large number of small shareholders and they function under a very rigorous company law which ensures to them the right to choose the type of management they desire. In the light of the increasing dispersal of ownership of the corporate sector and the larger powers vested in the shareholders under the company law, the emphasis often being laid on the concentration of economic power appears to be completely out of date. One basic factor is that there is hardly any big business in India compared to international standards. The biggest company in the world is the General Motors of USA whose annual sales exceed \$14 billion or Rs. 7,000 crores. This is an industrial empire by itself. The biggest company outside the USA is the Royal Dutch Shell, whose sales exceed \$6 billion or Rs. 3,000 crores. Indian companies are mere toys in comparison with these concerns. In fact, the biggest company in India occupies a very low position among the industrial giants of the world, and comes nowhere within the first 150 companies outside the USA. Including USA it does not figure amongst the first 450 companies of the world. In almost every big field of industry we have just started to make a beginning. If on ideological grounds these enterprises are not allowed to grow, I am afraid, our future economic expansion will receive a set-back. After all, the concepts of planning and development mean ultimately larger and efficient output for the people. It is realised that there could be no 'laissez faire' in the present context. But the danger is that in an under-developed eco-

nomy if ideological concepts are allowed to restrict the growth and expansion of enterprise they will react on the growth of the economy and on our capacity to export which is so vital for our economy.

"The business community has noted with surprise and regret the trend of the speeches made at the A.-I.C.C. session at Jaipur. In so far as the speeches made by those who have been under a cloud for whatever reason are concerned, they need not be taken seriously. There is, as a matter of fact, no evidence whatsoever to support that the lower strata of the society is not rising. On the contrary, the percentage of assesseees in the high income group has been dwindling while that in the lower income group has been rising as explained earlier. As a matter of fact with the heavy incidence of taxation which in the higher income brackets works out to more than 100 per cent the picture could not have been but otherwise.

Unfounded Allegation

"The statement made at Jaipur that the "unaccounted money" in the country is Rs. 3,000 crores is absolutely unfounded. According to the official figures published at the end of 1960-61 the total investment in the private sector amounted to Rs. 2,000 crores. The present estimate of the investment of the private sector is about Rs. 3,000 crores. I fail to understand as to how an amount equal to the entire investment of the private sector could remain outside the accounts. What is even more fantastic is the statement that businessmen are running a parallel Government of their own in the country. Such statements are not made out of ignorance. They are made only with political motives but they do incalculable harm outside the country.

"It was also mentioned at the A.-I.C.C. Session that there was a trend towards more monopolies in the country. Permit me to analyse this statement. There are 465 cotton textile mills and 209 sugar mills in this country. Does this indicate a tendency towards monopolies in these two of the biggest industries of the country? There are 27 concerns manufacturing electric motors and 28 manufacturing diesel engines. Similar figures could be cited for other industries also. Does this indicate any tendency towards monopolies? In every country, there are but three or four important manufacturers of a particular item. Our policy of licensing on the other hand has been so liberal that in many lines important manufacturers of the world are represented in this country. Does this indicate any monopolistic tendency?....."

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Lyons Range has developed an easier undertone following profit-taking and mounting bear pressure. Bull operators are evidently in no mood to extend commitments till the outlook becomes clear. At the moment there is a general tendency to await the Finance Minister's statement in the Lok Sabha. Reports that it will come only towards the end of the session have somewhat unnerved the weaker elements in the market. Moreover, the Banking Companies Amendment Bill has caused some apprehension. The report that the Life Insurance Corporation has decided to engage actively in general insurance business has been pointed as a clever move on the part of the Government to nationalise general insurance without paying compensation. The fact that a motion on the nationalisation of banks has been tabled has its disturbing influence on market sentiment. Meantime bears are drawing attention to repeated references to "unaccounted" money by all and sundry, following the Finance Minister's mention of it. Otherwise the outlook for the corporate sector does not appear to be particularly discouraging with the credit relaxation already announced and indications of further relaxations which will enable industries to resume their interrupted march. But both operators and investors have been confused as to the shape of future Government policies affecting the private sector, for even senior ministers such as Mr. C. Subramaniam seem bent on talking in riddles on such sensitive issues as the nationalization of major industries.

The moving finger writes

IN DEVELOPMENT planning the first question that would "will discover" that his appointment "is not going to be universally welcomed in Congress Party ranks." I do not think that the discovery is in the future. Unless Mr Chagla is either very dense or very egoistic—and I believe that he is neither—he should already have acquired this particular piece of knowledge. In fact, my information is that Mr Chagla is under no illusion regarding how precisely the Congress Party has reacted to the Prime Minister's decision to offer him a Ministership. According to one report Mr Chagla had lugubriously remarked some time ago that all the support which the Prime Minister seemed to have received in this matter from his colleagues in the Cabinet was confined to "the negative approval" extended by Mr T. T. Krishnamachari. According to New Delhi gossip, there was resistance to Mr Chagla's appointment even from within the Prime Minister's establishment.

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The Education portfolio seems to have been Mr Chagla's second choice. It appears that his first preference was for Cabinet responsibility in the areas of Commerce and Industry. The attachment of Cultural Affairs to the Education portfolio is not exactly governed by administrative logic. I am not denying that Education and Culture have a lot to go with each other but so have Law and Culture, or even External Affairs and Culture, especially as our foreign policy presumably continues to be informed by the spirit, if not the letter, of Panch Sheel. What I am interested in pointing out here is that the portfolio of Cultural Affairs, as has taken shape over the years, has more in common, in administrative terms, with the activities of the Ministry of Information and Broadcasting than it has with the Education Ministry. I am, therefore, inclined to suspect that the decision to merge Cultural Affairs with Education has been motivated in the main by a feeling that Mr Chagla's personal eminence should be suitably acknowledged in the size of the domain allotted to him. On a strictly rational basis, Cultural Affairs could have more suitably belonged to Mr Satya Narayan Sinha, that is to say, the Ministry of Information and Broadcasting.

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There is surely grist to Dr Lohia's mill in the Central Government's decision to appoint Mr R. K. Nehru as Officer on Special Duty in the Ministry of International Trade after his retirement from the Indian Civil Service. The excuse for this appointment is that a person of Mr Nehru's background and experience is needed to master-mind the Government's participation in the World Trade Conference to be held in Geneva in March next. Now I do not deny that the conference will be of the utmost importance to our trade interests. Nor am I doubting that Mr R. K. Nehru is a very important person, and is consequently well-qualified to be thought of for important assignments. But, at the same time, it is rather difficult for me to agree that there is no regular officer of sufficient seniority or ability in the Ministry of International Trade itself to whom the work now assigned to Mr Nehru could have been safely entrusted. Actually, cynic that I am, I am rather inclined to think that much of the work will in any case be done by the Joint Secretaries and the Deputy Secretaries. It has often been said that, while the Prime Minister finds it difficult to suit men to jobs, he does not seem to have the

same difficulty in finding jobs to fit men. It is possible that the R. K. Nehru affair may be cited as a case in point. It is also possible that had a reported earlier attempt to secure for Mr R. K. Nehru the Chairmanship of the Commonwealth Economic Committee in London succeeded, it might have occurred to the Government of India that, if the Ministry of International Trade really needed special assistance, our Ambassador at Brussels could temporarily have been recalled to provide it.

It may be that I am harsh, but I must confess that my patience, never very generous, is rather strained. Day in and day out, we hear Ministers and others charging the private sector with corrupting the public services by offering juicy jobs to retiring civilians. On such occasions, it is freely said that the prospects of such post-retirement benefits are bound to undermine the integrity of public servants in office while dealing with business firms. May I ask whether this logic does not apply to extraordinary Government favours shown to select civil servants? Demoralisation can be of many kinds and if civil servants (meaning thereby not merely ICS officers, but also officers of other public services) have lost, or are losing rapidly, the ability to give frank and independent advice to Ministers, it is surely because of the corrupting practice of special extensions being granted to favoured officials after they reach the age of retirement, or special posts being created for their benefit once their retirement can no longer be deferred.

It may no doubt be argued on behalf of the Government that, since the country is short of talented and experienced men, their services should be made use of to the utmost. But, apart from the fact that such reasoning can apply with equal force to business houses employing retired Government personnel, I would like to say very emphatically that it is bad for the country and very bad indeed for its people that the idea should be encouraged that men of talent can contribute to the national good only by serving the Government or the private sector even after their retirement. After all, there is such a thing as honorary work in various cultural and social fields. Our public men, especially those who are Ministers, are never tired of haranguing on the high importance of voluntary organisations in the life of the community. May I ask how these voluntary organisations are expected to build themselves up and play significant roles in the affairs of the nation if it comes to be an accepted principle for men of any talent to stick to the last to paid employment of some kind or the other? Finally, I would urge that the logic of pensions is that, apart from the fact that they provide security to the individuals concerned in their retirement, they could also be of some encouragement to them if they desire to devote some of the ripe years of their lives to voluntary service to the community. I have very little doubt that our public life—even more, our political life—would have been a lot better had some of those elderly persons who are so eager to grind out the evenings of their lives as Governors or special officers in the Government or liaison officers with business firms chosen to say that "enough is enough" and gone to spend with their communities what free time they might have in promoting social and cultural activities.

V.B.

Trade Winds

EXPORTS OF GUAR GUM

ONE OF THE export industries in this country which needs to be protected against government-assisted competition from manufacturers in Pakistan is the guar gum industry. Guar gum is extracted from guar seed, which is a leguminous crop of dry areas and is cultivated in the States of Punjab and Rajasthan and to a lesser extent, Gujarat. The gum is utilised for a large number of industrial purposes, for instance, as a finishing agent in the textile and paper industries and in the manufacture of pharmaceutical products. It is also in demand in the food industries as a stabilizer for ice cream and as a base of reducing diets. The domestic off-take, however, is negligible, although it may be expected to improve gradually. So far, the industry, the origins of which are relatively recent, has been developed on the basis of the export demand which absorbs virtually the entire output. Guar gum is shipped to the United States, Western Europe and Japan. The foreign exchange earnings amount to about Rs. one crore per year, but there is scope for expansion if competition from Pakistan could be suitably dealt with.

The Pakistan industry has the advantage that it receives a concealed subsidy in the form of import entitlements to the extent of 40 per cent of the value of its exports. Indian manufacturers have been urging the Ministry of International Trade here that compensatory incentives should be provided for them if they are to maintain and improve upon their share of the world market. It is important to note in this connection that the development of the guar gum export industry has stimulated the increased cultivation of this crop and raised it to the status of a commercial or cash crop of growing importance to the rural economy of the dry areas in Rajasthan and elsewhere. There is, in fact, here some similarity to the spectacular spread of groundnut cultivation in this country in the early years of this century. Although guar can never become a major crop in the sense in which groundnut is a major crop, it is evident that, as the gum industry develops and a steady and expanding commercial outlet is provided, the cultivation of guar will keep on becoming popular. In fact, the ICAR has lately been devoting attention to research on improving strains of guar and several high-yielding varieties have been selected for propagation. This is undoubtedly a matter of some significance since both guar seed and guar meal, which is the residue left after the gum is extracted, are valuable cattle feed and their increased availability should, therefore, be of benefit to the livestock economy. The consolidation of the export trade in guar gum which would determine the profitability of cultivation of guar, is therefore necessary and desirable from many angles. Consequently, reports that the Government of India is considering measures for strengthening the export trade are to be welcomed.

In view of the fact that the crop has been affected lately by drought conditions in some of the growing areas, it is feared that the Indian industry may be further handicapped in its exports by a rise in guar seed prices. It is consequently believed that the Ministry of International Trade will make an early announcement of export incentives to offset Pakistan's advantages in this respect.

FIRST NATIONAL

The First National City Bank, New York, opened on November 18, 1963, its first branch in New Delhi. This brings the total branches of this bank in India to four; its three other branches are already functioning at Bombay, Calcutta, and Madras. Incidentally the New Delhi branch is the 101st overseas unit that the Bank has opened during its long history

of 150 years and marks the 50th year of its operations in this country.

The Bank has performed a useful service in the recent years in attracting US capital investments to India. It is understood that one of the important functions of its New Delhi branch will be to foster this trend further by helping in processing applications from Indo-US industrial ventures for assistance from the Cooley Fund which has been created out of the sale proceeds of the commodities supplied by the United States to this country under PL 480. The bank will also act as an agency for disbursement of this assistance to the parties whom it helps in securing it. The First National City Bank is a member of the Exchange Banks' Association of India.

Inaugurating the New Delhi branch, Mr. G. L. Mehta expressed the hope that the bank would continue to lend its assistance to foreign entrepreneurs and business men, especially from the United States, in making contacts and getting from the Government here relevant information required for starting industrial enterprises. He commended the practice of American banks of making advances against security of plant and equipment and thereby helping the private enterprise in carrying out expansion and development of new units, particularly in the medium and small sectors of industry. This, he added, was the one feature which distinguished American banking from the traditional British banking system. He was happy that Indian banks had also recently introduced this element into their business. With the revival of the capital market, Mr. Mehta hoped, commercial banks in India will take an increasing part in the business of underwriting industrial debentures and shares in concert with the financial institutions such as the Industrial Finance Corporation, the Life Insurance Corporation and the Industrial Credit and Investment Corporation of India.

EXPORT OF IRON ORE

A delegation from Yugoslavia headed by Mr. P. Vukcevic, including Mr. O. Novakovic, Mr. N. Ilic and Mr. Petric, recently signed an agreement for the purchase of iron ore during 1964 with the Minerals and Trading Corporation of India Limited. The agreement provides for the purchase of 300,000 tons of iron ore from India by Yugoslavia with an option to be exercised by the purchasers for an additional purchase of 100,000 tons.

INDO-HUNGARIAN TRADE AGREEMENT

A five-year trade and payments agreement signed between India and Hungary last week will come into force from January next. The agreement envisages the doubling of the volume of trade between India and Hungary in the next three years from the present annual rate of Rs. 8.3 crores each way. Exports each way are expected to reach a level of Rs. 12.5 crores in 1964, Rs. 14.5 crores in 1965 and about Rs. 17.5 crores in 1966. India will export de-oiled groundnut meal, de-oiled rice bran and other de-oiled cakes, manufactured industrial and chemical products, iron ore, mica, shellac and other traditional items of exports such as tea, coffee, groundnuts and cashew kernels. Major items of imports from Hungary will be rolled steel products, tool alloy and special steel, machine tools, equipment for power stations and capital goods such as flood control equipment, industrial furnaces, cable manufacturing plants, equipment for chemical and pharmaceutical industry, equipment for glass and lamp industry, fish and meat meals, ore and mineral testing plants, welding electric plants, gas producer plants and electrical railway safety and signalling equipment.

During the course of the visit of Mr. Manubhai Shah,

Minister for International Trade, in June 1963, economic and trade relations between the two countries were studied and possibilities were explored for further extending economic co-operation. In the course of these negotiations, both the parties had agreed that there was great scope for increasing the traffic of traditional goods and enriching the assortment. The first trade agreement was signed in 1949 and since then goods traffic has been regulated by repeatedly renewed agreements for the exchange of goods.

In view of the fact that there exist large possibilities for extending economic co-operation between the two countries. Hungary has agreed to offer a credit of Rs. 12 crores to India for improvement of industrial projects included in the third Plan and also those that may be taken up in the fourth Plan period. The projects likely to be financed out of this credit will be in the fields of aluminium, glass manufacture, ore dressing and power generation.

DEVELOPMENT OF PORTS

The National Harbour Board, at its last week's meeting at Gandhidham, is stated to have made a number of recommendations for developing coastal shipping. These include improvement of selected minor ports for berthing of small coastal vessels, mechanisation of sailing vessels and study of cargoes best suited for the purpose. By far the most important recommendation, however, is that the work of chartering the Indian waters should be speeded up. This is said to be seriously impeding the mobility of maritime shipping. Use of electronic aids has been strongly pleaded for completion of this task. To start with, it has been suggested that two electronic aid units should be procured without further delay so that complete hydrographic surveys of at least the most sensitive areas are completed in about three years' time. If as a sequel to this, facilities are created for berthing at the smaller ports vessels of eight to 10 feet draft, all round the year, coastal shipping can be expected to provide a good deal of relief to the other forms of transport, particularly along the long stretches where railways do not run parallel.

For fostering the development of the fishing industry, the Board has suggested relaxation of the application of harbour rules and the grant of concessional port charges for fishing vessels.

PROGRESS OF PARADEEP

In a study of the traffic prospects of the Paradeep Port, the National Council of Applied Economic Research has stated that under favourable conditions, the port could initially command over three million tons of traffic in iron ore, coal and general cargo and that within a decade this could go up to between seven and eight million tons. There are considerable deposits of iron ore near the port and it commands a hinterland which is full of promise of industrial growth in areas such as Cuttack, Talcher, Hirakud and Rourkela. It is pointed out that more than two million tons of iron ore can be shipped from Paradeep in the first year of its working in 1965-66 and it can be stepped up to five million tons by 1970-71. The port is expected to be completed by 1965.

The study recalls that the question of developing a deep sea port in Orissa, between Calcutta and Visakhapatnam had engaged the attention of the authorities since 1948. It refers to the vast hinterland commanded by the port and says that as the rail and road links are developed and the organisation of industry and trade re-adjust themselves to the advent of new deep-sea port, the hinterland may extend itself beyond Orissa. Subject to certain overall and individual limitations, it is mentioned, a traffic of 3.12 million tons in 1965-66 and 7.29 million tons in 1970-71 can be expected at the port. Be-

tween 67 per cent and 70 per cent of this traffic would be in iron ore. If the expected coal traffic materialized, coastal trade at the port would be about 34.2 per cent of the total traffic in 1965-66 and 27.7 per cent in 1970-71. Deep-sea berths and fully mechanised handling facilities are likely to render Paradeep an attractive port for big ore carriers and ocean going ships.

HIGHER PRICES FOR SUGAR

Consequent upon the revision of sugarcane prices announced on October 30, 1963, the Government has reviewed the ex-factory sugar prices fixed under the Government of India Notification No. G.S.R. 677 dated April 17, 1963. It has been found necessary to raise the ex-factory prices by Rs. 3 to Rs. 8 per quintal in different areas. The new prices come into force immediately. The State Governments have been requested to arrange distribution in their States on the basis of pooled prices of sugar obtained from factories in different regions, so that the benefit of lower prices in a region, as against higher prices elsewhere, is passed on to the consumers and is not appropriated by middlemen.

SUGAR DUTY RELIEF

The Government of India has issued a notification granting fifty per cent excise duty rebates on quantities of sugar produced in excess of previous performance during the early and later part of the 1963-64 season, and twenty per cent rebate in respect of excess production during the main season. Provision has also been made to enable new units which have not yet attained their full capacity in production to get the benefit of excise duty rebate at a flat rate of 30 per cent over the production in excess of their real or notional production in the previous period of the 1961-62 season.

LOWER PRICES FOR VANASPATI

Following the refixation of maximum prices of Vanaspati in all the four zones last June, the prices in some of the zones were slightly increased on one or two occasions during the past few months in view of the increase in the price of raw oils in these zones. With the onset of the new groundnut season and the consequent fall in oil prices, the maximum prices of Vanaspati have been reduced by Rs. 100 per tonne or 10 nP. per kg. in the Eastern and Southern zones.

With the present reduction, the retail prices (exclusive of sales tax and other taxes, if any) for representative pack-sizes, applicable to the different zones, will be as shown below:

	Zone A (Western)	Zone B (Southern)	Zone C (Northern)	Zone D (Eastern)
16.5 kg tin	Rs. 48.18	Rs. 46.53	Rs. 48.51	Rs. 49.33
4.0 kg tin	Rs. 13.20	Rs. 12.80	Rs. 13.28	Rs. 13.48
2.0 kg tin	Rs. 6.90	Rs. 6.70	Rs. 6.94	Rs. 7.04
Loose per kg net	Rs. 2.92	Rs. 2.82	Rs. 2.94	Rs. 2.99

RELIEF ON GREEN TEA

In order to provide relief to the producers of green tea, the Government of India has decided to reduce the Central Excise duty on green tea produced in certain areas. The green tea produced in these areas will pay duty at 10 naye paise per kilogram instead of at 15 naye paise. The revised excise duty is applicable to Zone I as listed in Central Excise Tariff.

WOOL PRODUCTION

A new programme to improve sheep breeding and increase the production of wool in the country from 70 to 80 million lbs is being sponsored by the Union Ministry of Food and Agriculture. The programme includes the establishment of a full-fledged institute to undertake research in all branches

of wool industry. Large-scale wool grading centres are also being set up in Rajasthan to handle about 6 million lbs. of wool. To meet the requirements of trained personnel, a training school in wool grading was started at Jodhpur early this year under the guidance of specialists from Australia. The new grading facilities are expected to make available 10 to 12 million lbs. of quality wool, involving considerable saving in foreign exchange. There are over 40 million sheep in the country which produce about 70 million lbs. of wool every year. Besides, they yield over 400 million lbs. of meat and Rs. 8 to 9 crores worth of raw leather.

JUTE TRADE AT PEAK

The performance in terms of production and exports of Jute Industry touched a new high during the period April-September, 1963. The production of jute goods registered a record at 8.3 lakh tonnes during this period compared to 6.04 lakh tonnes during the corresponding period of 1962-63. The industry is working to its full capacity and is also increasing its spinning and weaving capacity.

Exports of jute goods touched a record figure of Rs. 82 crores in the first six months of 1963-64 compared to Rs. 71 crores during the same period in 1962-63. This performance is likely to be improved during the second half of the financial year 1963-64.

PROTECTION CONTINUED

The Government of India has accepted the recommendation of the Tariff Commission to continue protection to the Industry manufacturing ACSR (aluminium conductor steel reinforced) and AAC (all aluminium conductors) for a further period of three years ending December 31, 1966, at a reduced rate of protective duty of 25 per cent 'ad valorem' plus the usual surcharge. The Government has also accepted the recommendation of the Commission for continuing the existing policy of allowing imports of EC grade aluminium ingots/bars/rods for ACSR and AAC at the concessional duty of 15 per cent 'ad valorem' plus Rs. 360 per tonne.

The protection granted to the Sericulture Industry is to be continued, as recommended by the Tariff Commission, for a further period of three years up to the 31st December, 1966 at the existing rate of protective duty.

Tariff protection for the Cotton Textile Machinery Industry (Spinning Ring Frames, Spindles, Spinning Rings, Fluted Rollers and Automatic Looms), has been extended for a further period of three years, i.e., till 31st December, 1966 at the rate of protective duty of 10 per cent ad valorem. In accepting the Tariff Commission's recommendation to this effect, the Government has taken note of the view expressed by that body that it would not be desirable to equalise at the higher level the present rates of duty levied on inserts used in ring frames and doubling frames (a non-protected item).

PRODUCTION OF AGRICULTURAL TRACTORS

The Development Council on Automobile industry has recommended to the Government to set up a separate Panel to look after the development of agricultural tractors, tractor-drawn agricultural implements and earthmoving equipment manufacturing industries.

At present four firms with a combined capacity of 1,000 numbers of agricultural tractors have been licensed and the production has started. The production achieved in 1962 was 1,627 numbers and in 1963 up to September 1,032 numbers. The target of production set for this industry is 10,000 numbers per annum by 1965-66.

Earthmoving equipment consist of the following major items, namely, Crawler Tractors and attachments thereof,

Motorised Scrapers, Motorised Dumpers, Bulldozers and Shovels and Draglines.

Crawler Tractors are presently being manufactured by the Ministry of Defence in the Ordnance factories and shovels by two establishments in the private sector, namely, Messrs. Tata Engineering and Locomotive Co. Ltd. and Messrs. Hindustan Motors. Messrs. Hindustan Motors are also licensed for the manufacture of tractor attachments.

Following are the firms and their capacities for the manufacture of agricultural tractors:

Firm	Capacity Licensed per annum	Foreign Collaborator.
M/s. Eicher Tractor Corp'n. India Ltd., Faridabad.	1,000 Nos.	Gebr. Eicher Traktoren Fabrik, West Germany.
M/s. Tractor & Bulldozers Pvt. Ltd., Bombay.	1,000 Nos.	Czechoslovakia 1. Techno Export 2. Motokon, Pasague
M/s. Tractor & Farm Equipment Ltd., Madras.	3,000 Nos. 500 Nos.	Massey Ferguson, U.K.
M/s. International Tractor Co. of India Ltd., Bombay.	3,500 Nos.	International Harvester, U.S.A.
M/s. Ghaziabad Engg. Co. Ghaziabad.	3,500 Nos.	Renault, France.

Tillers (Agricultural Implements)

M/s. East Asiatic Co. (1) Ltd., Bombay	24,000 Nos.	Landmaster Ltd., U.K.
M/s. Indian Landsberg Implements Corp'n. (P) Ltd., Faridabad.	500/3,500 Nos.	Bajeresce Pflugfabric GMBH, Landsber, Germany.
M/s. Krishi Engines, Hyderabad.	53,000 Nos.	M/s. AKITO of Japan.
M/s. Escorts Ltd., New Delhi.	9,000 Nos.	NIL.
M/s. Marshal Sons & Co. (1) Ltd., Calcutta	200 Nos. 400 Nos.	1. Rubery Ocoen & Co. Ltd., U.K. 2. E. V. Twose Ltd., UK 3. John Wilders, UK.
M/s. Agricultural Discs. Ltd., Bombay (L.R. PATEL).	100,000 Nos.	W.A. Tyzaele & Co. Ltd., UK.
M/s. The Housing and General Finance Ltd., Delhi.	40,000 Nos.	NIL.

Heavy Earth Moving Equipment

M/s. Hindustan Motors Ltd., Calcutta.	Not assessed	Caterpillar Tractor Co. Ohio, USA.
M/s. Tata Engg. & Loco Co. Ltd., Jamshedpur.	100 Nos.	Harnischfoger Corp'n. USA.
M/s. Tractors and Bulldozers Pvt. Ltd., Bombay.	60 units	M/s. Vickers Armstrong Ltd., UK.
M/s. Tractor Engineers Pvt. Ltd., Bombay.	For 2,000 sets of tractors	M/s. Tractors Spares Pvt. Ltd., U.K.
M/s. Trackparts of India, Kanpur.	For 400 sets of tractors	M/s. Track Parts Ltd., UK.
M/s. Automobile & Agriculture Industries Corp'n., Bombay.		NIL.
M/s. Heavy Engg. Corp'n. Ltd., Ranchi (Bihar).	30 Nos. (4,950 tons)	NIL

BLUE STAR'S SERVICE TO INDUSTRY — 3

INDIA'S MODERN INDUSTRY DEPENDS ON ADVANCED INSTRUMENTATION

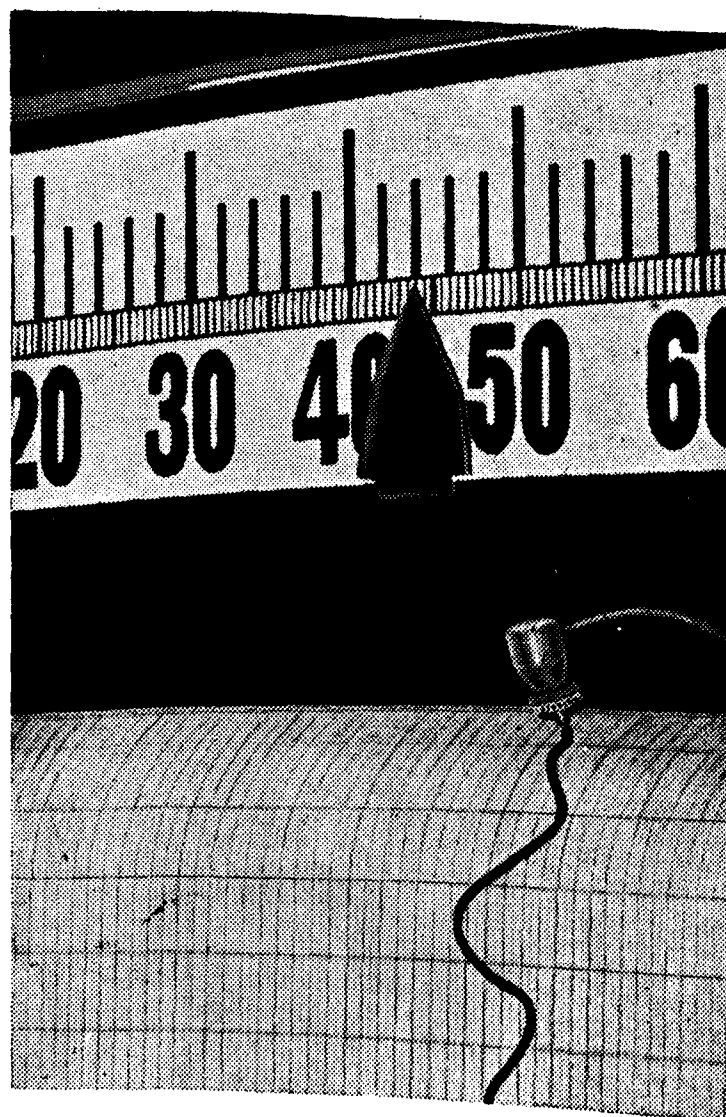
With new times come new ways. India's rapid industrial growth has created new and varied industries, requiring modern methods of automatic process control. Industries like steel and metals, petroleum and petro-chemicals, fertilizers and heavy chemicals, textiles and synthetic fibres, glass and ceramics, sugar and paper are dependent for process control on Honeywell instrumentation. ■ All over the country, in a great many industries, Blue Star-engineered Honeywell instrumentation is helping to step up production, reduce waste, improve quality and increase efficiency. ■ This is one of the many ways Blue Star serves Indian industry.

THIS IS BLUE STAR

Manufacturing: Water Coolers □ Packaged Air Conditioners □ Commercial Refrigeration Equipment □ Engineering & Contracting: Industrial Ventilation and Humidification □ Air Conditioning and Refrigeration—WORTHINGTON (U.S.A.) □ Instrumentation—HONEYWELL (U.S.A.) □ Distribution: □ Instruments for research, education, industry—PERKIN-ELMER, VARIAN (U.S.A.) □ Heavy Electrical Equipment for power projects—SCHNEIDER-WESTINGHOUSE (France) □ Pumps for all purposes—SIGMUND (U.K.) □ Material Testing Machines—VEB WERKSTOFFPRÜFMASCHINEN (G.D.R.) □ Business Machines—BÜROMASCHINEN-EXPORT (G.D.R.)



BOMBAY • MADRAS • CALCUTTA
DELHI • JAMSHEDPUR • KANPUR



Company Affairs

AIR-INDIA'S DIVIDEND

THE MINISTER for Transport, Mr. Raj Bahadur, paid a deserved tribute to Air-India's progress when its chairman, Mr. J. R. D. Tata presented him last week a cheque for Rs. 66,69,725 representing the company's maiden dividend at five per cent on the equity capital contributed by the Government. Mr. Raj Bahadur spoke of the Airline's "proud and brilliant record of safety, efficiency and services in the highly competitive field of international air transport which has brought credit to the country." While congratulating Mr. J. R. D. Tata, under whose able stewardship the Air-India had shown this excellent performance, the Transport Minister said: "In our country you have had a unique and proud record in fostering and guiding the growth of civil air transport, both domestic and international, from the very inception 31 years ago and the Government of India deeply appreciates your magnificent contribution in this field".

Mr. Tata, while presenting the cheque, outlined the working of the Corporation and added that the initiative to pay this dividend had come from its board of directors who felt that, in view of the strong financial position of the Corporation, the time had come when the Government should get a return on its substantial investment in the Corporation. The Government, he added, had followed a generous policy towards Air-India and given it not only the necessary financial support but also the freedom of action and decision which was so necessary in the conduct of a commercial organisation. He felt that Air-India provided perhaps the best instance in the country of the correct relationship between a public sector enterprise and the Government. This policy has indeed been justified by the fact that during these ten years this Corporation has made remarkable progress. Revenue had grown from Rs. 3.5 crores to Rs. 24.5 crores and profits from Rs. 25 lakhs to Rs. 3.5 crores. He also disclosed that Air-India would undoubtedly break its own record of profit in the next year.

Mr. Tata pointed out that Air-India had been able to reduce its costs particularly since the Boeing had been introduced and he added that the Corporation had reached a stage of self-sustained growth when it could finance the bulk of its requirements of expansion out of its own profits and depreciation allocations, not only in rupees but also in foreign exchange. It is, indeed, gratifying that Air-India can pay for its purchases of additional aircraft at a time when the country is facing considerable difficulties on account of foreign exchange shortage.

BOAC'S PROFITS

British Overseas Airways Corporation expects to show a £3-million profit during 1963, which will be sufficient to cover all its operating costs as well as full interest on its working capital. Mr. Donald Erskine Crum, the Corporation's Manager in India, indicated that airline's business this year had shown a sharp recovery and was already running about £4-million ahead of the corresponding period last year. He disclosed that increase in business during the next year may be much more especially if B.O.A.C. is able to introduce fare cuts on the North Atlantic. The Corporation also has plans for the introduction of the Vickers VC 10 jetliners on its world routes early in 1964, when services will open to Africa also. Mr. Crum hoped that the introduction of VC 10 would also be a potent step towards increased tourist traffic, particularly to India, where it was likely to be introduced next autumn. B.O.A.C. had also proposals for increasing the flow of long-distance holiday-makers in close co-ordination with various local tourist authorities and agencies.

QANTAS EMPIRE AIRLINES

Qantas Empire Airlines Limited has shown a brilliant record for the year ended March 31, 1963, when it earned a net profit of £1,406,246 against a comparatively meagre sum of £408,817 last year. This is the first year in the company's history when its revenue has exceeded £40 million and traffic revenue alone has been 20 per cent higher than last year. Apart from other factors, a growing world-wide preference for economy class travel was one reason that accounted for this increased passenger revenue. Moreover, the operation for the first full year of the enlarged fleet of eleven Boeing V-jets permitted faster schedules with increased frequencies on main routes, and fewer stops on certain services.

HINDUSTAN MOTORS

The Commonwealth Development Finance Co. Ltd., is to make a sterling loan of £4,50,000 to Hindustan Motors Ltd., as a contribution towards the total estimated cost of £10,500,000 required for the expansion of the company's factory at Uttarpara, near Calcutta. The company at present manufactures Hindustan Ambassador cars and Bedford trucks in technical collaboration with British Motor Corporation Ltd., and Vauxhall Motors Ltd., respectively. The proposed expansion is intended to increase indigenously-manufactured components of Hindustan Ambassadors and Bedfords to about 90 per cent in each case.

SAKTHI SUGARS

Sakthi Sugars Limited has received quite favourable response in the market in respect of its public issue of Rs. 39.89 lakhs made up of 39,896 equity shares of Rs. 100 each. It is announced that the issue was fully subscribed before November 18, although the subscription list was to remain open till November 20.

BOMBAY WIRE ROPES

Bombay Wire Ropes Ltd. is offering for public subscription Rs. 27.50 lakhs in equity shares of Rs. 10 each. The subscription list will open on December 5 and close on December 14, but not earlier than December 9. The entire issue has been underwritten. The authorised capital is Rs. 2 crores and the issued capital is Rs. 55 lakhs out of which the promoters have subscribed to the extent of Rs. 10.03 lakhs. A further amount of Rs. 17.47 lakhs will be taken up by the directors and their friends inclusive of Rs. 5 lakhs reserved for firm allotment to the Life Insurance Corporation of India.

The company will undertake the manufacture of steel wire ropes in technical collaboration with Messrs. Kobe Steel Works Ltd. and Messrs. Asahi Wire Rope Manufacturing Company Ltd. of Japan. The licenced capacity is 3,000 tons per annum on double shift basis. The factory, which will be situated near Bombay, is expected to go into production by the end of 1964. The total capital outlay of the project is estimated at Rs. 106 lakhs which is proposed to be met by the present issue, a term loan of Rs. 30 lakhs and the balance from deposits from sole selling agents. The ICICI has agreed to provide a rupee loan of Rs. 30 lakhs which is repayable in 15 half yearly instalments starting from 1966. The necessary plant and machinery will be obtained on yen credit. The factory has been so designed as to allow expansion with a few additions to plant and machinery.

UNITED CARBON

United Carbon India Ltd. is offering for public subscription Rs. 48.61 lakhs in equity shares of Rs. 100 each. The subscription list will open on December 2, and close on December 12, but not before December 4. The authorised capital

is Rs. three crores. The project will require a capital outlay of Rs. 2.82 crores — Rs. 9.56 lakhs for land, Rs. 47.80 lakhs for imported plant and equipment, Rs. 1.43 crores for building and equipment to be purchased locally, Rs. 38.24 crores for preliminary and pre-operative expenses, Rs. 23.90 lakhs for working capital and Rs. 19.12 lakhs by way of provision for contingencies. This expenditure will be financed partly by issue of equity capital of Rs. 155.35 lakhs and partly from borrowings of the order of Rs. 140 lakhs.

Of the total capital of Rs. 155.35 lakhs, the United Carbon Company of the U.S.A., will subscribe for shares of the value of Rs. 47.80 lakhs in cash. They will be allowed free shares of the value of Rs. 14.34 lakhs in consideration of the know-how to be provided by them. The promoters and their friends have taken up shares of the value of Rs. 46.61 lakhs and the remaining shares worth Rs. 46.61 lakhs are now offered for public subscription.

This company has been floated to take up the manufacture of furnace type carbon black with financial and technical collaboration of United Carbon Company of the U.S.A. Its factory at Mulund in Bombay, is expected to go into production in the first quarter of 1965 with an initial capacity of 13,600 tons per annum. The foreign collaborators have agreed to design and erect the company's plant in co-operation with Brown and Root, leading U.S. contractors.

DEVIDAYAL CABLES

Devidayal Cable Industries Limited proposes to enter the capital market early in January 1964 with a public offer of Rs. 26.00 lakhs divided into 250,000 equity shares and 10,000 cumulative redeemable preference shares (9.5 per cent) both of Rs. 10 each. The authorised capital is Rs. 125 lakhs and subscribed and paid-up capital is Rs. 23.10 lakhs — Rs. 21.60 lakhs in equity shares and Rs. 1.50 lakhs in preference shares. The company will now make an issue of Rs. 37.50 lakhs — Rs. 27.50 lakhs in equity shares and Rs. 10 lakhs in preference shares. Of this, preference shares worth Rs. 7 lakhs have been agreed to be subscribed by LIC and Rs. 2 lakhs by Oriental Fire and General Insurance Company Limited against their underwriting commitments. The directors, their friends and associates will take up equity shares of the value of Rs. 2.50 lakhs and the balance of the issue will be offered for public subscription.

The company was incorporated in January 1953 as a private company and later on converted into a public limited company on October 31, 1963. It presently manufactures different types of winding wires and cables and has recently obtained licences for expansion of its present activities and taking up new items. It has been licensed to manufacture 5,000 tons of steel and alloy steel wires, high tensile wires and also new types of wires called glass insulated wires. It has also been licensed for the expansion of super synthetic enamelled wires and strips and DPC strips. The expansion project is estimated to cost Rs. 96.99 lakhs which will be financed by the new issue of Rs. 37.50 lakhs, loan from banks to the extent of Rs. 53.49 lakhs and retained earnings of Rs. 6 lakhs.

WANDLESIDE NATIONAL

Wandleside National Conductors Ltd., has offered for sale at par 6,000 equity shares of Rs. 100 each. The company had made a rights issue of 10,000 equity shares in the ratio of one share for every share held in March, 1962. The present offer represents the unabsorbed portion of that issue. The company, which commenced commercial production in December 1962, has reported a steady progress in its operations, with the output for the year ended September 30, 1963 estimated at about 60 tons of insulated conductors. The turnover is estimated at Rs. 24 lakhs and the gross profit at Rs. 3.50

lakhs. The company plans to increase its annual output to 100 tons by September, 1964, which will raise its turnover to Rs. 50 lakhs and its gross profit to Rs. 10 lakhs. The tax liability is likely to be relatively small on account of the benefit of initial depreciation and development rebate. The company which has a collaboration agreement with Wandleside Cable Works Ltd., London, had made this rights issue to finance its expansion programme.

JAYANT PAPER

Jayant Paper Mill Ltd. proposes to expand its production capacity to 30 tons per day for which it has applied to the Government. The directors of the company are negotiating with sugar mills for the purchase of bagasse to be used as additional raw material. The existing plant was commissioned in October, 1962 which has already achieved its full production capacity. The ground wood pulping plant has been received at the factory site and its installation will commence shortly. When it goes into full production, it will supply about five tons of ground wood pulp per day for the use of its paper mill. The company requires additional funds for this expansion programmes and for that it has raised its borrowing limit to Rs. 30 lakhs. The loan of Rs. 10 lakhs granted to the company by the Gujarat State Financial Corporation has been fully utilized. In the annual report of the company for the year ended June 30, 1963, the directors have observed that the paper plant of the company is working satisfactorily and sales of paper for the year have amounted to Rs. 36.19 lakhs. It has earned a gross profit of Rs. 7.13 lakhs out of which Rs. 3.57 lakhs have been separated towards depreciation and Rs. 3.42 lakhs for development rebate reserve.

SIRPUR PAPER

Sirpur Paper Mills Ltd. has shown less favourable results for the year ended June 30, 1963, and, consequently, the directors have decided to cut the dividend from 8.5 per cent to 5 per cent, less tax. This is attributed to the setback in production from 31,700 tons to about 24,000 tons following the closure of the factory for more than three months due to the strike by the labour, apart from the rise in production costs without a corresponding increase in the selling prices of paper. Net profit for the year was around Rs. 2.94 lakhs against Rs. 37.87 lakhs in the previous year. The provision for depreciation is Rs. 32.46 lakhs and for development rebate reserve Rs. 3 lakhs. Even for a reduced dividend the directors had to transfer Rs. 5 lakhs from contingency reserve and Rs. 11 lakhs from general reserve, apart from bringing in the surplus of Rs. 1.25 lakhs from the previous year. The directors have added that during the current year the company has shown satisfactory results. A five-year agreement between the management and the labour union has been signed and all the pending disputes have been settled. Plans for the modernisation and expansion of the mill as well as negotiations for the necessary foreign exchange are in progress.

MYSORE KIRLOSKAR

During the year ended June 30, 1963, Mysore Kirloskar Ltd. has registered a profit of Rs. 13.04 lakhs after providing for taxation, depreciation, and development rebate. The directors have proposed the payment of dividend, subject to deduction of tax, at the rate of 8 per cent per annum which will absorb Rs. one lakh. A sum of Rs. 5.75 lakhs is to be separated towards dividend reserve, Rs. 1.05 lakhs towards habilitation reserve, Rs. two lakhs towards replacement and reserve and Rs. 1.25 lakhs towards debt redemption reserve. The directors have further recommended the payment of dividend, subject to deduction of tax, at the rate of 10 per cent per annum on the amount paid-up on the equity shares as on June 30, 1963, out of dividend reserve.

The company has continued to make good progress in the

manufacture of various machine tools. The company, however, could not fulfil its proposed manufacture of No. 4 Capastan lathes and 7B Combination Turret lathes on account of the delay in receiving the imported components. In addition to the existing manufacture of these items, the company has already planned to take up the manufacture of 2D Capastan and 9C Combination Turret lathes. It also proposes to take up the manufacture of automatic chucking lathes and other types of machine tools for which negotiations are in progress.

CAPITAL ISSUES

Six companies have been authorised to raise capital aggregating Rs. 4.39 crores. The consent of the Controller of Capital Issues is valid for 12 months.

Tractors & Farm Equipment Limited, Madras, is to issue further capital of Rs. 100 lakhs divided into 10 lakh equity shares of Rs. 10 each, for cash at par. The new capital will be subscribed as 51 per cent by Simpson & Company Ltd., Madras and 49 per cent by Massey-Ferguson Ltd., Canada, and/or their subsidiaries.

General Tyres Limited, Calcutta, is issuing capital of Rs. 80 lakhs in eight lakh equity shares of Rs. 10 each for cash at par to the existing shareholders.

The Patna Electric Supply Company Limited, Calcutta, is to issue capital of Rs. 35,07,380 divided into 3,50,738 equity shares of Rs. 10 each for cash at par.

Guest, Keen, Williams Limited, Calcutta, is to issue Rs. 150 lakhs in 7 per cent debenture stock, 1973-78 in units of Rs. 1000 each.

Mafatlal Fine Spinning and Manufacturing Company Ltd., Bombay, is issuing capital of Rs. 29 lakhs divided into 29,000 equity shares of Rs. 100 each for cash at a premium of Rs. 275 per share. Out of this shares of the value of Rs. 14.50 lakhs will be issued to the existing shareholders on right basis and the remaining Rs. 14.50 lakhs to the public through prospectus.

Premier Meters and Instruments Manufacturing Company Ltd., Bombay, a new company, is to issue capital of Rs. 45 lakhs for cash at par consisting of Rs. 35 lakhs in equity shares of Rs. 10 each and Rs. 10 lakhs in 9.5 per cent cumulative redeemable preference shares of Rs. 100 each. Of the above the entire preference shares and equity shares of the value of Rs. 17.5 lakhs will be offered to the public by prospectus.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951 — during the fortnight ending 16th November, 1963. The list contains the names and addresses of the licensees, the articles of manufacture and the annual installed capacity.

PRODUCTS OF IRON AND STEEL

Beegee Corporation Pvt. Ltd., 25, Factory Area, Patiala (Punjab) — (1) Lattice Fabrication posts, Light structurals, Sub-Station Structural and Transmission Towers. (2) Gates and gearings and control gates for irrigation system. (The capacity to be fixed later). **Hakimrai Jaichand, United Bank of India Buldg., 6th Floor, Sir P. M. Road, Fort Bombay-1 (Maharashtra)** — Steel Forgings 2,400 tons. **Jonas Woodhead & Sons (India) Ltd., 47, Velachery Road, Post Box No. 2628, Madras-2 (Madras)** — Suspension Springs, including centre-less ground and shotpeened coiled springs for Railway rolling stock 2,400 tons per annum. (Capacity for leaf springs for automobiles not to exceed 1,260 tons).

COAL

Equitable Coal Co. Ltd., 2, Fairlie Place, Calcutta (P.O.

Jharia, Distt. Dhanbad, Bihar) — Coal 250,000 tonnes. **Goswami Neinong Coal and Transport Co. (P) Ltd., 'Ananda-Bhavan' Laban, Shillong (Pargana Myllen Sienship, U.K. and J. Hills, Shillong, Assam)** — Coal: 1st year — 12,000; 2nd year — 14,000; 3rd year — 18,000; 4th year — 20,000; 5th year — 25,000 tonnes.

MINERAL OILS

Cochin Refineries Ltd., 72/48, Chanakyapuri, New Delhi (Ernakulam, Kerala) (monthly capacity) —

Motor spirit	—	31,000 tonnes
Kerosene	—	37,500 "
Diesel Fuel	..	47,000 "
Furnace Oil	..	55,500 "
Asphalt	..	13,800 "

INTERNAL COMBUSTION ENGINES

Bimetal Bearings Ltd., Huzur Gardens, Sembiam, Madras-11 (Madras) — Bimetallic strips for manufacture of Thinwall Engine bearings 1,500,000 ft. strips.

ELECTRICAL EQUIPMENTS

Electric Construction and Equipment Private Ltd., 9, Kaliprasanna Singhee Road, Calcutta-2 (Sonapat or Bahadurgarh, Punjab) — (i) Transformers up to 33 KVA, 150,000 KVA. (ii) L.T. Oil Circuit breakers or Air Circuit breakers upto 2,000 AMP, 2,000 numbers.

ELECTRICAL MOTORS

Jyoti Ltd., Industrial Area, P.O. Chemical Industries, Baroda (Gujarat) — (i) A.C. Electric Motors (upto 450 HP only) 133,200 H.P. (ii) D.C. Electric Machines 12,000 KW (iii) A.C. Generators upto 3,000 KW only 66,000 KW.

ELECTRICAL CABLES AND WIRES

Hindustan Wire Products Ltd., Factory Area, Patiala (Punjab) — Enamelled Copper Wire 500 tons. **Electric Construction and Equipment Co. Ltd., 9, Kaliprasanna Singhee Road, Calcutta-2 (West Bengal)** — Paper etc. covered wires and strips — 240 tons. **Central Magnet Wire Products Private Ltd., C/o Shri K. D. Kapadia, 35, Vithaldas Road, Bombay-2. (Bhopal or Ratlam, Madhya Pradesh)** — (1) Enamelled copper wire and strips 200 tons. (2) Paper and Cotton covered wires and strips 300 tons. **Everlite Insulating Industries Private Ltd., 25 Swallow Lane, Calcutta-1 (West Bengal)** — Enamelled copper wire 120 tons. **Ajit Industries, 35, Vithal Das Road, Bombay-2. (Andheri, Bombay-59, Maharashtra)** — Enamelled Copper wires 100 tons. **The Premier Cable Co. Ltd., M-3, South Extension Part 1, Ring Road, New Delhi, (Kerala)** — (1) Enamelled copper wire 400 tons. (2) Paper cotton covered wires and strips 300 tons. **Assam Aluminium Cables Industries, Athagam, Gauhati (Assam)** — Enamelled copper wires 300 tons.

AUTOMOBILES

Prestolite of India Ltd., M-132, Connaught Circus, New Delhi-1 (Faridabad, Punjab) — Wind screen wiper assembly (consisting of a set of one motor, 2 arms and 2 blades) 50,000 sets. **Distributors (complete) 50,000 numbers. Bajaj Tempo Ltd., 134, Annie Beasant Road, Worli, Bombay-18 (Maharashtra)** — Tempo Hanseat, 3-Wheelers, 3,000 numbers. **Mercantile and Industrial Development Co. Pvt. Ltd., National House, 6, Tulloch Road, Apollo Bunder, Bombay-1 (Maharashtra)** — Aviation Refueller (capacity to be fixed on the basis of actual production).

TEXTILE MACHINERY

Lakshmi Card Clothing Manufacturing Co. (P) Ltd., Avannashi Road, Pappanaickenpalayam, Coimbatore-1 (Palladam Taluk, Madras) — Woollen Card clothing 250,000 meters. **Ahmedabad Victoria Iron Works Co. Ltd., Dudeswar Road, Ahmedabad (Gujarat)** — (1) Calender machines of 3, 5, 7 and

bowls, 6 units. (2) Jet system hot air stentering machines 5 machines. (3) Fully Automatic Jiggers, 50 units.

CHEMICAL MACHINERY

Andhra Foundry and Machine Co. Ltd., 28, Sarojini Devi Road, Secunderabad-26 (Andhra Pradesh) — Rubber Lined Equipment Rs.12 lakhs worth.

CONVEYING EQUIPMENT

TAK Machinery Ltd., Janmabhoomi Bhavan, Ghoga Street, Fort, Bombay-1 (Ambernath, Maharashtra) — Electric overhead Travelling cranes 72 numbers.

SIZE SEPARATION UNITS

K. G. Khosla & Co. (Private) Ltd., 1, Deshbandhu Gupta Road, New Delhi-1 (Punjab) — Automatic Centrifugal Flexible clutch coupling 3,000 numbers.

GRINDING WHEELS AND ABRASSIVES

Government Procelain Factory, P.B. No. 4, Science Institute Post, Bangalore-12 (Mysore) — (1) Refractories 1,000 tons. (2) Abrasive grains 400 tons. (3) Grinding wheels 570 tons.

MACHINE TOOLS

India Supplies Engineering Works Ltd., Behari Niwas, Kanpur (Uttar Pradesh) — (1) Glass tube cutting machines 12 numbers. (2) Flare machines 12 numbers. (3) Stem machines, 12 numbers. (4) Sealing machines, 12 numbers. (5) Capping machines, 12 numbers. Premraj Ganpatraaj & Co. (P) Ltd., 211, New Cloth Market, Ahmedabad-2. (Proposed name: Wire Machines Private Ltd.) (Gujarat) — High speed wire stranding machine, 12 numbers. High speed continuous wire drawing machines, 12 numbers. Shri H. R. Gajria, 3, Hari Niwas, C. Road, Churchgate, Bombay-1. Proposed name: Gajria Electric and Industrial Company Ltd., (Maharashtra) — (1) Electric hand tools like, drilling machines of various sizes, portable hand grinders, sanders etc, 24,000 Nos. (2) Bench type lathes, milling machines and tools and cutter grinders worth Rs. 900,000. (3) Dies, jigs and fixtures worth Rs. 500,000.

HAND TOOLS AND SMALL TOOLS

Govind & Company, 45/90, Cheeper Mohal, 55/108, General Ganj, Kanpur. Proposed name: M/s. Govind Electric Works (Uttar Pradesh) — Portable Electric Tools like electric drill, grinder screw drivers, wrenches and blowers 18,000 Nos. p.a. (Manufacture of fractional horse power motors to the extent required as components of built in tools also allowed). S. S. Miranda Private Ltd., 49, Champsi Bhimji Road, Mount Road, Mazagaon Bombay-10 (Ishwarbhai Patel Estate, Goergaon, Bombay, Maharashtra) — Hard metal typed tools, drills, cutters and dies, 50,000 Nos. J. K. Engineering Files, P.O. Jekegram, Thana (Maharashtra) — (Substantial Expansion) (1) Engineers Steel Files and Saw files 40,000 dozens. (2) Rasps: 5,000 dozens. (New Articles) Milled Cut Files (curved and straight tooth) 3,000 dozens.

INORGANIC HEAVY CHEMICALS

Shri Prakash Dayaram Vaswani, Attorney of Vaswani (India) Pvt. Ltd., 496, Kalvadevi Road, Bombay. Proposed name: M/s. Adhesive Tapes Private Ltd., (Thana, Dist. Surat), Maharashtra — (1) Black cloth insulating tapes or light duty packaging tapes or mask guard 50,000 Kgs. (2) Medical adhesive tapes or bookbinding tapes 30,000 meters (3) Rigid PVC tapes or Cellophane tapes or PVC Insulating tapes 300,000 meters. (4) Heavy duty packaging tapes 30,000 Kgs.

COTTON TEXTILES

Durga Cotton Spinning and Weaving Mills Ltd., 135, Bip-labi Rashbehari Bose Road, (Canning St.) Calcutta-1 (West Bengal) — 2,000 spindles for the manufacture of cotton yarn. Podar Mills Ltd., Podar Park, Statute Circle, Jaipur (Rajasthan) — 13,000 spindles for manufacture of cotton yarn. Ramchand Shrinarayan, 155, Narayandhuru Street, Bombay-3. Proposed name: Madhya Pradesh Spinning Mills Ltd., (Datia,

Madhya Pradesh) — 12,000 spindles for manufacture of cotton yarn.

SUGAR

Sakthi Sugars Ltd., Sakthi Nilayam, Pollachi, Distt. Coimbatore (Appakudal, Bhavani Taluk, Distt. Coimbatore) Madras — Sugar cane crushing 1,250 tons per day. The Doaba Co-operative Sugar Mills Ltd., Nawansharh, Distt. Jullundur (Punjab) — Sugar cane crushing 1,000 tons per day.

ASBESTOS CEMENT

Asbestos Packing & Mfg. Co., 15A, Bruce Street, Fort, Bombay-1 (Maharashtra) — (1) Asbestos packings mattresses and mantle twine 120 tons. (2) Asbestos Mill Boards (New Article) 420 tons. (3) Asbestos Jointing Sheets & Gaskets (New Articles) 360 tons.

MINING MACHINERY

Octavious Steel Co. Ltd., 14, Old Court House St., Calcutta-1. Proposed name: Becorit (India) Ltd., (Sijua, Distt. Dhanbad, Bihar) — (1) Becorit Mechanical Pit Props 24,000 numbers. (2) Spare parts and accessories for (1) above 2,400 numbers. (3) Greetschel Steel Link Proof Bars 24,000 numbers.

MACHINE TOOLS

Utkal Machinery Ltd., Kansabahal, Near Rourkela, P.O. Box 47, Rourkela (Kansabahal, Orissa) — Presses — 40 to 100 tons capacity, 50 numbers. Mysore Kirloskar Ltd., Yantapur P.O., Harihar (Yantrapur, Mysore) — Automatic chucking lathes of maximum swing capacity 8½" to 16½" (inclusive of spares and components) 60 numbers.

CHEMICALS

Martin and Harris (Private) Ltd., Mercantile Buildings, Lail Bazar, Calcutta-1 (West Bengal) — Ethyl Oleate 1,800 litres. Kusum Products Ltd., 9, Brabourne Road, Calcutta-1 (Rishra, West Bengal) — Fatty Acids 4,500 tonnes.

DRUGS AND PHARMACEUTICALS

Burroughs Wellcome and Co. (India) Private Ltd., 16, Bank Street, Post Box No. 200, Bombay (Maharashtra) — Pethidine Hydrochloride 480 Kgs. Methadone Hydrochloride 12 Kgs.

COTTON TEXTILES

Sree Visalakshi Mills Ltd., Villamgudi, Tallakulam P.O., Madurai (Madras) — 246 spindles for manufacture of cotton waste yarn. Madan Industries Ltd., Hastinapur, Distt. Meerut (Uttar Pradesh) — 25,000 spindles for manufacture of cotton yarn.

CHANGE IN NAMES (Owners or Undertaking)

During the fortnight ending 16th November, 1963
(Information pertains to particular licences)

From name of the original undertaking: M/s. Shree Madanpur Coal Co. Ltd., P.O. Ondal, Burdwan Distt. to name of the new undertaking/owner: M/s. Ghanshyam Coal Industries Private Ltd., Calcutta. From M/s. Laxman Industries Ltd., New Delhi to M/s. Sylvania & Laxman Ltd., New Delhi.

LICENCES REVOKED OR SURRENDERED

During the fortnight ending 16th November, 1963
(Information pertains to particular licences)

Name of the licensee: Shri B. M. Bajoria, Calcutta. M/s. Krishna Paper Mills, Sakrigali Ghat — Printing and Writing paper and pulp. M/s. Burhanpur Tapti Mills Ltd., Burhanpur — Art silk fabrics.

M/s. Shakti International, Bombay — Transmission Towers and Steel structurals including other items like industrial machinery.

CHAIRMAN'S SPEECH

LIFE INSURANCE CORPORATION OF INDIA



*Statement by Shri B. K. Kaul, ICS,
Chairman, at the Ninetieth Meeting of
the Life Insurance Corporation of India
held in Bombay on 25th November 1963.*

The draft of the Annual Report and the Statement of Accounts for the period 1st January, 1962 to 31st March, 1963 have been circulated and are now before us for our consideration.

NEW BUSINESS:

During the accounting period our new business amounted to Rs. 746 crores under 17.68 lakhs policies as against Rs. 609 crores under 14.70 lakhs policies in the year 1961. As the present accounting period comprised of 15 months as against 12 months in the previous year, a direct comparison of the figures is not possible. However, the new business performance during the accounting period may be evaluated by a comparison of the business completed during the year 1st April, 1962 to 31st March, 1963 with that completed in the year 1st April 1961 to 31st March 1962. In that year the Corporation completed a business of Rs. 617 crores; and now for the 12 months period 1st April, 1962 to 31st March, 1963, it has completed a new business of Rs. 708 crores. The progress may be considered satisfactory.

It is gratifying to note that as many as 12.22 lakhs policies issued during the accounting period were taken by persons who were insuring for the first time. This shows the growing insurance consciousness amongst our people and also the effort made by our field force to spread the message of insurance to people who had not so far availed of this benefit.

RURAL DEVELOPMENT:

Out of the total new policies, as many as 6.77 lakh policies assuring Rs. 233.45 crores were issued to people in rural areas. Thus, about two-fifths of our total policies and about one-third of the total sums assured were written in the rural areas.

As a result of a recent amendment to the Insurance Rules 1939, it will now be possible for us to appoint Co-operative Societies and Panchayats as our agents. Depending upon the co-operation that we can get from this source this should give a fillip to rural business.

The main difficulty in regard to rural business is lack of facilities for collection of premiums. We had launched early in 1962 a pilot scheme in the Jaipur District of Rajasthan for collection of premiums through post offices. Efforts are being made to extend this scheme to other areas, where no collection facilities are available, in consultation with the postal authorities. We have also made arrangements with

the Government of Madhya Pradesh for Block Development Offices to collect life insurance premium at their headquarters.

We now have an office in each of 253 out of the 312 districts and in 5 out of the 11 Union Territories in India. In 1963-64, we proposed to open offices in 2 more districts. Besides these offices, we have development centres in 27 of the remaining districts and in one of the remaining Union Territories. We are proposing to open 16 branches and sub-offices during 1963-64. Our organisation is now spread fairly wide in the country.

NON-MEDICAL BUSINESS:

Paucity of medical examiners for conducting medical examination of the lives to be assured in rural areas has always been a difficulty in extending our activities in the rural areas. This has been got over to a large extent by a wider application of the non-medical scheme.

Under the general scheme, which now extends throughout the country medical examination is waived in respect of proponents within certain age groups, provided the total insurance on their lives does not exceed Rs. 2000. Under this scheme, new business of Rs. 43.44 crores under 2.87 lakhs policies was completed during the accounting period.

Besides the 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 in 1961 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. 112.23 crores under 4.25 lakh policies was completed during the accounting period bringing the total non-medical business to Rs. 155.67 crores under 7.13 lakh policies.

FOREIGN BUSINESS:

The political and economic changes in some of the foreign countries where we operate have had their effect on the development of our business. Due to various reasons our progress in Fiji and Malaysia has not been satisfactory, but in U.K. and Aden we have made good progress. We have been able to maintain our position in East Africa and Mauritius. Due to the sustained efforts of our officers and agents, our total foreign business during the accounting period came to

Rs. 11.24 crores under 9,498 policies as against Rs. 10.03 crores under 8,056 policies in the year 1961. Special mention must be made of our London Branch which wrote during the accounting period a new business amounting to over Rs. 2 crores.

BUSINESS IN GOA:

We started transacting new business in Goa, Diu and Daman in 1962 and up to 31st March, 1963, we issued 2,451 policies assuring Rs. 1.28 crores. Policies issued by the erstwhile Portuguese companies to Indian citizens which are now being serviced by the Corporation, will be taken over by us after the Life Insurance Corporation Act is made applicable to these territories.

GROUP INSURANCE & GROUP SUPERANNUATION SCHEMES:

During the accounting period, new business amounting to Rs. 10.49 crores was written under the Group Insurance Schemes, and under the Group Superannuation Schemes, Life Annuities of over Rs. 5 lakhs and Annuity Certain of over Rs. 1 lakh per annum have been granted. This business has made considerable progress in the Western Countries. We can also write larger business under these schemes if we get the necessary support from the employers of the bigger undertakings. These schemes provide the benefits of life insurance at cheaper rates, and with the employer contributing a part of the premiums, the burden on the employees is further reduced. I am sure enlightened employers will come forward in larger numbers to make the benefits of these schemes available to their employees.

BUSINESS IN FORCE:

The total business in force as at 31st March, 1963 was Rs. 3,168 crores under 95 lakhs policies as against Rs. 2,737 crores under 86 lakhs policies at the end of 1961, thus recording an increase of 15.7 per cent during the period.

LAPSE RATIO:

The ratio of net lapses to the mean business in force was 8.1 per cent during the period 1st January, 1962 to 31st March, 1963 as against 7 per cent in 1961 and 6.6 per cent in 1960. The tendency of the net lapse ratio to rise in spite of the efforts put in to improve the quality of business is disquieting. There is hardly anything an insurer can do to prevent lapses attributable to factors beyond its control. At the same time, efforts to improve the quality of business so as to minimize lapses attributable to new business of doubtful quality must be continued to be made; if anything they need to be pursued more vigorously. With this end in view it has been recently decided that a fresh proposal, from any person whose existing policy has lapsed within the preceding 3 years, would be entertained only if such lapsed policy is first revived by him for which purpose special facilities are now given.

VALUATIONS:

During the period under review the Third Biennial Valuation of the Corporation's business as at 31st December, 1961 was completed. As a result thereof Rs. 32.73 crores were allocated to the participating policies; the rates of reversionary bonus allotted to policies issued by the Corporation, as well as policies issued by the erstwhile insurers, were the same as those declared in respect of the first two valuations as at 31st December, 1957 and 31st December, 1959 respectively. The amount allocated to the Central Government was Rs. 1.72 crores.

Consequent upon the change in the accounting year of the Corporation it has been decided to make the Fourth Valuation of the Corporation's business as at 31st March, 1963 and

the same is in progress. It is expected that the results of this valuation would be available early in 1964.

MORTALITY INVESTIGATIONS:

The Corporation has taken on hand a detailed investigation into the mortality of assured lives during the years 1961-64. It is proposed to construct a Life Table, on the basis of the experience during the years 1961-64 of medically examined male lives accepted at ordinary rates under Whole Life and Endowment Assurance plans. It is also proposed to investigate separately the experience of male lives assured under the non-medical scheme, and of the female lives assured with the Corporation.

During the period under review a preliminary investigation into the mortality of assured male lives has been made. A Life Table based upon the experience during 1961 of nine major Integrated Head Office Units, accounting for about three-fourths of the entire business in force of all the insurers prior to nationalisation, has been prepared and incorporated in the Report. The results of this investigation confirm that there has been considerable improvement in the mortality of assured lives in India since the publication of Oriental's 1925-35 experience. The investigation into the mortality experience of lives assured with the Divisional Offices of the Corporation also confirms the same.

PREMIUM RATES:

It has often been suggested that in view of the favourable experience of the Corporation, particularly in regard to mortality, the premium rates should be reduced. I may mention in this connection that when most of the insurers effected substantial reductions in the rates of premium in 1954 a considerable part of the current favourable experience with respect to mortality and interest was anticipated and taken into account. Further, in adopting in 1956 the premium rates of the "Oriental", after further reducing them by Re. 1/- per thousand sum assured or 5 per cent of the premium, whichever was less, the Corporation anticipated economy in expenses. However, in view of the increasing pressures of inflationary forces it would be too much to expect any significant reduction in expenses in the near future.

As regards the mortality basis underlying the premium rates the same can be reviewed only when the low rates of mortality now being experienced are stabilised. This would be known only in 1966, when the results of the detailed investigation into the mortality experience for the years 1961-64 undertaken by the Corporation are expected to become available.

Apart from this it is the general practice among insurers even in foreign countries not to revise frequently the premium rates for with profit policies. The general view of the insurers is that changes in experience as regards mortality, interest and expenses can more equitably be handled under with profit policies by changes in the bonus rates than by changes in the general level of premiums. This is particularly significant when 90 per cent to 95 per cent of the new business is generally under with profit plans as is the case in this country. Moreover, passing on the benefits of favourable experience in the form of reversionary bonuses to the policy-holders rather than reductions in premiums is desirable as an anti-inflationary measure.

PREMIUM AND OTHER INCOME:

The premium for the accounting period amounted to Rs. 150.38 crores against Rs. 112.30 crores in the year 1961.

The total income for the accounting period was of the order of Rs. 185 crores as against Rs. 141 crores in 1961.

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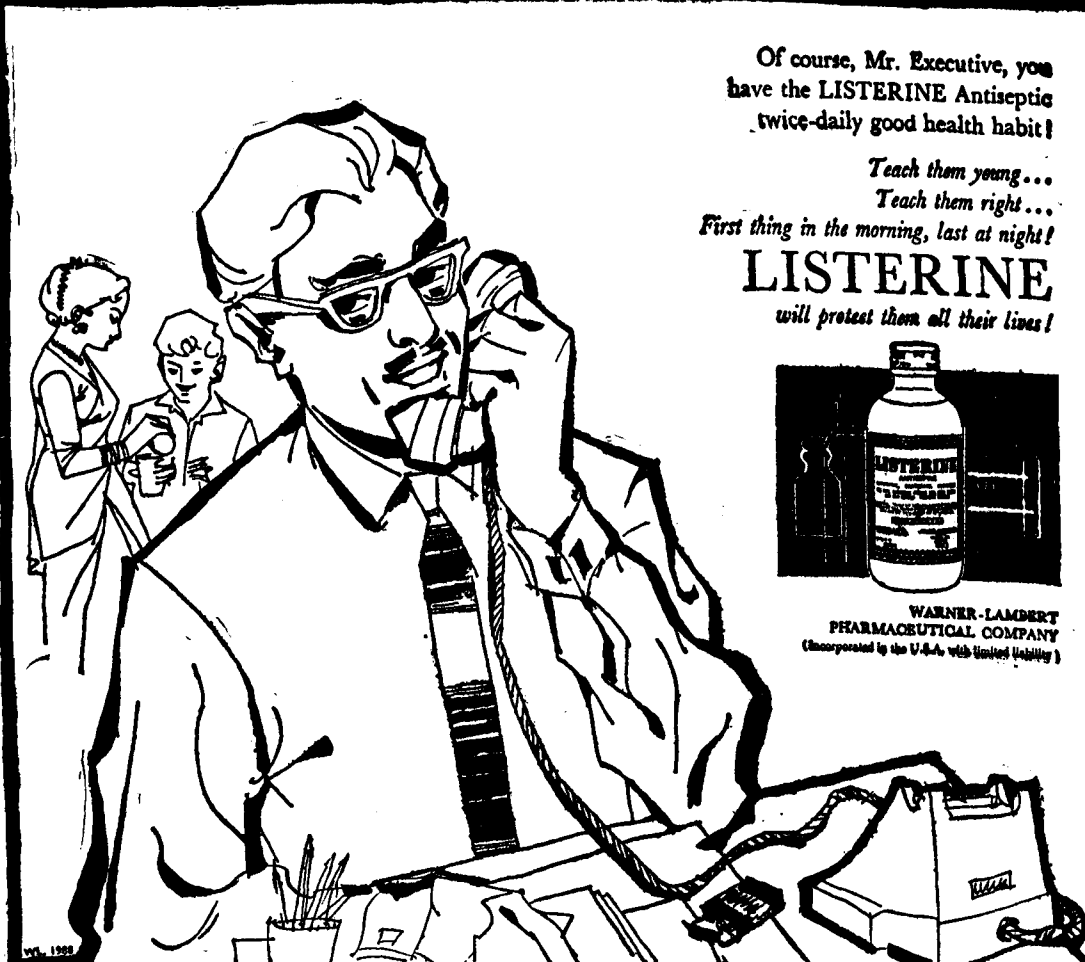
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LIFE FUND, INVESTMENTS AND TOTAL ASSETS:

The Corporation's Life Fund as at 31st March, 1963 was Rs. 720.70 crores registering a handsome rise of Rs. 91.94 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. 623.64 crores the public sector accounted for 76.8 per cent and the private sector 23.2 per cent. During the year, 58 new issues were underwritten to the extent of an aggregate sum of Rs. 19.53 crores.

The total assets of the Corporation as at 31st March, 1963 amounted to Rs. 785.94 crores as against Rs. 696.31 crores at the end of the year 1961. The net increase in the assets of the Corporation, since its inception, amounted to Rs. 371 crores.

RATE OF INTEREST:

The income from interest, dividends and rents before deduction of income-tax rose to Rs. 39.38 crores during the accounting period from Rs. 27.95 crores in 1961. The gross rate of interest realised on the mean life insurance fund was 4.76 per cent per annum as against 4.80 per cent per annum during the previous year.

The net rate realised also fell from 4.68 per cent in 1960 to 4.08 per cent during the period. The marked fall in the net rate of interest is mainly attributable to the fact that, whereas the tax refund accounted for in the Revenue Account for the year 1961 comprised refund in respect of two years, in the accounting period under review such tax refund comprised refund in respect of one year. Had only one year's refund been received in 1961, the net rate of interest for that year would have been 4.20 per cent as against 4.08 per cent per annum during the period of 15 months ended 31st March, 1963.

Again, dividends on Preference or Ordinary Shares are generally declared once a year. There are comparatively few declarations of dividends during the months of January, February and March. Thus, the total quantum of dividends declared during the period of 15 months, which included, besides the calendar year 1962, the first quarter of 1963, was not proportionately higher. As a result, the yield for the entire period of 15 months was depressed. Since the annual rates of interest, gross as well as net, were derived by adjustment of the respective rates for the 15 months period, the same have shown a fall by comparison with the normal accounting period of one year.

EXPENSES OF MANAGEMENT:

The overall expense ratio of the Corporation for the accounting period is 29.3 per cent as against 28.0 per cent in 1961. The renewal expense ratio, for the period is 14.13 per cent as against 12.42 per cent in 1961. The increase is largely attributable to the addition to the expenses on salaries and allowances due to revision in the salary scales of employees in Classes III and IV with effect from 1st January, 1962 as a result of the settlement with the two Associations representing these employees.

CLAIMS :

Claims for the accounting period inclusive of bonus addition amounted to Rs. 31.40 crores under matured policies and Rs. 12.56 crores under policies becoming claims by death. The total claims for the period amounted to Rs. 43.96 crores as compared with Rs. 34.11 crores in 1961. Outstanding claims as at 31st March, 1963 amounted to Rs. 13.55 crores as against Rs. 13.93 crores as at 31st December, 1961.

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. Suitable plots of land have been, therefore, purchased for our Divisional and Branch Office buildings at various centres.

MORTGAGES:

The scheme for grant of loans on mortgage of immovable properties has been extended to 5 additional centres and is now in operation in 26 cities. The revised scheme for grant of loans to policyholders for construction of houses termed "Own Your Home Scheme" has since been finalised. It will come into operation in 26 selected places in early 1964 and will be extended to 30 more places during the course of that year. This scheme will enable the middle class people to own their homes with the help of loan facilities.

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 spreading the message of insurance to people, thereby enabling the Corporation to maintain the steady increase in the new business.

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BOOKS BRIEFLY

Call for a Liberal U.K. Trade Policy

Overseas Trade Policy: A Report of the Federation of British Industries, London.

Reviewed by JOSELYN HENNESSY

THIS REPORT, which calls for a liberal British policy, particularly towards developing countries, acclaimed in the financial press as a constructive, forward-looking document, is one consequence of the failure of the Brussels negotiations for the UK's entry into the European Economic Community. It is a "Where-do-we-go-from-here?" exercise.

The report forcefully re-states the liberal-progressive view of world trade arrangements, namely, that expansion of trade from a world rather than from a regional view-point should be the primary aim and that GATT should be the principal instrument for this. "Indeed", says the report, "no viable alternative to GATT exists."

The F.B.I. urges that GATT should be revised in order to foster growth in the trade of developing countries. Trade not aid is the ultimate need and GATT's industrialised members should adopt the U.K.'s liberal policy of imports of manufactures from developing countries. If other GATT members were equally liberal, outlets for manufactures from developing countries would be substantially improved. The problem of low-wage competition does, however, call for some special measures. The only satisfactory basis for action is the progressive and orderly expansion of quotas. This is not only because, where there are wide disparities in costs, tariffs are ineffective, but because there are wide variations in the productive efficiency of the developing countries themselves, that some form of market sharing, at least in the interim, should protect the less efficient, and even deter others from the risks of too much specialisation. This principle has been accepted in the GATT Textile Agreement and could be applied elsewhere. None of this is incompatible with the aim to increase, not reduce, trade.

The F.B.I. cites with approval the British National Farmers' Union's comprehensive scheme for temperate agriculture. The British farmers recommended annual confrontations of production prices and trade policy among the chief trading countries. This is important since the depression and instability of agricultural prices arise largely from intense competition in a world market that is continually shrinking because of national support policies, and continually threatened by surpluses which cannot be marketed commercially. The British farmers urged that these reviews should lead to the negotiation of world commodity agreements, and that the U.K. should join other Western countries in the U.N. World Food Programme for the co-ordinated use of food surpluses as part of the aid programme.

There is obviously much in all this that is controversial and which may seem to run counter to the F.B.I.'s free trade philosophy. Certainly the U.K. needs to be cautious towards

any scheme which might substantially raise the cost of its imports, but this risk should be set against the repeated frustrations which U.K. exporters have suffered from the balance of payments difficulties of primary producing countries and from the depression or instability of commodity prices. Without international co-operation these problems will not solve themselves, and provided that the basic objectives remain the expansion of consumption, the smoothing out of fluctuations, and the discouragement of high cost production, there is a reasonable case for seeking such co-operation. The F.B.I. takes much the same attitude towards trade in basic raw materials and tropical products.

Turning to Commonwealth trade, the report, while reiterating the desirability of international collaboration to increase outlets for the produce and manufactures of the developing countries, observes that so long as the U.K. is entitled to enjoy existing preferences, she may legitimately try to ensure that GATT's no-new-preference rule does not work to the detriment of British exports. In general, the F.B.I. reasonably insists, as long as Commonwealth countries continue to enjoy free entry, or advantageous terms of entry, into the U.K., Britain should press for the most liberal interpretation of their obligations towards her. The F.B.I. asks whether the right of free entry for manufactures, at least from developed countries, should be continued, because the range of manufactured imports is growing, and the continuation of free entry for Commonwealth goods with the GATT no-new-preference rule debars the U.K. from raising her Most Favoured Nation tariff, except under the GATT 1953 waiver, whose rules are strict and whose procedure is cumbersome. Other Commonwealth countries, on the other hand, are free to raise their M.F.N. tariffs while keeping unchanged their margins of preference to the U.K.

The F.B.I. considers that the U.K. should make the most of the substantial preferences now available to her in the European Free Trade Association. "But it would be dangerously short-sighted to regard our special relations with the Commonwealth, or with E.F.T.A., as immutable long-term positions. We should thus be wary of over-commitment to particular groups of countries and particularly of involving ourselves in conflicting obligations that may militate against each other and, by forced stalemate, render advance and expansion so much harder to achieve. The failure at Brussels has excluded us from a new experimental trading club. But it is this very non-involvement that may offer us our greatest opportunity for following a policy of vigorous and flexible multilateralism that this country could promote as a model to be taken up by other major traders and, in particular, by the U.S.A. and the E.E.C."

This report was, of course, drawn up by the F.B.I. alone, but I have reason to believe that the parts summarised here correspond closely to the British Government's thinking.

Readers' Roundtable

DURGAPUR CANAL

Sir,—I am directed to point out that in the article entitled "The Durgapur Canal" published in your issue of October 18, 1963 the reason for the reduction of the rabi irrigation target to 55,000 acres has not been correctly given. It is not due to any bad or slipshod planning on the part of the DVC, as suggested in the article, but has been necessitated in the main by the massive growth of industries in the Valley, particularly in the Durgapur area, in recent years. There is considerable off-take of water from the reservoirs on this particular account, and the demand is likely to increase. The

retention of the original rabi irrigation target would not only affect the growth of industries but would also affect the year-round navigability of the DVC canal. It was in consideration of all these factors and, in particular, to keep the canal navigable throughout the year that a reduction of the target for rabi irrigation was suggested and agreed to between the West Bengal Government and the DVC.

G. P. GANGULI,
Chief Information Officer,
Damodar Valley Corporation.
Calcutta.

RECORDS AND STATISTICS

Third Plan: A Mid-term Appraisal

AN ASSESSMENT of the progress made by the Indian economy in the first two years of the third Plan has been made by the Planning Commission in its Report on "The Third Plan Mid-term Appraisal." The following tables taken from the Report give a broad picture of the performance of important sectors such as Agricul-

ture, Industry, Power, Transport and Communications, Education, Health, and other Social Services during the period 1961-62 to 1962-63 in comparison with the related targets of the third Plan. Further progress expected to be made in the remaining three years of the Plan has also been indicated.

INDUSTRIAL CAPACITY AND OUTPUT: 1960-61—1965-66

Industry	Unit	1960-61		1961-62		1962-63 Pro-grammed		Third Plan 1963-66			
		Capa- city	Output	Capa- city	Output	Capa- city	Output	Targets		Likely Achieve- ments	
Iron and Steel											
(a) Steel Ingots	Mill. tons	6.0	3.3	6.0	5.39	6.0	5.74	10.2	9.2	9.2	7.8
(b) Saleable steel	"	4.5	2.4	4.5	4.0	4.5	4.3	7.5	6.8	6.5	5.8
(c) Pig iron for sale	"	1.1	1.1	1.1	1.06	1.1	1.06	1.5	1.5	1.2	1.2
Alloy, tool and stainless steel (finished)	000 tons	—	—	—	—	—	—	200	200	50	50
Ferro-manganese	"	157.8	89.3	157.8	108.0	157.8	140	220	200	220	200
Aluminium	"	18.1	18.2	53.35	41.97	53.35	50.0	87.5*	80.0	68.85	68.0
Non-ferrous Metals											
(a) Copper	"	8.8	8.8	9.0	9.48	9.0	9.5	22.0	20.0	17.4	17.4
(b) Zinc	"	—	—	—	—	—	—	15.0	15.0	18.0	18.0
(c) Lead	"	6.0	3.7	6.0	3.37	6.0	4.0	8.5	8.0	9.0	9.0
Cast iron pipes	"	270	209(c)	270	230(b)	350	250	800	800	600	550
Steel wire ropes	"	6.1	3.3(c)	15.0	4.8(b)	20.0	10.0	40	40	32	25
Castings and Forgings											
(a) Steel castings	"	39.0	34.0	52.2	43.57	70.0	50.0	200	200	150	150
(b) Steel forgings	"	43.0	35.0	56.6	53.0	75.0	58.0	200	200	150	150
Industrial Machinery											
(a) Sugar mill machinery	Rs. crores	11.6	4.2(c)	15	6.42	15	10	15 to 16	14	15	14
(b) Cotton textile machinery	"	12.0	10.4(c)	13.0	13.0(b)	15.0	15.0	22.0	20.0	22.0	20.0
(c) Cement machinery	"	1.1	0.6(c)	5.25	0.7(b)	5.25	1.2	4.5	4.5	8.0	4.5
(d) Paper machinery	"	neg.	neg.	4.9	0.85(b)	4.9	2.0	8.5	6.5 to 7.0	6.5	6.5 to 7.0
Machine tools	"	8.0	7.24(c)	11.3	11.48	18.0	14.5	30.0	30.0	30.0	25.0
Road rollers	Number	464	388(c)	694	668	800	700	800	700	1094	1000
Boilers	Rs. crores	3.7	0.53(c)	8.50	2.17	10.0	5.0	29.0	25.0	12.17	12.0
Railway Rolling Stock											
(a) Locomotives	Number	300	1,291(g)	300	246	300	250	360	1470(g)	360	1470(g)
(b) Wagons (in terms of four wheelers)	000 numbers	26.0	69.1(g)	26.0(e)	26.0	38.5	32.0	33.5	117.1(g)	40.0	157.1(g)
(c) Passenger coaches	Number	1,800	7,332(g)	1800	1849	1800	1850	1900	7879(g)	1900	7879(g)
Automobile and Ancillary Industries											
(a) Passenger cars	000 Nos.	20.2	19.1(c)	20.2	20.84	20.2	21.0	30.0	30.0	30.0	25.0
(b) Commercial vehicles	"	28.0	27.5(c)	28.0	25.70	28.0	27.0	60.0	60.0	54.0	54.0
(c) Jeeps and station wagons	"	5.5	5.5(c)	5.5	7.44	8.0	8.0	10.0	10.0	10.0	10.0
Motor cycles and scooters	"	23.0	17.6	30.0	23.62	36.0	30.0	48 to 60	50.0	55.0	45.0
Ball and roller bearings	Mill. Nos.	1.7	3.2	3.5	4.0	8.4	5.5	11.0	15.0(h)	12.0	15.0
Agricultural Implements and Machinery											
(a) Power driven pumps	000 Nos.	128.0	105.0	146.45	131.1	150.0	140.0	184.0	150.0	184.0	150.0
(b) Diesel engines (stationary)	"	47.7	43.2	55.44	45.28	55.44	50.0	72.0	66.0	72.0	66.0
(c) Tractors	Mill. Nos.	1.12	1.06	1.44	1.10	1.44	1.20	2.2(i)	2.0(i)	2.2	1.6
Bicycles	000 Nos.	267.4	297.3	341.0	330.0	443.0	400.0	700	700(j)	600	600
Coated Abrasives & Grinding Wheels											
(a) Coated abrasives	000 reams	200	144.5	200.0	194.2	230	200	500	400	400	300

INDUSTRIAL CAPACITY AND OUTPUT: 1960-61—1965-66 (Contd.)

Industry	Unit	1960-61		1961-62		1963-64 Pro-grammed		Third Plan 1965-66			
								Targets		Likely Achievements	
		Capa- city	Output	Capa- city	Output	Capa- city	Output	Capa- city	Output	Capa- city	Output
(b) Grinding wheels	000 tons	2.89	2.04	3.13	2.32	3.13	2.80	6.5	5.4	4.5	4.0
Clocks and watches											
(a) Clocks	000 Nos.	66.0	52.3(c)	132.0	64.0	132.0	70.0	200	200	132	80
(b) Time-pieces	"	60.0	neg.	210.0	121.2	210.0	140.0	1,200	1,200	1,200	500
(c) Watches	"	—	—	670.0	21.3	670	50	1,200	1,200	1,200	400
Electrical transformers (33 KV & below)	Mill. KVA	1.40	1.39	1.96	2.40	1.96	2.5	4.0	3.5	4.0	3.5
Electric Motors (200 HP and below)	Mill. H.P.	1.13	0.73	1.13	1.03	1.14	1.20	3.0(k)	2.5(k)	3.0	2.5
Electric Cables and Wires											
(a) A.C.S.R. conductors	000 tons	19.3	23.6	31.4	30.47	35.9	34.0	55(x)	44(x)	68	55
(b) VIR and PVC Cables	Mill. yds.	463.2	214.2	529.2	306.7	550.0	350.0	800	600	800	600
(c) Winding wires	000 tons	6.8	4.6	7.49	6.71	9.05	8.0	32	24	15	12
(d) Paper insulated cables	miles	884.0	620.0	884.0	1,336.0	1,028	1,500	4,500	4,000	5,000	4,500
Electric fans	Mill. Nos.	0.85	1.06	1.37	1.16	1.3	1.20	2.8	2.5	2.8	2.5
Electric lamps—G.L.S. & others	"	47.6	41.8	62.6	58.29	69.3	66.0	76.0	68.0	78.74	78.0
Dry batteries	"	224.5	214.2	224.5	251.15	224.5	260.0	400	350	329.5	325
Storage batteries	000 Nos.	379.3	521.2	660.3	586.5	729.3	600.0	900	800	800	750
Radio receivers	"	279	280	390.3	360.36	412.3	400.0	900	800	700	650
Fertilizers											
(a) Nitrogenous (in terms of N)	000 tons	158.3	97.2	386.6	175.2	386.6	240.0	1,000	800	640	500
(b) Phosphatic (in terms of P ₂ O ₅)	"	57.3	53.0(c)	129.6	78.9	147.4	111.5	500	400	270	200
Heavy Chemicals											
(a) Sulphuric acid	000 tons	483.12	354.0	777.0	474.0	886.86	539.0	1,750	1,500	1,500	1,200
(b) Soda ash	"	268.0	145.0	268.0	229.9	323.20	284.0	530	450	400	350
(c) Caustic soda	"	124.0	97.0	126.6	125.5	230.28	210.7	400	340	400	340
Drugs and Pharmaceuticals											
(a) Sulpha drugs	tons	366	145(c)	399.0	196.3(c)	399.0	200.0	1,000	1,000	1,091	1,000
(b) Penicillin	Mill. Mega units	55.0	39.7(c)	65.0	62.3(c)	75.0	75.0	120	120	215	215
(c) D.D.T.	Tons	2,800	2,786(c)	2,800	2,568(c)	2,800	2,790	2,800	2,800	2,800	2,800
Plastic (Polyethelene, P.V.C., etc.)	000 tons	15.5	9.5	25.7	19.0	38.0	24.0	85.0	74.0	73.8	69.5
Photographic film and paper	Mill sq. metres	—	—	—	—	—	—	10.0	10.0	10.0	10.0
Paints and varnishes	000 tons	85.0	52.0	100.0	61.65	110.0	72.0	160.0	140.0	140.0	100.0
Soap (organised sector)—(m)	"	250.0	140(c)	227.2	147.5	227.2	150.0	255.0	500	255.0	500.0
Starch and Glucose											
(a) Starch	000 tons	148.6	68.5	148.6	75.3(b)	148.6	78.0	158.2	120.0	158.2	120.0
(b) Liquid glucose	"	12.9	8.7	18.45	9.72(b)	18.45	11.0	15.9	14.0	18.45	14.0
(c) Dextrose powder	"	4.3	2.6	5.40	2.78(b)	5.40	3.2	10.91	10.00	10.91	10.00
Rubber manufactures											
(a) Automobile tyres	Mill. Nos.	1.61	1.49	2.4	1.76	3.06	2.5	3.7(t)	3.00(tt)	4.6	3.8
(b) Bicycle tyres	"	15.12	11.15	13.7(d)	12.42	15.33	14.0	38.6	30.9	20.0	18.0
Paper and Paperboard											
(a) Paper and paperboard	000 tons	410.0	343.0	483.0	393.2	538.4	425.0	820.0	700.0	680.0	580.0
(b) Newsprint	"	30.0	22.9	30.0	26.0	30.0	27.0	150.0	120.0	30.0	28.0
Cement	Mill. tons	9.2	7.8	9.7	8.8	10.4	9.3	15.0	13.0	13.5	12.0
Refractories	"	0.82	0.55	0.84	0.66	1.13	0.9	2.0	1.5	1.4	1.1
Electric porcelain (L.T. & H.T. Insulators)	000 tons	12.58	6.25(c)	13.40	9.25	22.60	17.60	30.0	24.0	30.0	24.0
Power & industrial alcohol	Mill. gall.	40.1	20.4	45.8	37.5	57.7	33.3	72.0	60.0	72.0	60.0
Cotton Textile											
(a) Yarn	Million lbs.	12.7(a)	1737(c)	13.9(a)	1,884.6	14.2(a)	2,000	16.5(a)	2,250	15.2(a)	2,175
(b) Cloth	Million yards	1.99(w)	5,048	2.0(w)	4,921.0	2.0(w)	5,200	2.25(w)	5,800	2.11(w)	5,550
Jute	000 tons	1,200	1,022	1,200	1,175	1,200	1,190	1,200	1,300	1,200	1,300
Rayon and synthetic fibres											
(a) Rayon filament	Mill. lbs.	52.3	47.0	76.7	65.0	76.7	75.0	140.0	140.0	110.0	110.0

INDUSTRIAL CAPACITY AND OUTPUT: 1960-61—1965-66 (Contd.)

Industry	Unit	1960-61		1962-63		1963-64 Pro-grammed		Third Plan 1965-66			
								Targets		Likely Achieve-ment	
		Capa- city	Output	Capa- city	Output	Capa- city	Output	Capa- city	Output	Capa- city	Output
(b) Staple fibre	Mill. lbs.	48.0	480.	56.0	71.5	56.0	72.0	75.0	75.0	60.5	75.0
(c) Rayon grade pulp	000 tons	—	—	6.6	1.2(b)	42.6	20.0	100.0	90.0	67.8	58.0
Woollen Textiles											
(a) Woollen and worsted yarn	Mill. lbs.	0.19(a)	27.8(c)	0.19(a)	43.1	0.19(a)	45.0	0.20(a)	52.0	0.20(a)	52.0
(b) Woollen cloth	Mill. yards	48.0	15.3(c)	48.0	20.6	48.0	25.0	48.0	35.0	48.0	35.0
Plywood including fibreboard											
(a) Tea-chest	Mill. sq. feet	—	98.2	—	98.7	152.32	105.0	168.39	110.0	168.39	130.0
(b) Commercial plywood	"	140.4	62.5	152.32	83.0	—	95.0	—	90-110	—	90-110
(c) Fibre board	"	30.33	18.0	47.25	25.9	47.25	40.0	125.0	80-100	103.0	65-75
Sugar	Mill. tons	2.25	3.0	2.67	2.3	2.67	3.3	3.5	3.5	3.5	3.5
Vanaspati	000 tons	470.3	350.0	496.0	360.2	496.0	370.0	550	500	500	500

* Subsequently revised to 110,000 tons. (tt) Since revised to 4.5 million numbers. (t) Since revised to 5.2 million numbers. (a) Million active spindles. (w) Lakh looms. (b) Estimated. (c) Calendar year. (d) Capacity revised as per actual production performance. (g) Relates to five years. (h) By working the capacity on three shifts. (i) An additional 0.5 million bicycles are expected to be produced in the small-scale sector. (j) Another 150,000 sewing machines are expected to be produced in the small-scale sector. (k) These figures are for 300 h.p. and below. (x) Capacity revised to 68,000 tons and production to 55,000 tons. (e) Excluding capacity of Railway workshops. (m) Production figures for 1965-66 include small-scale sector also.

THIRD PLAN: TARGETS AND ACHIEVEMENTS

Item	Unit	1960-61	1961-62 Achieve- ment	1962-63 Achieve- ment	1963-64 Target	Third Plan 1961-66	
						Target/ estimate	Likely achieve- ment
Agriculture							
1. Rice	 Million tons	38.7	34.3	31.5	—	45.0	—
2. Wheat	 Million tons	10.8	11.8	10.9	—	15.0	—
3. Jowar	 Million tons	9.2	7.6	9.2	—	—	—
4. Bajra	 Million tons	3.2	3.5	3.8	—	—	—
5. Gram	 Million tons	6.2	5.7	5.6	—	—	—
6. Cereals (Total)	 Million tons	67.2	68.3	66.0	—	83.0	—
7. Pulses (Total)	 Million tons	12.5	11.4	11.5	—	17.0	—
8. Foodgrains (Total)	 Million tons	79.7	79.7	77.5	—	100.0	—
9. Cotton	 Million bales	5.4	4.5	5.3	—	7.0	—
10. Oilseeds	 Million tons	6.5	6.8	6.8	—	9.6	—
11. Sugarcane (gur)	 Million tons	10.4	10.0	9.2	—	10.0	—
12. Jute	 Million bales	4.0	6.3	5.4	—	6.2	—
13. Tobacco	 '000 tons	307	342	361	—	325	—
14. Tea	 Million lbs.	708	781(a)	759(a)	—	900	—
15. Coffee	 '000 tons	67	45	52	—	80	—
16. Rubber	 '000 tons	25	26	31	—	45	—
17. Consumption of Fertilizers							
(a) Nitrogenous	 '000 tons of N	200	280	350	450	1,000	800
(b) Phosphatic	 '000 tons of P ₂ O ₅	70	72	80	160	400	250
18. Co-operation: short and medium term loans advanced	 Rs. crores	202.8	228.1	267.0	331.0	530.0	—
Irrigation							
1. Major and medium irrigation							
(a) Potential	 Million acres (gross)	12.09	12.81	14.27	16.34	29.47	23.16
(b) Utilisation	 Million acres (gross)	8.59	9.40	10.60	13.08	22.77	18.60
2. Minor irrigation (additional poten- tial)	 Million acres (gross)	2.5	1.8	2.1	3.0	12.8	13.8
Power							
1. Installed capacity	 Million kW	5.58	6.03	6.72	7.75	12.69	12.50

THIRD PLAN: TARGETS AND ACHIEVEMENTS (Contd.)

Item	Unit	1960-61	1961-62 Achieve- ment	1962-63 Achieve- ment	1963-64 Target	Third Plan 1961-66	
						Target/ estimate	Likely achieve- ment
2. Towns and villages electrified	.. Number	24,209	27,632	31,979	—	43,000	43,000
Industry							
1. Iron and steel							
(a) Steel ingots	.. Million tons	3.3	4.27	5.39	5.74	9.2	7.8
(b) Saleable steel	.. Million tons	2.4	2.9	4.0	4.3	6.8	5.8
(c) Pig iron for sale	.. Million tons	1.1	0.97	1.06	1.06	1.5	1.2
2. Alloy, tool & stainless steel (finished)	'000 tons	—	—	—	—	200	50
3. Aluminium	.. '000 tons	18.2	19.4	41.97	50.0	80.0	68.0
4. Non-ferrous metals—Copper	.. '000 tons	8.8	9.0	9.48	9.5	20.0	17.4
5. Industrial machinery							
(a) Sugar mill machinery	.. Rs. crores	4.2(a)	4.6(a)	6.42	10.0	14.0	14.0
(b) Cement machinery	.. Rs. crores	0.6(a)	0.9(a)	0.7	1.2	4.5	4.5
6. Machine tools	.. Rs. crores	7.24(a)	8.5	11.48	14.5	30.0	25.0
7. Railway rolling stock							
(a) Locomotives	.. Number	1,291(c)	248	246	250	1,470(c)	1,470(c)
(b) Wagons (in terms of four wheelers)	.. Number	69,130(c)	19,164	25,969	32,000	117,144(c)	157,133(c)
(c) Passenger coaches	.. Number	7,33(c)	1,610	1,849	1,850	7,879(c)	7,879(c)
8. Automobile and ancillary industries							
(a) Passenger cars	.. '000 numbers	19.1(a)	21.78	20.84	21.0	30.0	25.0
(b) Commercial vehicles	.. '000 numbers	27.5(a)	25.50	25.7	27.0	60.0	54.0
(c) Jeeps and station wagons	.. '000 numbers	5.5(a)	7.3	7.44	8.0	10.0	10.0
9. Motor cycles and scooters	.. '000 numbers	17.6	19.13	23.62	30.0	50.0	45.0
10. Ball and roller bearings	.. Million numbers	3.2	3.3	4.0	5.5	15.0(b)	15.0
11. Agricultural implements and machinery							
(a) Diesel engines (stationary)	.. '000 numbers	43.2	43.02	45.28	50.0	66.0	66.0
(b) Tractors	.. '000 numbers	Neg.	0.88	1.6	4.2	10.0	10.0
12. Bicycles	.. Million numbers	1.06	1.0	1.1	1.2	2.0(d)	1.6
13. Sewing machines	.. '000 numbers	297.3	323.0	330.0	400	700(e)	600
14. Electric transformers (33 KV and below)	.. Million KVA	1.39	1.98	2.40	2.5	3.5	3.5
15. Electric motors (200 HP and below)	.. Million HP	0.73	0.86	1.03	1.20	2.5(f)	2.5
16. A.C.S.R. conductors	.. '000 tons	23.6	24.8	30.47	34.00	44(g)	55
17. Fertilizers							
(a) Nitrogenous (in terms of N)	.. '000 tons	97.2	140.0	175.2	240.0	800	500
(b) Phosphatic (in terms of P ₂ O ₅)	.. '000 tons	53.0(a)	61.9	78.9	111.5	400	200
18. Heavy chemicals							
(a) Sulphuric acid	.. '000 tons	354.0	428.2	474.0	539.0	1,500	1,200
(b) Soda ash	.. '000 tons	145.0	177.9	229.9	284.0	450	350
(c) Caustic soda	.. '000 tons	97.0	120.8	125.5	210.7	340	340
19. Drugs and pharmaceuticals							
(a) Sulpha drugs	.. Tons	145(a)	156.0	196.3(a)	200.0	1,000.0	1,000.0
(b) D.D.T.	.. Tons	2,786(a)	2,768	2,568(a)	2,790	2,800	2,800
20. Plastics (Polyethylene, P.V.C., etc.)	.. '000 tons	9.5	14.7	19.0	24.0	74.0	69.5
21. Rubber manufacturers							
(a) Automobile tyres	.. Million numbers	1.49	1.59	1.76	2.50	3.00(h)	3.8
(b) Bicycle tyres	.. Million numbers	11.15	11.33	12.42	14.00	30.9	18.0
22. Paper and paper board	.. '000 tons	343.0	365.0	393.2	425.0	700.00	580
23. Cement	.. Million tons	7.8	8.2	8.8	9.3	13.0	12.0
24. Cotton cloth (mill made)	.. Million yards	5,048	5,100	4,921	5,200	5,800	5,550
25. Rayon filament	.. Million lbs.	47.0	52.9	65.0	75.0	140.0	110.0
26. Sugar	.. Million tons	3.0	2.7	2.3	3.3	3.5	3.5
Mineral Development							
1. Coal	.. Million tonnes	55.51	55.23	63.83	69.04	98.6	89.88
2. Iron ore(c)	.. Million tons	10.7	12.6	—	—	30.0	25.0
Village and Small Industries							
1. Khadi	.. Million yards	64.8	76.2	N.A.	N.A.	160	100-110

THIRD PLAN: TARGETS AND ACHIEVEMENTS (Contd.)

Item	Unit	1960-61	1961-62 Achieve- ment	1962-63 Achieve- ment	1963-64 Target	Third Plan 1961-66	
						Target/ estimate	Likely achieve- ment
2. Handloom	.. Million yards	1,930	2,244	2,250	2,452	2,800	2,650-2700
3. Sericulture(a)	.. Lakh kilograms	15.0	16.6	17.8	—	23.03	21.00
4. Industrial estates (completed)	.. Number	66	89	105	—	366	200
Transport and communications							
1. Railways freight (originating tons)	.. Million tons	153.8	158.0	174.7	191.5	245.0	241.3
2. Roads							
(a) Surfaced including national highways	.. '000 kilometres	230.4	240.8	248.0	—	270.4	would be exceeded
(b) Commercial vehicles on road	.. '000 numbers	210	—	270.0	—	365	330
Shipping							
(a) Total tonnage	.. lakh GRT	8.57	9.08	10.59	—	10.9	15.0
(b) Handling capacity of major ports	.. Million tons	37	33.16 (Present level)	—	—	49	49
		(33.16 actually handled)	(actually handled)	(million tons)			
4. Post Offices	.. '000 numbers	77	82.4	87.8	—	100	100
5. Telegraph Offices	.. '000 numbers	7.00	7.1	7.4	—	9.0	9.0
6. Number of Telephones	.. '000 numbers	463	512	591	—	760	780
Education							
1. General Education: Students in Schools							
(a) Classes I—V	.. Lakh numbers	349.9	389.8	420.9	452.1	496.4	519.7
(b) Classes VI—VIII	.. Lakh numbers	67.1	74.5	83.3	92.2	101.7	109.3
(c) Classes IX—XI	.. Lakh numbers	29.6	34.3	39.4	44.2	45.6	52.6
Technical Education							
2. Engineering & Technology							
(a) Degree level—annual adm.	.. Number	13,824	15,850	17,232	20,430	19,137	23,130
(b) Diploma level—annual adm.	.. Number	25,801	27,701	30,919	36,320	37,390	47,540
Health							
1. Institutions							
(a) Hospital Beds	.. '000 numbers	185.6	193.3	201.9	214.0	240.1	240.1
(b) Primary Health units	.. Number	2,800	3,000	3,442	3,900	5,000	5,000
(c) Family Planning Centres	.. Number	2,136	2,557	3,005	4,500	8,200	8,200
Personnel							
(a) Medical Colleges (intake)	.. Number	5,800	7,100	7,280	9,219	8,000	11,500
(b) Doctors(i)	.. '000 numbers	70.0	74.5	77.8	80.0	81.0	85.0
(c) Nurses(i)	.. '000 numbers	27.0	29.4	32.2	35.2	45.0	45.0
(d) Auxiliary nurse-mid-wives and mid-wives(i)	.. '000 numbers	19.9	22.5	25.4	30.0	48.5	48.5
(e) Nurse-dais and dais(i)	.. '000 Numbers	11.5	N.A.	N.A.	N.A.	40.0	40.0
(f) Health assistants and sanitary inspectors(i)	.. '000 Numbers	6.0	8.2	11.0	N.A.	19.2	19.2
Housing(j)							
2. Subsidised industrial housing scheme	.. Number of houses	13,322	13,000	12,800	5,900	73,000	66,300
2. Low income group housing scheme	.. Number of houses	9,963	10,400	11,500	7,100	75,000	59,000
3. Slum clearance scheme	.. Number of houses	13,882	9,000	15,700	20,900	100,000	88,100
4. Village housing projects	.. Number of houses	4,512	6,000	3,700	6,800	125,000	66,500
Welfare of Backward Classes							
1. Tribal development blocks	.. Number	43	70	119	224	450	450
2. Post-matric scholarships	.. Number of awards in the year	48,778	57,190	53,914	62,500	350,000	313,000

(a) Refers to calendar year. (b) By working three shifts. (c) Relates to five years. (d) An additional 0.5 million bicycles to be produced in small-scale sector. (e) Another 150,000 would be produced in small-scale sector. (f) For 300 HP and below. (g) Revised to 55,000 tons. (h) Revised to 4.5 million numbers. (i) In practice or service. (j) The figures given do not include the number of houses under construction.

DISTRIBUTION OF OUTLAYS: 1961-62—1963-64

Major head	(Rs. crores)							
	Total Centre and States				States			
	Outlay 1961-66	%	Outlay 1961-64	%	Outlay 1961-66	%	Outlay 1961-64	%
Agriculture and Community Development	1,068	14	561	13	919	25	494	24
Major and Medium Irrigation including Flood Control ..	650	9	341	8	630	17	334	16
Power ..	1,012	13	569	14	880	23	517	25
Industry and Minerals ..	1,520	20	809	19	70	2	51	3
Village and Small Industries ..	264	4	126	3	137	4	57	3
Transport and Communications ..	1,486	20	1,052	25	226	6	139	7
Social Services and Miscellaneous ..	1,300	17	740	18	863	23	443	22
Inventories* ..	200	3	—	—	—	—	—	—
Total ..	7,500	100	4,198	100	3,725	100	2,035	100

* Expenditure in respect of inventories is distributed under various heads.

FINANCING OF PLAN: 1961-62—1963-64

	(Rs. Crores)											
	Five-year scheme of finance as visualised in the Plan			1961-62 Actuals			1962-63 Revised Estimates			1963-64 Adjusted Budget Estimates		
	Centre*† States Total	Centre*† States Total	Centre*† States Total	Centre*† States Total	Centre*† States Total	Centre*† States Total	Centre*† States Total	Centre*† States Total	Centre*† States Total	Centre*† States Total	Centre*† States Total	Centre*† States Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1. Balance from current revenues	410	140	550	138	28	166	-94	52	-42	-433	30	-403
2. Additional Taxation	1,100	610	1,710	86	15	101	186	51	237	471	122	593
3. Railways Contribution*	100	—	100	45	—	45	14	—	14	13	—	13
4. Surpluses of other Public enterprises	300	150	450	13	21	34	8	20	28	46†	31	77+
5. Market Loans**	475	325	800	62	85	147	97	104	201	113	87	200
6. Small Savings@	213	387	600	25	65	90	43	59	102	67	68	135
7. Unfunded Debt	183	82	265	40	14	54	45	14	59	47	18	65
8. Steel Equalisation Fund	105	—	105	13	—	13	7	—	7	6	—	6
9. Balance of Miscellaneous capital receipts over non-plan disbursements	428	-258	170	40	10	50	167	-3	164	276	-56	220
10. Total of Items 1 to 9	3,314	1,436	4,750	482	238	700	473	297	770	608	300	906
11. Budgetary receipts corresponding to external assistance**	2,200	—	2,200	262	—	262	437	—	437	507	—	507
12. Deficit Financing**	524	26	550	152	16	168	239	-32	207	233@@	8	241
13. Total of items 11 to 12	6,038	1,462	7,500	876	254	1,130	1,149	265	1,414	1,346	308	1,654
14. Central Assistance for State Plans	-2,375	2,375	—	-322†	322†	—	-436††	436††	..	-450@@	@450	—
15. Total Resources — Plan Outlay		7,500		554	576	1,130	713	701	1,414	896	758	1,654

* Excluding the amount raised by way of changes in fares and freights which is included under item 2.

@ Including Prize bonds, Gold bonds and receipts from Compulsory Deposit Scheme.

+ Excluding the amount raised by changes in postal rates credit for which has been taken under item 2.

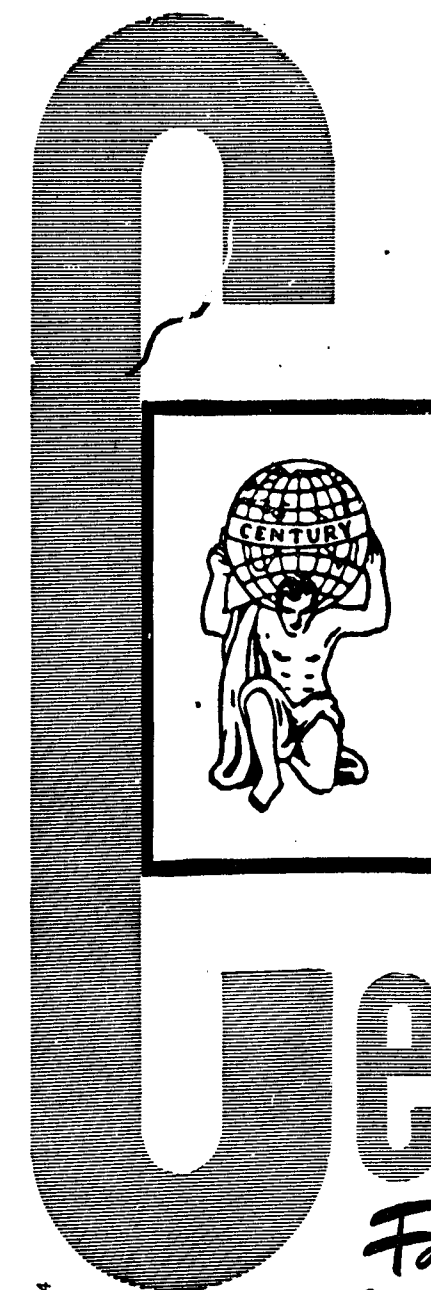
† Central assistance in respect of 1961-62 plan adds up to 344 crores. Of this 322 crores was paid during that very financial year while the balance was paid in 1962-63.

†† This is based on the data given in the State budgets and includes arrears in respect of 1961-62 paid in 1962-63.

@@ In the Central budget provision was made for Central assistance of Rs. 400 crores only. The figure adopted here is Rs. 450 crores as subsequently it was decided to increase the amount by Rs. 50 crores. Correspondingly the figure of deficit financing has been increased.

** As defined in the Plan, receipts under market loans refer to net absorption of Government securities by the public. Correspondingly deficit financing refers to changes in Government's indebtedness to the Reserve Bank. Receipts corresponding to external assistance include net receipts from foreign grants and loans as well as net accretion of rupee resources arising from P.L. 480 imports during the third Plan period.

*† Includes Union Territories.



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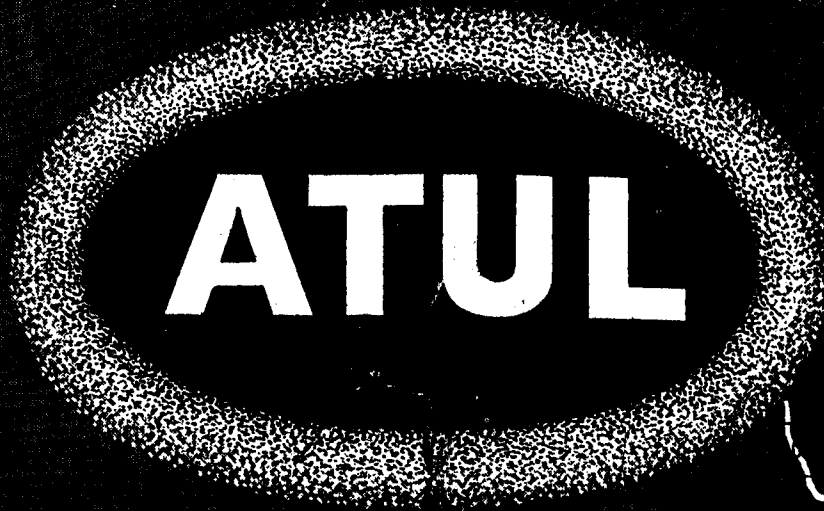
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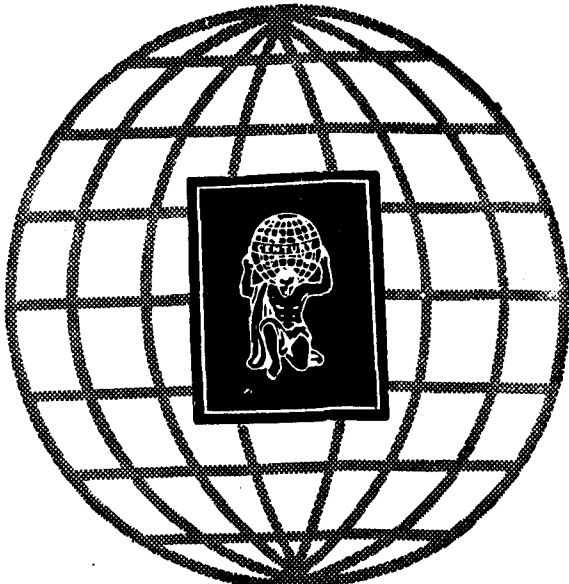
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EASTERN ECONOMIST

DECEMBER 6, 1963

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Where Do We Go from Here?

TO COMMENT on the Mid-term Appraisal by the Planning Commission of the (lack of) progress of the third Plan is only in the nature of a formality. It is by now within the common experience of the country and its people that, while population is steadily increasing, the expansion of the economy is slowing down. In the last session of Parliament there was a debate on how extensive our poverty was. Apart from the merits of the particular figures or arguments advanced by certain sections of the critics of the Government which were obviously interested in making political capital out of the issue, it was undeniable that public opinion was in no doubt that, after 13 years of economic planning, mass poverty remained an explosive issue.

Apart from poverty in the abstract, men and women, whether as producers or consumers, have been coming up individually against shortages at every turn. A melancholy procession of Ministers has lately been exhorting the nation to grin and bear this misery. A few days back Mr. A. M. Thomas was good enough to tell us that the shortage of sugar could not be remedied in the short period and that we must therefore learn to live with it. He has been followed by Mr C. Subramaniam who, for his part, is counselling the country to learn to live with a shortage of steel. Now the Mid-term Appraisal resignedly states that in the two-year period, 1961-63, the annual rate of increase in national income is estimated to have been about 2.5 per cent as compared to the rate of something over five per cent envisaged in the third Plan. It points out that if the third Plan target is to be reached, the growth rate should rise substantially over the remaining three years. But it mercifully refrains from pretending that this necessary acceleration of the economy is likely to be achieved. It is possible that an attempt may be made to take credit for the Planning Commission for the candour of its Mid-term Appraisal. It has been conceded that agriculture has remained stagnant although this admission is qualified by references to the climatic inevitability of crop cycles. In the case of industry, while a more laudatory view is taken of the Plan's performance, most of the specific failures or arrears have been named and noted. In this sense, it is perhaps true that both light and shadow have been pictured. But whereas the former has been painted in lily-white, the latter has been drawn in an unduly mild grey.

More important still, where failures have been specified, no attempt has been made to fix responsibility. On the contrary, the question of responsibility, which indeed must be central to any "appraisal" or "reappraisal," has been allowed to be clouded by vague observations and, worse still, innuendoes and insinuations. For instance, when pointing out that there have been failures in reaching targets of production or capacity in many industries, the Planning Commission remarks with a false air of benevolent neutrality that "progress on the part of private industry has lagged behind in a number of key areas, such as alloy tool and stainless steel, steel castings, steel forgings, machine tools, fertilizers, cement, paper and newsprint and in some chemical industries." We wish the Planning Commission had attempted to go a little more deeply into this matter. A reappraisal, we will again emphasize, has use or meaning only if it proceeds to ask why there have been failures, when there have been failures. Unless this question is asked and an attempt is made to answer it, it is obvious that no moral can be drawn, no lesson learnt, no correctives worked out for the future.

A bald statement of the kind which the Planning Commission has made is even likely to do positive mischief. It may give the impression — which would be entirely wrong — that if some industrial targets are not

being reached in the private sector it is because the private sector as such is not qualified for the job. It is, therefore, very desirable and necessary that the Planning Commission should be pressed to spell out quite precisely why these targets have not been or are not being reached. There is, of course, no simple or single explanation. But there is certainly enough evidence to show that it is not any inherent weaknesses or defects in the private sector as such, but the circumstances foisted on it by Government policy in various matters, which are in the main responsible for industrial expansion in the private sector not being faster or more considerable than it has been.

It is a pity that certain important Central Ministers have set a fashion—which the Planning Commission in the Mid-term Appraisal has now followed—of abruptly asserting that the private sector has failed in this industry or that. Actually if we are going to discuss at all the respective performances of the private and public sectors, there is more to show the lapses and limitations of the latter than to indicate the failings of the former. Let us take some of the more important cases where both sectors have shared responsibility for the development of individual industries. In the case of iron and steel, it cannot be said that the private sector has not done what has been assigned to it. On the contrary, it is the production and planning of steel in the public sector which have been lagging behind. Thanks to the mess created during the second Plan in Rourkela, not only had the full and normal commissioning of that plant been delayed, but also its first phase of expansion. As regards additional new steel plants in the public sector, the story of Bokaro is still incomplete so that it is not necessary to go into it at the present time in greater detail than to say that the actual implementation of the project is going to take rather longer and is likely to prove far more difficult than the zealous Mr C. Subramaniam seems prepared to contemplate.

Turning to the fertilizer industry, which is often cited as an example of poor performance in the private sector, it is to be emphatically asserted that schedules in the public sector too have not been kept up by any means. Sindri is still a problem. The Rourkela plant is in the main an unknown quantity. At Trombay, the Government has not yet been able to appoint even a General Manager for the project. Other schemes in the public sector too are dragging their feet because they are being shunted from States to States or from States to the Centre. It is no doubt true that many private sector schemes in the fertilizer industry—as also in the aluminium and other industries—have not fructified after being licensed. But here again unless questions are asked to find out the whole truth, a summary indictment of the private sector as such would be wide of the mark. We do not want to go into this matter at great length here but we would certainly like to point out that in these and in many other industries, a proper assessment of what has gone wrong cannot be made except in the light of an examination of the granting of

licences to various parties concerned. Here the issue is whether the Government could not have avoided the still births of so many private sector schemes by taking greater care in advance to ascertain whether the parties to whom licences were being granted were both able and willing to go into business promptly. It would be a different matter if the Government had no regulatory powers in the matter of industrial expansion. But when the case is that an industry can be started only when a signal is given, it is right to insist that the signals should be properly operated.

This aspect of licensing, however, is a detail. There are the larger questions relating to the Government's fiscal policies, and secondly, the whole administrative apparatus of planning and the implementation of Plans. The Mid-term Appraisal is greatly concerned with the problem of resources in the public sector and in this connection it makes some very justifiable complaints against the somewhat casual manner in which State Governments have tried to evade their obligations. We wish that the Appraisal had also shown some interest in the question of resources for industrial investment in the private sector. While it suits it to say so, the Government is never tired of pointing out that a vast field remains for the private sector. But surely there is no point in saying that the private sector could do so much if it would when, at the same time, no measures are taken in terms of the Government's planning to provide

Eastern Economist 20 Years Ago DECEMBER 10, 1943

The Viceroy is shortly to leave on tour to visit Bengal and Assam. The main interest of this tour will undoubtedly be the address which he will deliver at the annual meeting of the Associated Chambers of Commerce in Calcutta. In the past this occasion has invariably been utilized by the Viceroys to review political developments and indicate the Government's policy, but Lord Wavell is likely to set up a new precedent. Though he cannot eschew politics altogether from his speech, it is understood that he will confine himself mainly to economic problems — particularly the food question — and the war situation. Evidently the Viceroy feels that the time has not yet come for him to make any political pronouncement. From talks in New Delhi it does not appear that he has so far unfolded any new plans to his colleagues in the Viceroy's Council. Discussions so far have mainly centred on food and civil supplies problems. The view in official circles is said to be that as a result of the measures taken by the Food Department the situation in Bengal, particularly Calcutta, is gradually brightening up. On the one hand, the view continues to be urged, as Mr. C. Rajagopalachari said the other day, that "bureaucratic authority cannot cope with the problem of food and clothing in any satisfactory manner" and that the present food crisis "is not due to neglect or inefficiency but to the inherent weakness of the Central Government as at present constituted and to the entire dependence of the provinces on such an administration." It is said that the Viceroy does not subscribe to this view. And he wants to show that the Central Government is strong enough to deal with the economic crisis and exact the necessary co-operation from the provinces. The coming year will show who is right.

for a favourable climate of expansion in the private sector.

The budget for the current year imposed on the economy in the name of the emergency is only the latest example of a continuing neglect of the need for building up a fiscal climate in which more savings will be made and more capital invested in the vast field for industrial expansion nominally left open to the private sector. It is surely a major weakness of the Mid-term Appraisal that the Planning Commission has not dared to examine the responsibility of fiscal policies for the slow growth of the economy.

Equally clearly, it is a second great deficiency in the Mid-term Appraisal that it has not ventured to consider how far the lack of purposiveness, the dilatoriness and the inherent inadequacies of the administrative machinery are responsible for stalling development. There was a faint glimmer of hope in the wake of the emergency that, at least as a result of the extraordinary stresses created by the Chinese aggression, the Government machinery would be provoked or promot-

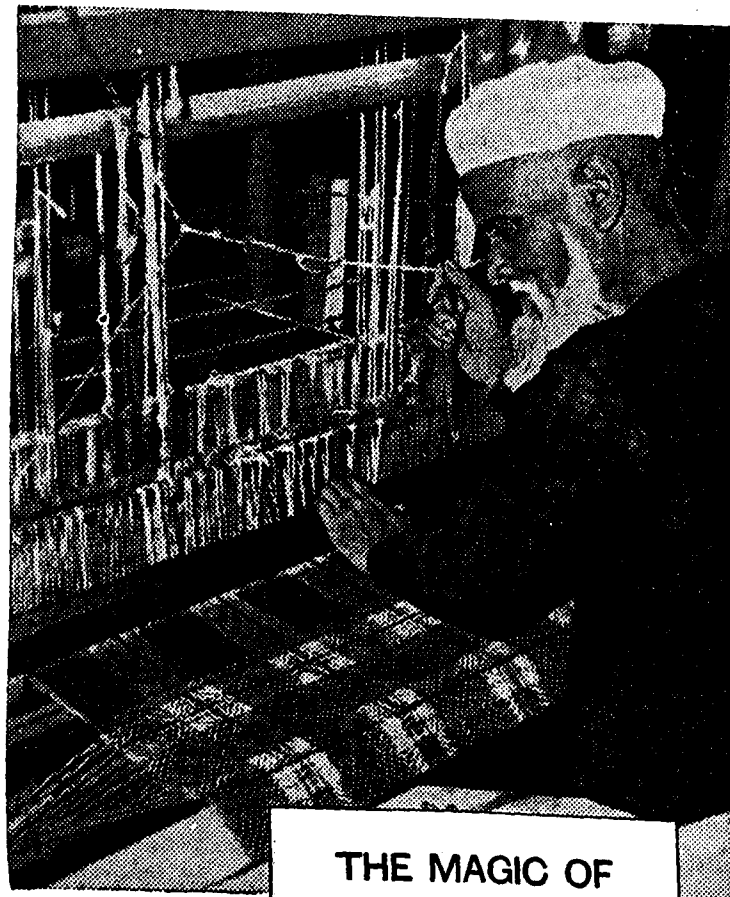
A Tax on Housing

THE URBAN Land Tax Bill, which has been passed by the Madras Assembly on the basis of the recommendations of the Joint Select Committee, has come in for serious criticism. The several amendments proposed by the opposition members for minimising the severity of the new tax and eliminating anomalies, have not been accepted. The justification for the new levy is stated to be the right of the State Government to secure a share in the unearned appreciation in the value of urban land with the development of various projects, not to speak of the need for additional revenues. Even though the rate has been reduced to 0.4 per cent from 0.5 per cent as originally proposed, it is felt that the actual yield would be very much more than the Rs 50 lakhs estimated by the Government. Indeed, it has been contended that the Government have sought to penalise unduly urban land-owners as the increase in the stamp duty for registration last year by one and a half per cent to nine and a half per cent has had a soaking effect and the new levy would discourage further the construction of residential houses especially as the Madras Corporation also has been raising its property tax on the basis of a reassessment of rental values.

There is no doubt that the latest measure will operate inequitably as there are cases of owners who have long been in possession of the properties and who have no intention of selling them. As the value of land has appreciated notionally, any tax on the basis of market value might even result in the payment of tax which would be in excess of the annual rent. It is rather ironical that rents could be adjusted only when the urban land tax proves to be in excess of the annual rent. Otherwise, the incidence of this tax cannot be passed on to tenants. The freezing of rents on the basis

ed to act with a greater sense of urgency and a better sense of direction. This expectation has not come true. In fact, not even a beginning has been made in what may be described as the industrial mobilization of the nation for increased defence effort. Although, there are brave pronouncements from the platform that the Government would ensure that the defence effort was strengthened by the development effort and the development effort by the defence effort, in actual practice, even the rate of growth in the economy has not been quickened a bit in the last several months. To the extent that there is some revival of economic activity, it is partly a mechanical reaction from an intense period of depression and partly a gamble in the future intentions of the present Finance Minister. These are some of the facts of our economic life which the Mid-term Appraisal should have endeavoured to face and that it has not done so underlines the dismal fact that, to the Planning Commission and the Government, the relief of mass poverty, the betterment of the living conditions of our people and the development of the economic and industrial foundations of national security are of the second order of importance.

of a market value for houses that existed some time back and the levy of urban land tax on the basis of current market values for land are considered rather contradictory. It would have been far more appropriate if the State Government had suggested to the Centre that on the capital gain being secured on the sale of property, the former should get a share in the gain that related to the land covered by the property. It may be also suggested where there is a definite gain on transfer that a minimum surcharge can be levied in addition to the stamp duty, though a higher stamp duty has taken care of the appreciation in the value of not only land but also of the whole property and provided for the State Government some portion of this gain. There is no doubt that the rent is low in respect of houses built some years back and there is a case for revision of this rent. Besides, even with the tax on market value on the basis of specified zones, the administration of this novel levy would be found extremely difficult in application and would cause serious hardship to the lower and middle income groups particularly. The amendments moved by the D.M.K. members for fixing an exemption limit and levying slab rates has been rejected as being impracticable of implementation. But the Government's approach to the problem also is impracticable and it would have been far more equitable if a specific rate per ground had been levied and there was no attempt to impose another type of wealth tax on land without reference to the "yield" from land. The suggestion for giving greater relief to house-owners on a more liberal basis also has been rejected and it is now confined to 25 per cent of the tax as recommended by the Joint Select Committee. The tax will be levied first in Madras City. In the light of the experience gained, it may be extended to other municipal towns in the State.



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Highlights of the Week

INDO-GERMAN COLLABORATION

DR. WALTER SCHEEL, the West German Minister for Economic Co-operation, at present on a two-week visit to this country, has fulfilled his first important task in the Indian capital — that of signing an agreement with the Union Government on the utilization of the balance DM 336.60 million (Rs. 40.06 crores) credit, out of the DM 398 million (Rs. 47.37 crores), promised by his country at the last August meeting of the Aid-India Consortium for the third year of our current Plan. The pact in regard to the utilization of DM 61.40 million (Rs. 7.31 crores) had been signed on April 25, 1963, at Bonn by virtue of which this amount had been allocated for refinancing the Rourkela liabilities.

The last week's agreement envisages that a sum of DM 220.60 million (Rs. 26.25 crores) out of the committed credit is to be utilized in the following manner: (1) DM 40 million (Rs. 4.76 crores) for purchase of commodities from West Germany (details of these commodities have yet to be settled, but these are to be non-project purchases under suppliers' credit); (2) DM 40 million (Rs. 4.78 crores) for financing four projects — the Rourkela Fertilizer Plan, the Neyveli Briquetting and Carbonisation Plant, the Kalinga Pig Iron Plant and the Mysore Government's new electric factory — already under construction with assistance from West Germany; (3) DM 97.50 million (Rs. 11.60 crores) for financing the foreign exchange cost of four new projects — the Special Steels Project at Rourkela, the Alloy and Tool Steels Project of Mysore Iron and Steel Works, expansion of the Government truck manufacturing project, and power transmission and distribution equipment; (4) DM 15 million (Rs. 1.78 crores) for extending foreign exchange loans to two financing institutions in this country — DM 10 million to the Industrial Credit and Investment Corporation of India and DM 5 million for the National Small Industries Corporation; and (5) DM 28.10 million (Rs. 3.50 crores) for balance of payments support. The remaining sum of DM 116 million (Rs. 13.81 crores) will be used by way of Federal Government's guarantees for purchase of ships by India under suppliers' credits. The details of the ships to be purchased are expected to be finalised in the near future.

While the terms on which suppliers' credit will be available for the purchase of ships will be settled between the Indian buyers and the German sellers, the terms of repayment and interest regarding the DM 220.60 million credit are as follows: (a) 25 years (including 7 years of grace) with interest at the rate of 3 per cent per annum in respect of DM 110 million (Rs. 13.09 crores); (b) 20 years (including a grace period of 5 years) with interest at the rate of 5.5 per cent in respect of DM 90 million (Rs. 10.71 crores); and (c) 20 years (with a grace period of 12 years) and interest at 5.5 per cent in respect of DM 20.60 million (Rs. 2.38 crores).

An agreement has also been reached between the two Governments providing for certain special facilities in regard to Germany's pre-war assets in India. Hitherto, the proceeds from these assets could be used for purposes of approved re-investment in this country. It has now been agreed that remittance facilities should also be given to the extent of Rs. 10 lakhs a month for a total number not exceeding Rs. 63 lakhs, so that the balances which have not so far been utilized in accordance with the existing procedures may be put to effective use at the earliest possible date. Dr. Scheel as well has had talks with Mr. T. T. Krishnamachari on the investment guarantees sought on the private West German capital being invested here. But nothing concrete has yet come out of these.

The West German Minister has also had discussions with

the Union Minister for International Trade, Mr. Manubhai Shah. In these talks came up for discussion India's continued huge balance of payments deficit with West Germany in particular and with the countries of the European Economic Community in general. Mr. Shah is understood to have impressed upon Dr. Scheel the need for liberalising, in the next two or three years, quota restrictions on some twenty items exported to West Germany from here. The prominent among these are cotton textiles, jute manufactures, coir goods and sewing machines. Among the rest are included laboratory ceramics ware, toilet articles of pottery, statuettes, fancy articles made of porcelain, imitation pearls, ceramics insulating fittings, simple mechanical lighters (gilded or silvered) and parts thereof, neat leather, toys of base materials, woven fabrics and knitted underwear of synthetic fibre. Dr. Scheel on his part is stated to have assured a liberal treatment to the entry of Indian goods into West Germany on international price marketing and quality basis. He is also said to have agreed that steps should be taken to bring the trade between the two countries on a more balanced basis. It was recognised that technical assistance from West Germany and continuous contact at the official level between the Indian Embassy at Bonn and the Government of Federal Republic of Germany have a great role to play in India's export promotion efforts in that country. It was also felt that there is a greater need for India undertaking market research and advertising in Germany.

LIC'S PROGRESS

FURTHER PROGRESS has been made by the Life Insurance Corporation of India in stepping up its new business (from Rs. 609 crores under 1,470,000 policies in the calendar year 1961 to Rs. 746 crores under 1,768,000 policies during the 15 months' period to March 31, 1963), and spreading the life insurance habit well into the rural areas. These achievements were among the highlights of the Chairman's statement at the 19th meeting of the Corporation last week.

Elsewhere there were shadows. All the efficiency coefficients have further deteriorated during the period under review. The lapse ratio, which had been steadily rising from as low as 5.3 per cent in 1958 to 6.6 per cent in 1960 and 7 per cent in 1961, had gone up to 8.1 per cent between January 1, 1962, and March 31, 1963. The overall expense ratio, after declining from 28.4 per cent in 1960 to 28 per cent in 1961, has jumped to 29.3 per cent. The renewal expense ratio has gone up from 12.42 per cent in 1961 to 14.13 per cent. The scaling of new peaks by all these ratios is obviously something which should cause no small concern not only to LIC but also to its policy-holders.

Although the Chairman, Mr. B. K. Kaul, has refrained from specifying any reason for the deterioration in the lapse ratio, it does not require any prophet to suggest that it should have been due mainly to two factors — the continued high pressure salesmanship by the LIC agents and the persistent erosion in the value of the rupee, as reflected in the mounting costs of living. Heavy taxation too may be another factor for the dents made in the recent past in the saving capacity of the insured people, a majority of whom belongs to the middle and lower middle classes. It is heartening that the LIC has decided not to entertain fresh proposals from those already insured if any existing policy or policies of theirs have lapsed in the preceding three years, unless the lapsed insurance is revived.

The increase in the overall expense ratio has been attributed by Mr. Kaul primarily to the upward revision necessitated in the salaries of the low-paid staff of the Corporation. But it ought to have been offset to some degree by the fairly

rapid increase in business under the two Non-Medical Business Schemes. During the 15 months' period to March 31, 1963, business booked by LIC under these schemes has been of the order of Rs. 155.67 crores under 713,000 policies. The overall expense ratio, no doubt, has been vitiated to no small extent by the fall in the Corporation's income from interest and dividends. The net rate of interest has gone down from 4.68 per cent in 1961 to 4.08 per cent in the accounting period under review.

It is, of course, encouraging to note that the Corporation has taken on hand a detailed investigation into the mortality of the assured lives during the years 1961-64, as the Oriental's 1925-35 mortality table which currently governs LIC premium rates has become too outmoded to reflect the recent increase in the average expectation of life in this country. Anticipating a demand for reduction in premium rates, Mr. Kaul has suggested that stepping up of the rates of bonus to policy-holders is a better way of serving their interest in the present-day inflationary conditions. But a golden mean has to be struck between the two courses. The fourth valuation report of the Corporation should obviously be keenly awaited by the policy-holders.

The finalisation of the revised "Own Your Home Scheme" by LIC has to be welcomed. This scheme is proposed to be put into operation in 26 selected places in the country early in 1964 and will be extended to another 30 places during the course of that year. The cause of housing would, however, be better served if the Corporation goes in for building houses on its own and makes these available to the public on the hire-purchase basis.

LIC AND GENERAL INSURANCE

THE DECISION of the Life Insurance Corporation to enter the general insurance field in a big way has been approved by the Union Government. A statement to this effect was made in the Lok Sabha on Friday last by the Minister of Finance, Mr. T. T. Krishnamachari. The Minister said that the intention behind this step was to provide the public sector with a role in this sphere more or less on the lines of that of the State Bank of India in commercial banking. The Corporation is expected to start transacting this business early next year.

A spokesman of the LIC has indicated that the Corporation will undertake general insurance business in addition to its subsidiary, the Oriental Fire and General Insurance Company; Oriental at present has a business to the tune of about Rs. 40 crores. The LIC will be a non-tariff insurer, while Oriental will continue as a tariff insurer. This, however, does not imply that the LIC will indulge in any cut-throat competition with the private general insurance companies. In the initial stages it will have the same tariff rates, but may adjust them later in the light of the experience gained, so that ultimately "correct" tariffs are evolved. The policy to be followed in this respect will be similar to the one followed by the State Bank in its competition with the private banking institutions.

It has been explained by a spokesman of the Ministry of Finance that the decision to allow LIC to go in for general insurance should not be regarded as the first step towards nationalisation of this business activity. It is neither an indication that this line of insurance will be nationalised in the future nor a hint to the contrary. The nationalization issue will have to be judged on its own merits. The present step itself might make it unnecessary for general insurance to be nationalized. Official circles have also tried to assuage the fears that the entry of LIC into general insurance might adversely affect the turnover of the private insurers. They argue that this business is an expanding one where there is scope for both the public and the private sectors to grow steadily.

The LIC's decision to take up general insurance, it is also suggested, will lead to a better utilization of its staff which, under a self-imposed code, is at present unable to canvass this business. The accounts of general insurance are proposed to be kept separate from those of the life business of the Corporation.

NEEDED A ROAD BOARD

THE STRONG plea put forth by Mr. N. G. Dewan, in his presidential address to the 27th session of the Indian Roads Congress, held at Chandigarh last week, for the formation of a Road Board more or less on the lines of the Railway Board, will obviously be widely endorsed. The development of roads and road transport is assuming heightened importance in the infra-structure of the Indian economy as a sequel to the stridently increasing traffic, both freight and passenger. The 20-year (1961-81) Roads Development Programme, recommended by the Chief Engineers a few years ago, envisaged increase in the total roads length in the country from nearly 3,32,000 miles in 1957 to as much as 6,57,000 miles in 1981. In view of the changing circumstances even this expansion may be on the conservative side. To implement successfully a programme of this magnitude -- apparently vast but not an ambitious one -- it will require an effective organization.

Mr. Dewan has suggested that the Road Board should have six functions: (1) policy, direction and control of the construction and maintenance of national highways, strategic roads and such other roads as may be found necessary for the development of the country as a whole; (2) control on traffic on roads mentioned above and other roads carrying inter-State traffic, policy regarding priorities, allocation of funds, specifications and general licensing policy for vehicles pertaining to road traffic; (3) enunciation of the principle of taxation of road transport for financing the development and maintenance of roads; (4) co-ordination of plans for road development and production of vehicles and proposals for allocation of funds; (5) assessment of the requirements of motor vehicles from time to time and formulation of specifications for them along with assistance for their manufacture; and (6) promotion of road and road transport research and arrangement for the training of personnel for construction of roads and operation of road transport.

Mr. Dewan has also made a number of other useful suggestions for the development of roads and road transport. Of these, particular mention may be made of his advocacy for heavier and much larger number of road vehicles, creation of an All-India Rural Communication Fund, proper maintenance and preservation of the roads already laid, prevention of ribbon development on roads and adjusting of roads harmoniously in the local topography. The use and manufacture of vehicles of higher pay-loads than at present has been suggested not only for meeting the additional long-distance goods traffic requirements of the country during the current Plan period -- estimated by Mr. Dewan at 123 million tons -- but also for bringing down the cost of road transport by a significant amount.

There is also apparently a strong case for stepping up further the outlay on roads development during the current Plan period. The Chief Engineers' 20-year Plan had estimated the cost of implementing their 1961-66 programme at Rs. 590 crores. The current provision in the third Plan, even after being increased twice from the original provision of Rs. 250 crores, is Rs. 438 crores -- Rs. 152 crores short of the experts' estimate. With total revenue from the road transport likely to touch Rs. 1,000 crores mark over the five-year period to 1965-66, this additional provision can be easily made, leaving Rs. 240 crores to be appropriated to general revenues and Rs. 170 crores to maintenance of roads.

FROM THE PRESS GALLERY

T. T. K.'s Week

By A. K. MUKERJI

NEW DELHI: Monday.

IN MATHEMATICAL parlance, 2 and 10 could as well add up to 12 or multiply themselves to 20 or even to 100, and, in algebraic refrain, lead on to either plus 8 or minus 8, depending not only on how the digits are arranged but also on what result the computation aims at. Judging by the look of things, though he is never short of ingenuity and seldom less than brilliant even when he stoops to calculated caution as of late, Mr. T. T. Krishnamachari cannot in fairness be said to have proceeded as of purpose to contrive a parallel puzzle of probabilities when he chose last week to present Parliament with five major Bills in a row. But the end-result of this inevitably was that, despite several other excitements each of which could steal the show had it come at any other time, last week in Parliament became T.T.K.'s own.

Time alone will show whether the mind that architected the Bills was agonizingly preoccupied with hunting the "man-eaters" of a certain memorable phrase or whether, as some of the professional leftist critics have already begun shrieking, in mellowed wisdom of experience it saw virtue in promoting reforms within the bounds of realism. Meanwhile the field remains open for big question marks and Mr. Krishnamachari himself cannot be unaware of this.

Gold Control Bill

Take the Gold Control Bill, which alone provoked marked opposition at the stage of its introduction, possibly because on the other four Bills most members of the Lok Sabha found themselves a bit out of their depth on first encounter. The ostensible purpose of the Bill, to paraphrase T.T.K.'s enunciation, is to achieve the objective of Gold Control. Well and good. But what is the tenable answer to the point made by Mr. N. G. Ranga (Swatantra) that the Gold Control Rules had initially been thought of specifically as only an emergency measure? Public memory may be short but not many have yet forgotten that the slogan with which the then Finance Minister, Mr. Morarji Desai, launched this measure was: Gold for Defence, for arms.

Putting a curb on gold smuggling, and on the drain on foreign exchange consequent thereto, was, it will be remembered, only incidental to this principal objective underlined at the time. This incidental objective has, moreover, apparently been attained only fictionally, despite Gold Control Order and Rules, judging by the puny catch over nearly a year both of smuggled gold and its smugglers that was revealed in reply to an interpellation last week.

The important question, however, is what the Bill boils down to in sum. Apart from the fact that it seeks to put on the Statute book a measure that was intended to be only an emergency measure, the proposal is to expand the scope of the earlier Rules to bring within this purview the possession even of gold ornaments beyond a specified limit. More. The Bill, when it is passed into an Act, would make it obligatory for those owning or possessing such ornaments beyond the specified limit to declare their holdings, in default of which they would be liable to rigorous punishment, including imprisonment. To be sure, the upper permissible limit of possession hitherto indicated lends the Bill somewhat of a saving grace. But the option would rest with the Government to revise this upper limit to bring it low enough to affect even the modest householder and the housewife; and this is an aspect the enormity of which cannot be said to be compensated for by the permissive character of the proposed enactment.

All told the end-effect might be to further extend the

already extensive octopus tentacles of "controls" which in the ultimate analysis means the projection of the not wholly incorruptible bureaucrat into spheres intimately private and as such a shot that is likely to aggravate the ills currently rampant in our country.

Apart from the provision enabling the Government to prescribe a ceiling on the possession of gold ornaments and to call for a declaration from all persons holding ornaments above that ceiling, the Gold Control Bill contains two other provisions not there in the present Gold Control Rules. Firstly, it provides that all categories of dealers in gold who were not licensed, should be registered. Secondly, all religious institutions -- temples, mutts, churches, mosques, gurdwaras or any other place of public religious worship -- are being allowed to retain the gold received by them as offerings, in the form in which it is received, so long as it is used exclusively for the purposes of the respective institutions. They shall, however, not convert any gold in their possession into gold of purity exceeding 14 carats or make from it ornaments or any other article of a purity exceeding 14 carats, without the permission of the Gold Administrator. They shall also not sell or otherwise transfer this gold in any form unless it has been converted into gold of a purity not exceeding 14 carats and unless in the case of gold other than ornaments, the sale or transfer is to a dealer or refinery licensed under the Act. Similarly, no pawnee who is not a dealer in gold shall sell any gold pledged with him on the failure of the pawner to redeem such gold, except in accordance with such conditions as may be prescribed.

Two other minor modifications have also been made in the existing Gold Control Rules. They are: (a) for minor intrusions of the Gold Control Order, the existing provision for the imposition of a sentence of imprisonment or fine has been replaced by a provision of penalty to be adjudged departmentally (otherwise, the penalties prescribed in the Bill correspond to Rule No. 126 of the Gold Control Order); (b) a dealer or a refinery who/which for any reason, discontinues his/its business will, in terms of the Bill, be allowed to dispose all the gold in his/its possession to any other licensed dealer or refinery (at present, such gold is to be deposited with the Gold Administrator and is purchased by the Central Government at the international price).

The Companies (Amendment) Bill

Shades of this same spectre as referred to under the Gold Control Bill would seem to lurk behind the Companies (Amendment) Bill, introduced in the Lok Sabha on November 26 and referred to a Select Committee after a 4-hour debate in the House two days later. The Bill 'inter alia' seeks to amend the Companies Act of 1956 in respect of certain matters. Obviously, the unfamiliarity of most members with so abstruse a subject as Company Law explains why, barring Mr. Morarka (Congress) and a few others, most others preferred to leave it alone more or less, although a reason for this undoubtedly was that opinion in favour of a change in the Companies Act has been overwhelming both in Parliament and outside of it since the publication of the Vivian Bose Commission report and thereafter of the recommendations of the Daphtary - Shastri Committee.

The revelations made by both were admittedly shocking for our people and the suspicion has also been fairly widespread that these were but "just the top of an ice-berg" in Mr. Krishnamachari's graphic phrase. Nevertheless, irrespective of the compulsion behind the Bill, it represents the process of enlarging the Government's increasing intrusion into spheres

the preservation of which ('albeit' minus their malpractices and maladies) is implicit in the principle of mixed economy under which the private sector has been accorded a legitimate place under our programme of planned development. Significantly, the Finance Minister has already notified Parliament that he proposes to move for further and more comprehensive amendments to the Act in the near future, possibly at the next session.

Happily the Finance Minister has gone on record with the reassuring affirmation that the main object of the Bill is not to obstruct the private sector but to assist its growth on proper lines. (This fact probably explains why, while entering a caveat against the abolition of the Company Law Department as a separate entity, Mr. Bhupesh Gupta literally scattered plentiful insinuations in his speech in the Rajya Sabha.) It should also be welcome that, thanks to the reasoned criticism voiced by Mr. Morarka and Mr. Ranga, the Finance Minister has agreed to have the provision in the Bill in respect of appointment of tribunals properly scrutinized at the stage of its examination by the Select Committee. Nevertheless the debate last week very nearly by-passed a number of important considerations which, it is to be hoped, will be adequately discussed in the Select Committee.

RBI (Amendment) Bill

Surprisingly, on the other three Bills introduced by the Finance Minister — namely, the Bill for the establishment of Unit Trust, another for amending the Reserve Bank of India Act and a third one for setting up two separate boards for revenue and direct taxes, and for Customs and Central Excise respectively — there was no serious criticism from any side. This was perhaps to be expected in a Parliament predominantly interested in political questions in the main. Even so the lack of interest set a precedent far from healthy, to put it mildly.

What was missed in the event becomes clear when some features of the RBI (Amendment) Bill — to take an example — are kept in mind. The objects of this Bill are to provide "(1) the supervision and control of the financial institutions in the interests of better or more effective control of credit, and (2) the regulation of the business of acceptance of deposits by these and other non-banking institutions in the public interest."

One of the provisions of the Bill, moreover, seeks to enable the Reserve Bank "to regulate or prohibit, where necessary, the issue by any non-banking institution of any prospectus or advertisement soliciting deposits of money from the public, and to specify the conditions subject to which any such advertisement or prospectus if not prohibited, may be issued."

The merits or the demerits of these provisions apart, the thin end of the wedge for pressing the Government's control to vital spheres of the country's economy which it reveals certainly calls for serious thinking. Of this there was little evidence during Parliament's consideration for the introduction of the Bill last week. The issues that needed to be joined were, for all practical purposes, not joined at all.

Unit Trusts

The Unit Trust of India Bill seeks to empower the Union Government to set up a Unit Trust in the public sector for encouraging savings by various classes of investors to promote the growth and diversification of the country's economy. The head office of the Trust will be in Bombay. Its initial capital will be Rs. 5 crores. Half of this will be contributed by the Reserve Bank. To the remainder, the Life Insurance Corporation will contribute Rs. 75 lakhs and the State Bank of India another Rs. 75 lakhs. The balance Rs. 100 lakhs will

financial institutions in the private sector. If this contribution falls short of Rs. 100 lakhs, the Reserve Bank will make it good and may later on transfer it to the private sector institutions, if necessary. The three public sector contributors will not be allowed to transfer their holdings to other institutions. The private sector contributors may, of course, do so among themselves. The initial contribution in all cases can be refunded at the option of the Trust.

The management of the Trust will be vested in a Board, consisting ordinarily of nine members. The Chairman and four other members will be nominated by the Reserve Bank and one each by the LIC and the State Bank. The remaining two members will be elected by the private sector contributors.

The Trust will deal in stocks, shares and securities, but not in immovable property. It will be empowered to obtain normal banking accommodation from lending institutions and also from the Reserve Bank for 90 days which period in an emergency may be extended to six months. The Central Government may in certain contingencies guarantee bonds of the Trust for the purpose of enabling it to borrow from the Reserve Bank. The Trust, however, will not be able to borrow any money directly from the Central Government.

The Bill provides that the Trust shall formulate a scheme in accordance with which units will be sold by it. These will be of the face value of not less than Rs. 10 and not more than Rs. 100 and will be backed by all the investments made by the Trust. The units will be sold at prices determined by the Trust having regard to the dividends declared. The Trust will purchase back the units, if necessary, at prices announced by it from time to time. There will be no limit on the number of units which can be purchased by or held by unit-holders. Transfers of units will be recognised under conditions which will be prescribed in the scheme to be formulated.

At least 90 per cent of the gross income of the Trust, less the management and other expenses, will be distributed to unit-holders. Dividends will be declared and distributed once every year.

The Trust will be exempted from payment of income-tax, super-tax, super profits tax or any other tax on its income. Where the income received by a unit-holder, being an individual, from the Trust in respect of units does not exceed one thousand rupees, such income, and where such income exceeds one thousand rupees, a sum of one thousand rupees, shall be excluded in computing the total income of the unit-holder for purposes of income-tax but not of super-tax, and where a contributing institution is liable to be assessed to super profits tax under the Super Profits Tax Act, 1963, in respect of its own income, profits or gains and receives any sum from the Trust under this Act in respect of its contribution to the initial capital, such sum as reduced by the amount of any income-tax and super-tax payable in respect thereof shall be excluded from the total income of the said institution in computing its chargeable profits for the purpose of super profits tax. No deduction of income-tax or super-tax shall be made on any interest or dividend payable to the Trust in respect of any securities or shares owned by it or in which it has full beneficial interest, and no deduction if income-tax shall be made by the Trust from the income distributed by it to a unit-holder being an individual.

Two Boards of Revenue

The Central Boards of Revenue Bill seeks to replace the Central Board of Revenue by two boards, one dealing with direct taxes and the other indirect taxes. The new boards will be named as the Central Board of Direct Taxes and the Central Board of Excise and Customs. The constitution of these boards had been recommended by the Direct Taxes Administration Enquiry Committee headed by Mr. Mahabir Prasad

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and more recently by the Central Excise Reorganization Committee, led by Mr. Ashok Chanda, on the ground that very considerable expansion had taken place since 1954 in the Union Revenue Administration which called for substantially strengthening of the Central Board of Revenue. Both the boards will consist of not more than five members each, including the Chairman/Vice-Chairman. The Bill provides that the Central Government may make rules for the purpose of regulating the transaction of business by either board.

LIC and General Insurance

The announcement bringing general insurance within the scope of LIC's operations (though not exclusively to it alone) has not inappositely been characterized as T.T.K.'s Parthian shot of the week. How far the step is the beginning of a concession to the leftist clamour for the nationalization of general insurance too is a question to which the answer can at best be speculative at this stage. Only one thing seems clear. The effect of the step would be to have the State-owned LIC operate in the field of general insurance co-existently with the private companies much the same manner as the State Bank of India does with the Scheduled banks. This could lead to overall improvement of service forced by competition, provided the LIC set a record of prompt and efficient service expected of a concern handling general insurance. Optimism on this score must, however, be moderated by public experience of LIC's handling todate of life insurance.

Ombudsman Plan

An encouraging announcement which Mr. G. L. Nanda, Home Minister, made at a meeting of the Informal Parliamentary Consultative Committee for Home Affairs was that for the purpose of combating corruption the Government was thinking of setting up an independent authority like the Ombudsman in the Scandinavian countries. The details of the plan have yet to be worked out. But Mr. Nanda said attempt would be made to select persons of known integrity and experience for the proposed authority. Secondly, the authority would be free to investigate complaints against any person, however powerful or big. The channel of communication between the authority and those desiring to furnish information to it would, moreover, be direct, without any other agency coming in the way.

Other Highlights

On the political side proper, the main excitement of the week centred the red hot provocation provided by Pakistan's closure of our Assistant High Commissioner's office at Rajshahi. Naturally, Rawalpindi's action made for frayed tempers and speeches during the debate on the Calling Attention motion moved by Mr. Hem Barua (PSP) were mostly high-pitched emotional outpourings. Not a little of this stirred Mr. Nehru too; but he maintained his composure and refused to exchange exemplary restraint for adolescent prescriptions for rushing with immediate retaliatory action.

In a class apart but no less invested with emotional undertones was Parliament's reaction to the Defence Minister, Mr. Y. B. Chavan's statements on the Gulpur crash (which took the grim toll of six of our top-ranking officers of the service) and the Dakota crash near Banihal in which another batch of Defence personnel lost their lives. Mr. Chavan's statement on the Gulpur tragedy was an improvement on Mr. Nehru's earlier premature rejection of the apprehensions of sabotage. Nevertheless it did not offer a convincing answer to the query of Mr. Bhupesh Gupta about how all the six senior Services officers happened to fly in the same helicopter when it was known that there were two helipads both at the embarkation and the disembarkation points.

Although scantily noticed, in the Press Council Bill pre-

sented in the Rajya Sabha on November 26, the Minister of Information and Broadcasting served up a potential stick of dynamite.

Question Hour

THE FINANCE MINISTER, Mr. T. T. Krishnamachari, told the Lok Sabha on November 27, seven Indian firms had started or were about to start industries in foreign countries. The industries being set up were a textile mill in Ethiopia, assembly and progressive manufacture of non-ferrous metals in Ceylon and Burma, manufacture of pharmaceuticals in Ceylon, rolling mill in Trinidad, jute industry in Thailand and a cycle spokes manufacturing plant in East Africa. Most of the investments, Mr. Krishnamachari said, had been approved during the current year.

Gold Smuggling: The Minister of State for Finance, Mr. B. R. Bhagat claimed that gold smuggling had declined somewhat since the introduction of Gold Control. He said the Customs Authorities had seized gold valued at Rs. 54 lakhs during the period January 10 to October 31 this year. In the corresponding period last year the value of gold seized was Rs. 86 lakhs. In addition to the gold seized, 114 persons were arrested for gold smuggling and goods worth Rs. 29,63,000 (including gold valued at about Rs. 28,46,000) were recovered from them.

Coal Production: Mr. C. Subramaniam, Minister of Steel, Mines and Heavy Engineering, told the Rajya Sabha coal production had hit the 1962-63 target of 63 million tons. He said measures had been initiated for the fulfilment of the third Plan targets of 65.1 million tons from the West Bengal coalfields and 33.2 million tons from the outlying coalfields.

Pig Iron: Mr. Subramaniam said the Government had reserved a capacity of 0.5 million tonnes for the production of pig iron in the private sector during the third Plan period and had made no stipulations about the number of pig iron plants to be set up within the capacity. But in view of the private sector's "poor performance", the Government was thinking of setting up pig iron plants in the public sector. It had also been decided to import pig iron from the Soviet Union next year. The Minister countered allegations of insufficient aid to the private sector and said the Government helped the parties in securing the foreign exchange for capital goods requirements for an approved scheme.

Answering another question, Mr. Sethi, Deputy Minister of Steel, said it had not been possible to meet in full the small-scale industries' requirement of pig iron, but as a result of a further re-assessment of availability and utilization, the allocation for 1963-64 to the State list (small scale) foundries had been increased from 178,000 tonnes to 218,000 tonnes.

Uneconomic Sugar Mills: Mr. A. M. Thomas, Minister of State for Food, told the Lok Sabha the Government was not yet contemplating to take over uneconomic sugar mills. He said an official committee was looking into the working of such mills but the idea for the present was to see that these factories were modernized according to a phased programme.

Exports: During April-August 1963, India's exports to East European countries increased by Rs. 10 crores against an increase of Rs. 12 crores in the exports during the same period to Asian countries, Mr. Manubhai Shah, Minister of International Trade, told the Lok Sabha. Exports to Africa, however, showed a decline of nearly Rs. 2 crores.

He said the State Trading Corporation's exports to East European countries registered a decline of 12 per cent in 1961-62 as compared with 1960-61. Replying to a third question, Mr. Shah said the total turn-over of direct trade of the STC in 1962-63 amounted to Rs. 88.81 crores, besides indirect sales and turn-over which accounted for Rs. 55 crores, link and barter deals accounting for Rs. 12.33 crores.

WINDOW ON THE WORLD

Kennedy Round Without Kennedy

From Our Special Correspondent

PARIS:

JOHN KENNEDY'S main legacy in the international economic sphere is undoubtedly his grand design for an extensive liberalisation of trade between all the non-Communist nations. In principle, this scheme is to be discussed at a meeting of GATT that will begin next May and there is no reason, on the face of it, why the President's death should change the time-table or affect the chances of success of the "Kennedy Round", as it will no doubt continue to be called. His disappearance, however, is a suitable moment to review the fortunes to date of this, the biggest idea he had during his short term of office, and to assess the possibilities of it ever being realised.

The origin of the "trade-expansion" doctrine was dual: on the one hand, in the false trail that the US economy had taken, which had led it to harden into the paradoxical situation where rising output was accompanied by massive unemployment, indicating a radical misapplication of resources; and on the other hand, in the rise of the European trade blocs, principally the Common Market, which threatened a division of the Western world, a division that was politically undesirable as seen from Washington and which suggested that the same radical misapplication of resources was about to be repeated on an international scale. The remedy to both these situations, John Kennedy decided, was a new division of labour, both industrial and agricultural, reorganising economic activities throughout the Western world so that various lines of production would be concentrated in regions where they had a comparative advantage. Wasteful duplication of effort would thus be avoided, permitting a greater volume of exports from all regions without recourse to dumping or subsidies.

Two-Pronged Weapon

The instrument of this new division of labour was to be a ruthless reduction of protective tariffs, going as far as their complete abolition for products of which the industrialised West was responsible for most world output. This de-protection was a weapon aimed at two different protectionist blocs, one solidly established in the USA itself, the other just emerging in the Common Market. By beating a breach in the first, the American economy would be revived, would abandon activities only possible behind a high tariff barrier and would open up new markets to the growing industries of West Europe. By preventing the Europeans adopting protectionist methods used in the USA, West Europe would be saved the pointless investment in facilities that already existed in America on a scale adequate for all Western demand, would be encouraged to concentrate on affairs where it had an advantage over the Americans and incidentally this would open up markets to US industry which it could find nowhere else.

John Kennedy was of course President of the United States, not of West Europe, so it is not accusing him of anything, but simply recalling his patriotism, to point out that this scheme would have favoured US interests much more than any other. To put on the same level, as though they were partners capable of equal concessions, the gigantic American economy with its exorbitant protectionism and vast excess capacity, and the barely emerging and relatively unprotected Common Market, was to suggest a very one-sided bargain. One finds an exaggerated caricature of this conception of "equality" if one thinks back to the time when Britain offered free trade and no holds barred to Lancashire, on the one side, and to the Indian hand weavers, on the other. Not that the

disproportion here was anything like so great, but it was still striking enough for this bargain never to be considered were it not for the political and military predominance of the Americans over a West Europe living in the shadow of Soviet Russia. The point is that while, in abstract theory, free trade can be shown to be in everybody's interest, at any one moment and given the different stages of economic power attained by nations, its introduction is always very much more in one party's interest than the other's.

Still, the balance of advantages was near enough for this proposal to find supporters in Europe, at least in quarters where there was a lively sense of dependence on the USA. The first step toward its implementation was passage of the Trade Expansion Act which transferred from Congress to the President the power to exchange tariff concessions with foreign nations. This gave the President freedom to carry on the delicate negotiations and to make overall estimates of gains and losses without being paralysed by sectional interests who would put their small losses against great national gains, as regularly happens in Congress or any other parliament. It also removed the Europeans' fear, well based in American history, that concessions extracted from US negotiators would later be disavowed by Congress.

The Grand Design

The more ambitious elements in the grand design presupposed that Britain would be admitted to the Common Market, taking along with her a motley retinue of small West European nations (her partners in the Free Trade Association) and much of the Commonwealth. Only when this vast bloc was constituted could the Americans offer a mutual abolition of many important tariffs. This scheme ran aground when President de Gaulle in January dealt the death blow to the languishing negotiations between Britain and the Six. The late President then fell back on a more limited version of his design, which still however followed the same principles. A special session of GATT was called for next May where no tariffs would be abolished but where many would be halved. These negotiations were being actively prepared at the time of Kennedy's assassination. What stage had they reached?

Progress had been disappointingly slow, partly through the Americans' fault, partly through the Europeans'. The Americans' faults were three. The list of products on which they were prepared to make concessions was promised for September, but has not yet been seen. It has just gone to their Tariff Commission and will not be in the Europeans' hands in time to make opening of the negotiations possible by May. Next, in the preliminary negotiations the US delegation has given its partners the impression of being unwilling to bargain, preferring to impose its point of view without accepting any compromise. Thirdly, the altogether excessive manners adopted by the Americans during the "chicken war" (they claimed to have suffered a loss of \$46 million when an impartial arbitration showed that \$26 million was nearer the truth) aroused doubts about the possibility of reaching agreement with them on more substantial matters. These doubts and delays meant that the Geneva talks could hardly get going before the USA was plunged into an election campaign, so the feeling grew that if they started next year at all, it would only be for form's sake and they would be idling in neutral gear until 1965 — so there was no call to hurry.

The Europeans' fault relates, naturally, to their inability

to patch up a common agricultural policy in time to begin talks with the USA in which farm produce would occupy the main place — because 40 per cent of US exports to West Europe are farm produce. Until the Six had agreed on what future they wanted for their farms, it was no use going to Geneva, and they are not agreed on that yet.

The main delay, however, arose from a question that cannot be put down to either side's shortcomings because it consists in a blank disagreement about facts. This is the famous issue of "disparities" between the US and Common Market tariff structures, disparities which the Europeans hold (and after denying this, the Americans accept part of their case) are so great that to halve duties on both sides will have quite unequal results. The general position is familiar: if my tariff on X is 10 per cent and yours is 60 per cent, it is not a fair deal to make mine 5 per cent and yours 30 per cent, though both have been "equally" halved. For a start, your 30 per cent is still useful protection and my 5 per cent is worthless; and then I have no further concession to offer you later if we decide to extend tariff disarmament. The problem, once it was admitted by the Americans that such cases do arise, is to define "disparities" that warrant special treatment and not just simple halving.

The situation on the day John Kennedy was shot is this. The Europeans advocate a rule called 30+10, and the Americans are holding out for a 60+15 rule. That is, the Europeans say there is gross disparity whenever an American tariff is 30 per cent or more and is at the same time more than 10 points higher than the equivalent European tariff. The Americans say there is no disparity calling for special treatment (i.e. not just simple halving) unless their tariff is at least 60 per cent and at the same time at least 15 points higher than the European tariff. The dispute had reached a

deadlock, and to find a way out a commission of experts had been appointed to study the likely commercial results of applying the 30+10 rule to the tariffs of the USA, Britain and the Common Market. It had already emerged that the 30+10 rule would give disparities (i.e. exorbitantly high tariffs) for some 1,200 products in the US tariff schedule, equal to a fifth of the products they import. Note, as a further complication, that the Americans say all this arithmetic is beside the point; what matters is the actual volume of trade in each product and an estimate of the real commercial consequences of a change in a tariff. The Europeans had accepted this as an additional criterion, that is to work not only in percentages but in dollars and cents.

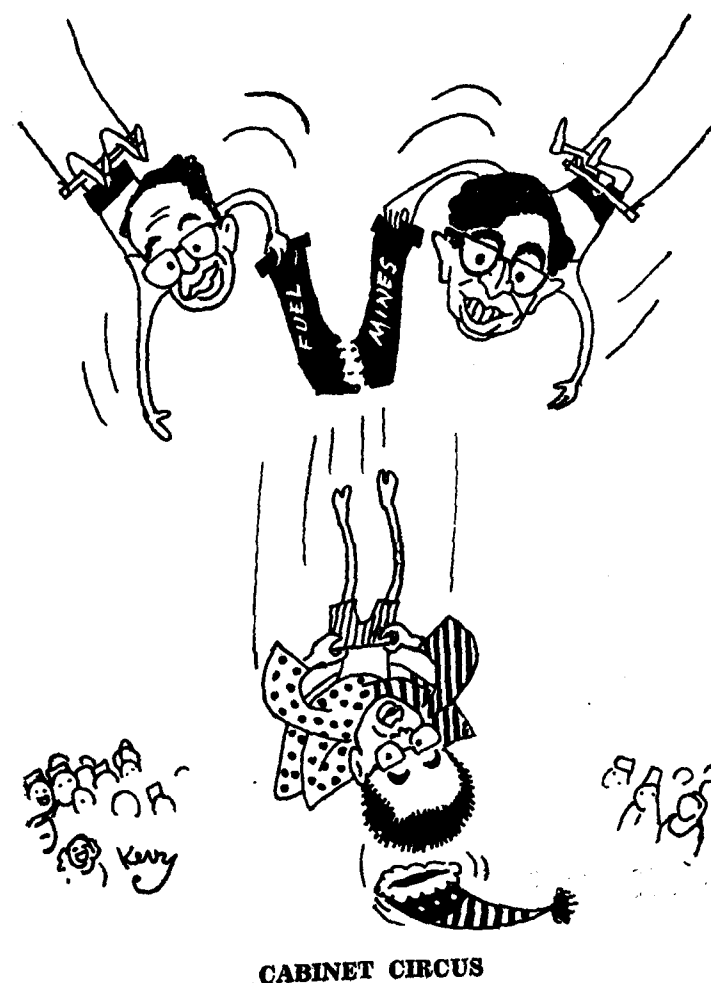
Kennedy's death removes the one man who had urgent electoral reasons, and reasons of personal prestige, for wanting this deadlock resolved next year. His successor is not committed to anything like the same extent, and will in any event have to fight a much more hazardous election, and one in which all such foreign-policy considerations might be overshadowed by domestic issues. The feeling in Paris is that a formal meeting might well take place in Geneva in May, to show that the rendezvous had been kept, but that there will be no progress with John Kennedy's grand design in the course of 1964.

Export-Credit Competition

IN RECENT years importers of capital equipment have benefited from competition between exporters of such equipment in the matter of export credit. Each Western country has been trying to secure business by offering longer credits to its customers. Since these credits in turn have to be insured, and can be so only by the State or public institutes, this competition has taken on an inter-governmental flavour. Governments have competed with each other by offering to guarantee a larger part of the export-credit risk and/or to insure the risk for longer periods. Yet the Governments of the major industrial countries are bound by an international convention that seeks to restrict such competition. This pact was signed under the auspices of the Union of Insurers of International Credits, known as the Berne Union. This body is not the only watchdog interested in limiting rivalry in export-credit: more recently the Common Market Commission enjoined that the Six should moderate their rivalry in the field.

The offer of export-credits, then, is subject to conflicting pressures, with some interests pushing for "more liberal" terms while others seek to prevent what they regard as recklessness. The pressure in favour of more generous credit is easily explained. Firstly, capital goods are an ever-increasing proportion of West European exports, and, because they are more expensive and take time to manufacture, install and set going, they pose credit problems not encountered with the consumer goods that once were Europe's principal exports. Secondly, important customers for these goods are the developing nations whose export earnings are insufficient to finance import of the machinery they urgently require for industrialization. Thirdly, there exists excess capacity in several branches of the European mechanical industry, and export orders are sought desperately to maintain activity, which is why, in particular, Governments regard it as "in the national interest" to guarantee export-credits which otherwise they might frown upon. Lastly, generous credits for machinery exports are part of the overall plans of countries like the U.S.A. and Britain to right their balance of payments.

The reasons for trying to put the brakes on are no less evident, and were recognized by Western Governments when they signed the Berne convention. Credit competition can become dangerous, and an open war between industrial nations trying to win customers in the developing world



could lead to a deterioration in the quality of credit which ultimately would not be in the interests either of lenders or borrowers. Governments know this and they have entered on this competition reluctantly, each seeking to protect its national industry from the efforts made by other countries to win orders. At the present moment, most Western capitals would welcome a more effective version of the Berne convention which really prevented outbidding by competitors. On the other hand, they are hesitant about setting up such an international mechanism because it would be interpreted by developing nations as a rich man's club seeking to deny them the credit facilities they need.

Welcome Change

Indeed, from the point of view of importers of capital goods, especially in developing countries, the competition between suppliers which has burst the bonds of the Berne convention is a welcome change. Still, appreciation of it must be tempered by the thought that borrowers have no interest in seeing too much competition between their bankers because one or two resounding failures can lead to a sharp contraction of credit tomorrow; the history of banking is full of illustrations, and one must admit that lending to certain developing nations is a very risky business. It is so exactly because rivalry between Western suppliers is limited to the length of loans, and there is no sense in lending longer and longer term to clients whose ability to repay is not improving.

In other words, as long as Western nations are doing relatively little to increase the export earnings of developing nations nor to cheapen credit to them, merely to increase the life of loans is dubious generosity. A co-ordination of export-credit policies between Western nations, provided it were not too restrictive, would be welcome—if it were accompanied by action on a matter of no less importance to developing countries: the rate of interest payable on such credits. There has been precious little competition here between Western Governments, and the cost of export-credits remains uniformly high. The only notable concessions have been in Britain, for the good reason that British bank rate (and interest on export-credits is generally geared to bank rate) had been carried very high indeed for balance-of-payments reasons. With bank rate at 6 per cent, export-credit would cost 7 or 7½ per cent per annum on a five-year loan; so an adjustment was inevitable. Japan has made a similar effort, in that it charges rates comparable with other countries for export-credits although its domestic money rates are high.

Apart from that, the cost of medium-term export-credit is about the same in all the industrial nations except that it is exceptionally high in West Germany. For long-term credits, Japan and Italy offer the lowest rates, West Germany the highest, with France and Britain in the middle. From the point of view of the developing nations all these rates are too high and pose repayment problems that are not resolved

merely by lengthening the life of the loans. A concerted effort to cheapen credit could significantly assist them, and if the Western nations took that occasion as an opportunity to impose uniform terms for the length of the credits, that would be regarded as sound banking rather than as egoism on the part of a rich nations' club.

Not that a return to the restrictive conditions of the original Berne convention would be welcomed; nor is there much chance of enforcing it, for Governments have recognised that its limits were too rigid in view of the current volume and nature of trade in capital goods. The Common Market Commission, for example, lately told members that they should consult each other whenever the five-year limit fixed by the Berne Union was to be exceeded, but not that they should refuse to grant or guarantee export-credits for longer than five years. The five-year limit was more or less generally observed between 1950 and 1955 but when demand for credit became more intense in 1958-59 (so that suppliers who offered longer loans began carrying off the orders) infractions of the rule became more common. West Germany and Britain agreed to insure longer-term credits when justified as "in the national interest," and these exceptions have by now become the custom which Berne has no chance of undoing.

Limit Extended

From 1961, Britain agreed that it was normal to give longer credit than five years for the sale of ships and for "very substantial equipment" such as steel mills, oil pipelines or electric generating plant costing at least £2 million. France followed this lead for similarly substantial projects. Seeing that the united front was fragmenting, Berne made a virtue of necessity and admitted that the five-year limit could be extended to seven years for the sale of, for example, aeroplanes or even to 15 years for exports financed by credits extended in terms of an inter-governmental agreement.

The original restrictions have, then, been considerably relaxed and importers might not be opposed to a fresh effort to co-ordinate the more generous practice of Western lenders on the condition that generosity were now extended to the more important matter of charges. The increased volume of the export-credit business in the last few years (it has doubled in many West European countries), the greater familiarity of exporters and credit institutions with the work, and the generally good record of borrowers, would all seem to justify an effort to reduce the present high rates of interest. Besides, insured export-credits now finance a significant and growing proportion of the total exports of West European countries: around 19 per cent on average. This proportion is much higher, naturally, if we look only at exports of machinery and equipment. Almost half of British exports of such goods benefit from insured credits, about a quarter of the same exports from Switzerland and Sweden, while in the

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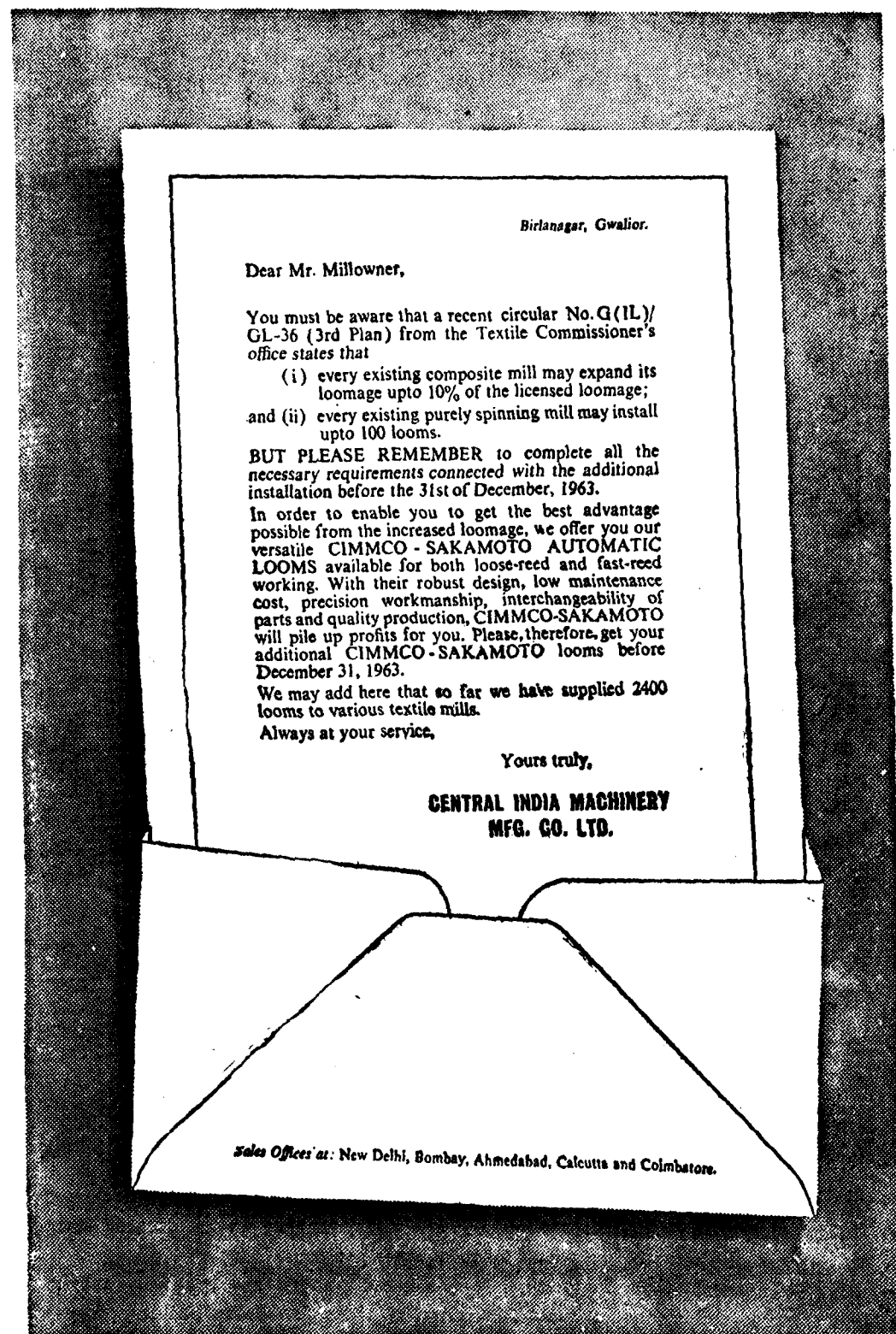
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Common Market the figure ranges from 4 to 11 per cent. In turn, the percentage is greater if we look only at West European exports to developing countries. About 40 per cent of West German exports to those regions are financed by State-insured credits, and the figure is perhaps nowhere below 20 per cent for any industrialised nation.

Statistics on the absolute volume of industrialised nations' exports to developing countries insured by a State guarantee are hard to get, but an estimate by the Organisation for Economic Co-operation and Development for its

members (West Europe plus the U.S.A., Canada and Japan) gives these figures: \$18,100 million in 1956, increasing to \$21,200 million in 1960. These are substantial sums, and any measures that could lower the cost of extending such credits and of insuring them would be a significant contribution both to world trade and to the development of young nations. It would be a more useful contribution than continuation of the recent competition in extending longer and longer lines of costly credits and a more rational one because it would lighten, rather than just spread out over time, the cost of industrialisation.

Has My Watch Stopped?

By JOSSLEYN HENNESSY

LONDON:

YEARS AGO in the great days of the Marx Brothers era, Groucho, playing the role of a doctor taking a patient's pulse, remarked: "Either you're dead or my watch has stopped." Looking at the economic scene in the UK, I feel as perplexed as Groucho.

Consider some facts. In 1962, the New York stock exchange staged the greatest crash since 1929. Values, which had reached a peak of 735 Dow Jones points on December 13, 1961, had lost 200 points by June 28, 1962. This was a loss of one hundred thousand million dollars belonging to 17,000,000 people, or approximately \$6,000 to each individual. The market of 1929 did not recover its peak of 400 until 1956 — twenty-seven years later. Yet it recovered from its 1962 low to record the all-time peak of 760 on October 29, 1963, i.e., in eleven months. The 1929 crash spread panic round the Western world. The 1962 crash looks now like a passing wave. The accompanying fall on the London stock exchange, from 310 to 252, came when the UK had barely recovered from the 1961 credit squeeze. Unemployment was higher than at any time since the war, and was rising. The Conservative government's stock had begun to fall. Today, Labour's prospects of forming the next government look good. Yet the stock market has zoomed to 340. Other shocks that the economy and investors have had to withstand have been the Cuban crisis and the breakdown of the negotiations for the UK's entry into the European Economic Community.

The Main Difference

One important difference between the 1929 and 1962 crashes in both the USA and the UK arises from the vast increase in the numbers of small investors, many millions in the USA and certainly a million or two in the UK, who might have been expected to panic with catastrophic results. But far from panicking, in both countries they behaved like grizzled experts and began cumulatively to seize chances of picking up good stocks while they were cheap. The first thought that occurs to one is that in both the USA and the UK the investor has come to assume that no government today will allow a real depression to develop and that any recession is only a "Stop" preluding another "Go".

The UK's failure to enter the EEC seemed another grave reverse. The economy would not get the healthy competitive streamlining to which British industrial leaders had genuinely been looking forward. The Federation of British Industries glumly hinted that the UK might have to go back on post-war multilateral trade arrangements and resume bilateral pacts with good customers.

This was the hour of confusion which UK investors chose to launch a boomlet on the stock exchange! Why?

I ask myself if it could be that just as investors now assume that governments will not allow real depressions at home, so also do they assume that governments have developed workable techniques of international co-operation to smooth world depressions out between Stop and Go. To me, the analogy does not seem to be on all fours. We have indeed achieved a good deal of international co-operation but the complications are so great, and the clash of international interests so many and varied, that the possibilities seem limited.

Investors not Dismayed

Finally, how is it that the possibility of a Labour government apparently leaves savers, investors, and business leaders unperturbed? Mr. Harold Wilson's utterances must evidently have persuaded these varying, and traditionally nervous, groups that he is neither hostile to business nor indifferent to the importance of avoiding inflation and maintaining a stable currency. But what about the unions? In years of expansion and high employment will they continue to exercise the wage restraint necessary to enable export prices to remain competitive? Their price for such restraint is known: a higher profits tax, a surcharge on distributed profits and general capital gains tax. Are investors dismayed? No, they are pushing share prices higher!

Investors and business leaders cannot have forgotten that variations in export and import trends, and in the balance of payments, ultimately dominate any internationally trading economy. Again, how would sterling fare if the dollar came under real pressure? A Labour government could do no more about it than a Conservative government — watch and pray. A dozen other possible "bear" points for the UK economy will readily occur to any of the "Eastern Economist's" well-informed readers.

Nevertheless, come Hell or high water, UK savers, investors, and business leaders continue to put the most favourable interpretation on any new development. It seems that all are convinced that the government has put the good satellite "Expansion" into unending orbit. They seem persuaded that the government's economic advisers have digested the lessons of the past decade to such effect that this time the economy will not be pushed into the cycle of over-full employment, inflation, sterling crisis, and 7 per cent bank rate. Have we really mastered the techniques of keeping the economy at a steady pre-determined speed, like an aeroplane's automatic pilot? Yes, comes the reply, a new generation of economists and industrial leaders is supereding a tired unadventurous elder generation. Innovation is in the air.

That in the midst of this euphoria, I ask "Are they all crazy or has my watch stopped?", doubtless reveals me as hopelessly behind the times. I trust that I am!

A New Despotism?

By THE EDITOR

Speak roughly to your little boy,
And beat him when he sneezes:
He only does it to annoy,
Because he knows it teases.

— Lewis Carroll.

THE COMPANIES (Amendment) Bill, 1963, introduced in the Lok Sabha on November 29, 1963 has caused a certain amount of excitement in business circles and in the stock exchanges. This is perhaps natural, although, after the Vivian Bose Report, it was only to be expected that the Government would feel compelled to flex their legislative muscles.

In an introductory speech, a speech which was more reasonable than the Bill itself, the Finance Minister claimed as follows:

"In the absence of the powers which we are now seeking to assume, it would not be possible for the Government or the public sector undertakings to play a constructive role in the development of the private sector and, at the same time, to achieve the ends that we have in view. Therefore, industrial development is no longer the privilege of any particular section of this country. It is no longer a question of adding a few crores of investment to this industry or that industry. It is a question primarily of investment of crores of rupees, hundreds of them, in basic industries on which alone we can rely for fulfilling our aspirations for an economically independent and self-reliant India. Therefore, the objective of this measure is to make us lend enough money for the private sector where we are to grow, to develop, to modernize with their industries and become efficient because we do not subscribe to the theory that they should not be helped, for after all, there is only one sector in the country and that is the national sector. Every individual in this country owns every bit of property that belongs to the State and to individuals also, and that should be used for the betterment of the individual in this country. Having this in view we have framed these provisions so that Government can come forward perhaps in a bigger way to help the industries to grow and we cannot do that unless the moneys of the people of this country are safeguarded, unless we know that the money is going to be used for proper purpose and in expenditure that contributes to growth. That, Sir, is my justification for introducing this Bill before the House."

Put more simply and directly, these observations would seem to mean that Mr. T. T. Krishnamachari believes that the proposed Bill is necessary for and would help in promoting the confidence of the public and the Government in the proper functioning of the corporate sector. If this is his meaning, it seems to us rather a strange way of trying to build up an edifice of confidence on a base of a total distrust of the individuals who are running industries in the private sector.

It is no doubt true that in the business sector, as in other areas of our national life, there are people of varying standards of honesty and that those whose standards are not what they should be are occasionally to be found violating provisions of law or dictates of propriety. But, it is very important to make it clear here that neither the Vivian Bose Report nor any document which preceded or followed it has established that fraudulent practices or improper conduct are so extensive in the running of industries in this country that those who are in the control or in the management of business firms should be treated as second-class citizens who are not entitled to the fundamental right of equality before the Law. And yet precisely it is this injustice which the Company Law (Amendment) Bill in its present form proposes merrily to dispense.

We are aware that there is some substance in the Government's argument that the normal procedures of the law courts — because of the scope they provide to powerful litigants (who could after all finance their defence out of company funds) to delay proceedings or decisions almost indefinitely — have not been found adequate for coping with serious offences of fraud or misfeasance by major or even habitual violators of the Company Law or other relevant legislation. But surely this should ordinarily be an argument for examining how far procedural delays in the law courts could be eliminated within the framework of the enactment concerned. In other words, here is an issue which the Government might perhaps invite the Supreme Court or the Law Commission to investigate. If this is found to be too unexciting a recipe, a more effective approach may perhaps be to constitute a special Bench in the High Courts to deal with Company Law cases. Under such an arrangement, the Government might take powers to associate with the presiding judge an assessor nominated by itself. As a rule whenever expedition in the disposal of any particular class of law suits is considered necessary in the public interest, it is proper that some such procedure should be followed.

The temptation to create special agencies outside the judiciary must be resisted as much as possible if the rule of law is to be observed in spirit as well in letter and this country is to progress as a civilized democracy where the individual's rights are not restricted merely to what it pleases the Government of the day to permit. From this point of view, one of the main provisions of the Bill, which empowers the Government to deprive individuals of the offices they hold in the management of companies and debar them from holding such offices for a period of five years on the basis of the findings of a special Tribunal to whom the Government might refer their alleged misconduct, must be regarded as a grave abridgement of the right of the citizen to equality before law and the presence of natural justice in the ordering of the affairs of the community.

The Finance Minister has sought to make out that, because the proposed Tribunal will have a judicial bias in its composition and the aggrieved party could appeal to a High Court against the findings on points of law, nothing is being done to offend the spirit of the Rule of Law. But it is a common experience that, where Tribunals are constituted by the Executive and are made to function in an atmosphere where the prevailing principle is not that a person is presumed innocent until he is found guilty but that he is to be held guilty unless he can establish his innocence, a mere supposition of "judicial bias" is not enough to guarantee that justice will always be done, whatever may be the honest intentions of the sponsors of such Tribunals. In the particular case of this Bill, proposals for the constitution of the Tribunal and the wide scope given to the Government for making references to it immeasurably enhance the risks of official aggrandisement. Since the Government seems determined to proceed with this proposal for a Tribunal, it is therefore necessary that it should at least restrict very severely its potentialities for mischief.

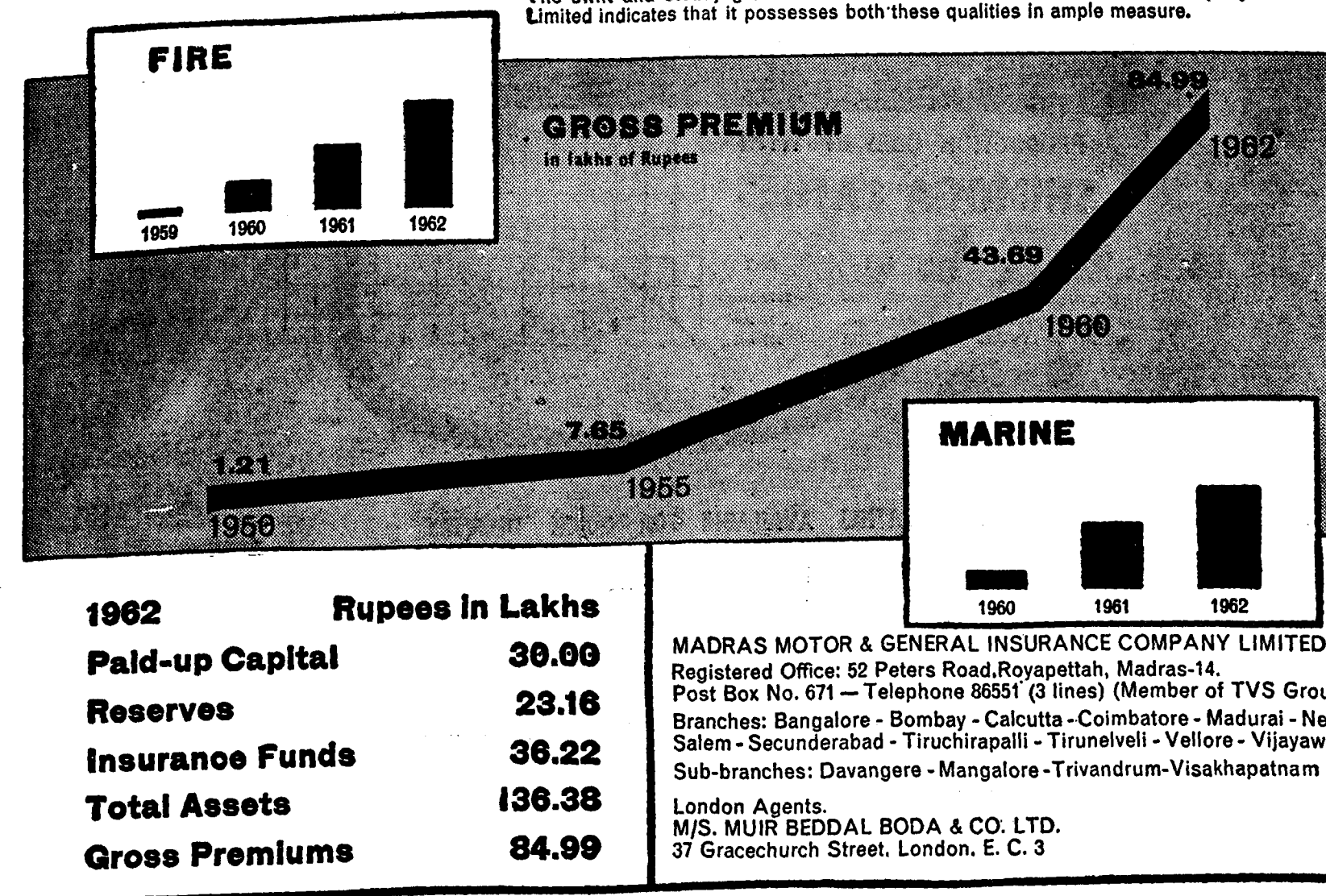
In the first place, it is not enough that the Chairman of the Tribunal is to be a person having knowledge of and experience in law, who is, or has been, or is qualified for appointment as judge of a High Court. It is desirable to provide, in addition, that this official should be nominated by the Chief Justice of the Supreme Court and that his remuneration and conditions of service fixed by the Central Government in consultation with the Chief Justice. In his speech on the motion for reference to the Select Committee, Mr. Morarka made the valid point that, although the Bill provides that a Bench con-

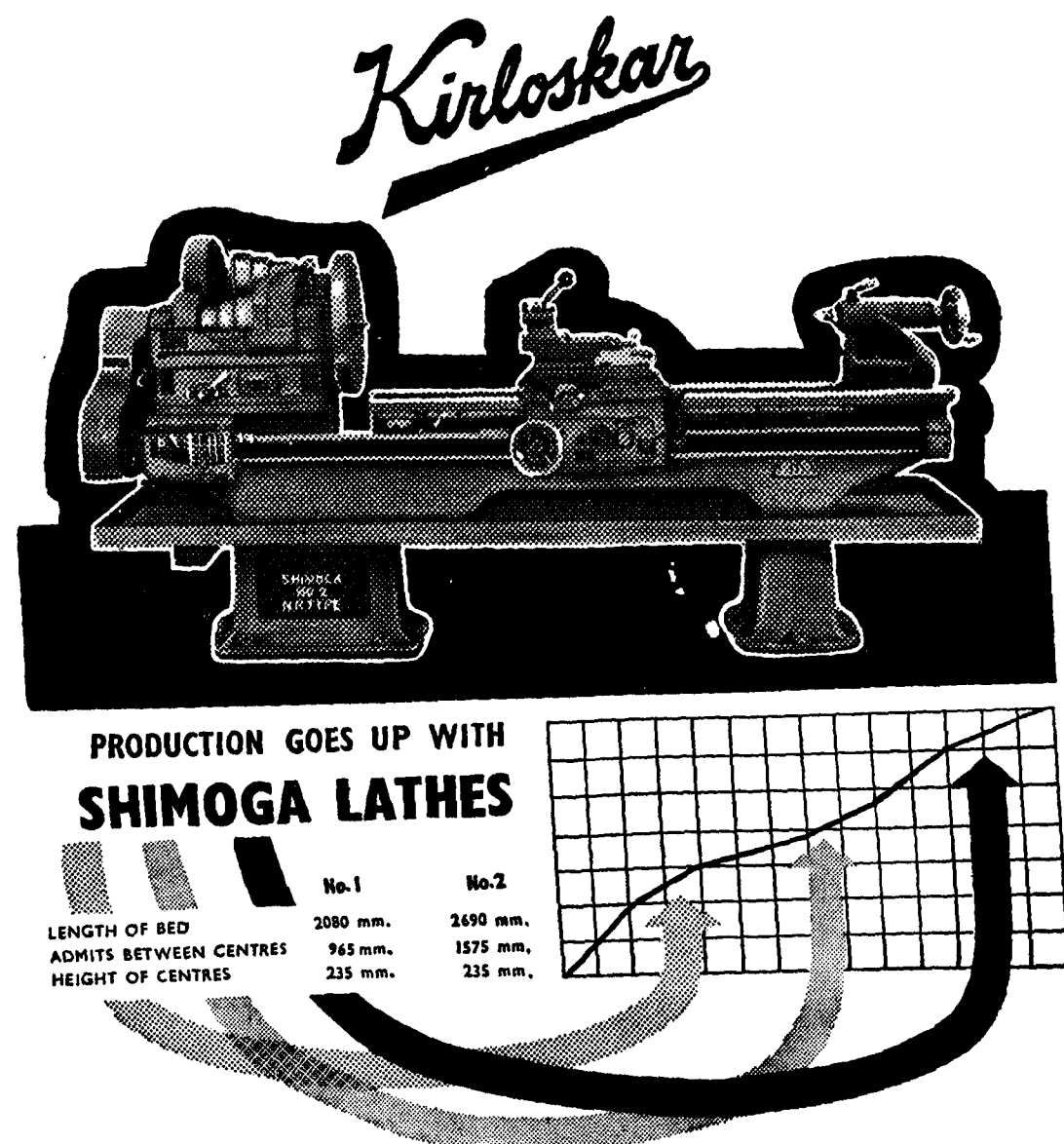
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stituted by the Chairman of the Tribunal with more than one Member should include one person having knowledge and experience in law, it is necessary to provide further that where a Bench is constituted of only one Member, that Member should necessarily be a person having the same qualifications as those prescribed for the Chairman of the Tribunal. The Finance Minister has offered to consider this suggestion constructively and this is all to the good. Unfortunately, an even more important point which did not at all figure in the Lok Sabha which preceded the reference to the Select Committee was the procedure to be adopted in the Government making a reference to the Tribunal.

While we are prepared to assume that the Government would not ordinarily exercise this authority without good and sufficient reason, the possibilities of political harassment or persecution of a particular individual on personal or other grounds cannot be lightly discounted when it is proposed to arm the Executive with vast powers over the reputation and livelihood of private citizens. We need not go into this question at any great length but must add that thanks to the interaction of political democracy and a controlled economy, so many points of contact have been created between the business community on the one hand and the bureaucracy and the politicians on the other that there is an ever-present danger of personal or political axes being ground. In the circumstances it would amount to a cynical disregard on the part of Parliament of a real threat of disintegration of standards of administration and public life to go on vesting vast powers in the Executive without simultaneously providing against their arbitrary use or abuse. Somewhere in the course of his observations in the Lok Sabha on this Bill, the Finance Minister spoke of checks and balances. The need for such checks and balances seems to be most obvious and necessary in the case of the powers given to the Government to make a reference to the proposed Tribunal. It is consequently suggested that this reference should be made only in consultation with and with the consent of the Advisory Committee functioning under the Act. This is the minimum safeguard needed to persuade informed public opinion to reconcile itself to the proposal for a tribunal made in the Bill.

Equally important is the issue of the scope of the reference. The vast and vague definition — if it is to be described as a definition at all — of the grounds contemplated in the Bill for the making of a reference is undoubtedly among the most objectionable and offensive features of this measure. Mr. Morarka again has pointed out how the requirement regarding the substantiality of the evidence for initiating action against alleged offenders is being progressively diluted. In terms of the Bill, the Government could make a reference to the Tribunal merely if there are "circumstances suggesting" that an offence or impropriety has been committed. Since a person, who might in the end be found to have been unnecessarily and unjustifiably harassed by the reference, has no remedy against those who have thus used him ill, it is surely necessary that Parliament should, in fairness, impose more stringent requirements on the Executive with regard to the taking of decisions for making a reference to the Tribunal.

It is true that, if the suggestion that the approval of the Advisory Committee should be sought for a reference being made is accepted, the scope for frivolous proceedings will be considerably restricted. But since even the raising of a complaint before an Advisory Committee could harm the reputation of the individual involved, the law should surely be made to require that the Minister concerned should satisfy himself that there is a case for going to the Advisory Committee for the making of a reference to the Tribunal. An objection may be raised that it is unfair to expect the Minister to devote the time and energy required to study these matters for himself, but a fair answer would be that, when the Government assumes vast powers abridging the rights of the individual

citizen, some built-in checks are clearly necessary to ensure that those powers will be used sparingly and only when a clear case exists for their being exercised to protect a major public interest. The point is that the proposed Tribunal — on any reckoning extra judicial authority — is being set up not in order to deal with the temporary needs of an emergency but as a permanent part of the administration of the country. In the circumstances, its extraordinary position should be well preserved by writing into the relevant law every provision that may be needed to ensure that it is not lightly employed.

Allied to the issue of what should be the basis of a reference is the question what kinds of offences or misdemeanours should at all be dealt with by the special and extraordinary law. Here, again, the relevant provisions of the Bill seem to have been drafted with the primary objective of giving the Government a vast and undefined authority with no consideration for the citizen's right to the processes of the ordinary law of the land. As the Bill now stands, the Government's powers to remove managerial personnel from office on the recommendations of the Tribunal would apply not only to offences of fraud, misfeasance or breach of trust, but even to some undefined negligence or default in carrying out obligations and functions under the law. As Mr. Morarka pointed out, this could mean that a person might be hauled up for omitting to pay the call money on his shares on the due date. The next provision is even more strange since it provides that proceedings could be instituted against a person on the ground that he has not been managing his company in accordance with sound business principles or prudent commercial practices. On this reckoning, the entire Railway administration and the Posts & Telegraphs Department should be hanged from the nearest and the tallest tree. It should be interesting to know from the Government whether it is at all possible, except to a very limited extent, to determine for all circumstances what are in fact sound business principles or prudent commercial practices. Prudence by definition is a relative term and might justifiably range over the entire gamut from cowardice to foolhardiness.

Illogicality is stretched even further in the following provision which makes it an offence to conduct and manage a company in a manner which is likely to cause or has caused serious injury or damage to the interests of the trade, industry or business to which such company pertains. We wonder how all this extravagance in legislation could have been considered necessary. Whosoever has drafted this clause seems to be living in a nightmarish world where entire industries have been damaged or destroyed by the misconduct of management in individual companies. We should like to know what really are the facts the Government thinks it has in its possession to warrant such wild panic. In any case, where it really does happen that the mismanagement of a single company has been such as to jeopardize the entire trade or industry to which it belongs, it must surely be possible for the Government to locate some particular breach or violation of the law with which the persons guilty of such enormities could be charged. He would indeed be a clever man who manages to ruin an entire industry without falling foul of any specific provision of some law or another in a cognizable manner. Much as we would like to appreciate the Government's notion that businessmen as a class have diabolic powers for mischief, we must confess that we just fail to see how such a vague allegation could justifiably be made and the accused asked to rebut.

It is, however, the last provision in this part of the Bill which really takes the palm for unreason. The concluding part of this provision authorises the Government to make a reference to the Tribunal on the ground that a person has managed his business "in a manner prejudicial to public interest". Here again, if any offence has been committed, it should normally be possible for action to be taken under a specific provision of one or the other of the numerous laws for controlling the

activities of companies or individuals. Instead to make a vague charge, namely, "acting in a manner prejudicial to public interest", as a ground for Tribunal proceedings is ethically not much superior to charging a person with being "an enemy of the people" and sending him to the guillotine or to Siberia. The entrusting of such vague and vast powers to the Executive as is proposed in this part of the Bill, must necessarily bring the Government into contempt in any community which is seriously concerned about its democratic character.

If the proposals in their present form for the constitution and functioning of the Tribunal are the most disquieting feature of the Bill, easily the most perplexing is the provision under which the Government seeks authority to secure the conversion of its loans or debenture holdings into shares without the consent of the company having to be obtained in the ordinary manner. In the first place, while urgency may perhaps be pleaded for some other provisions of the Bill, we fail to see how that argument applies to this one. Since the Finance Minister has indicated that he intends to bring a more comprehensive Bill for amending the Companies Act, it is reasonable to ask why this proposal could not have been deferred for the time being instead of its being made part of a Bill which is evidently being rushed through now during a short session of Parliament. This objection is all the more valid since the implications of this move have to be carefully studied, especially in view of the ingenious attempt on the part of the Finance Minister to make his proposal appear not only innocuous but positively beneficial to the corporate sector. His argument is that, without the proposed authority which the Government seeks, a minority of shareholders could create difficulties in the way of conversion and that the prospect that they might do so would discourage financial institutions, such as the LIC, IFC, NIDC, ICICI, or other international or Commonwealth institutions, like the International Finance Corporation and the Commonwealth Development Finance Corporation, from making loans or taking debentures with a view to their future conversion into equity. We should like to know what evidence the Government has to show that this discouragement has been or is being felt. On the contrary, there do not seem to be many instances where it has not been possible for a company to put through the conversion where the conversion has been provided for in the original loan agreements or debenture issue, or when a conversion has been subsequently negotiated as being to the advantage of the company.

Mr. Mahavir Tyagi, speaking in the Lok Sabha, made the exciting suggestion that the proposal was in fact a clever move on the part of the Finance Minister to carry the principle of the public sector into the individual constitution of every company in due course. This may or may not be Mr. Krishnamachari's notion of how democratic socialism should be built up, but the proposal in the Bill empowering the Government to effect conversion unilaterally, that is by its own decision, of loans or debentures held by it or by any agency specified by it, can only be regarded in the corporate sector as so obvious a Trojan horse that even the most optimistic Trojan cannot possibly have any illusion about it. It is a wonder that the Government does not realise that industry seeks Government loans or loans from Government agencies not because it enjoys doing so but because it is forced by the economic policies and the investment climate in this country to go out of its way in this manner to secure essential funds. If the capital market is alive, active and sufficiently extensive or if the banking system is free to respond to the demands of industrial expansion, or has built up traditions of term-financing of industries, the private sector would certainly not be over-keen on seeking loans from the Government. If it does so now it is surely because it has no alternative — and the present Bill only seeks to exploit its necessity in the most cynical fashion. If the Finance Minister could really believe

that this provision will actually inspire investors' confidence in the corporate sector, he would believe anything. We are afraid that, in its own way, this provision will deal as damaging a blow to investment psychology at home and abroad as the novel principle of the super-profits tax has done. We are, in principle, opposed to the Government or Government institutions making it a condition of their loan assistance that they should be allowed to participate in the equity capital. This would indeed be carrying the principle of mixed economy too far. After all, the Industrial Policy Resolution leaves certain areas of industry to the private sector. This principle should be honoured in the spirit as well as in the letter.

It is no doubt true that the Industrial Finance Corporation and the State Finance Corporations have occasionally assumed an interest in the equity of assisted companies. While as individual transactions effected by mutual agreement such arrangements may have to be accepted, we see no virtue in elevating them to the status of a general principle or policy. On the contrary, it is desirable that such loan assistance as may be rendered to industry by government agencies should be given without strings. The case of the International Finance Corporation has been cited. But the International Finance Corporation is not a creature of a government of one's country, and in its case the arrangement could be considered as a purely business transaction. We hope that this provision of the Bill is not an indication that the Government is working out a new policy whereby it will assist industries with finance only if it is allowed to own them in part. We would therefore earnestly urge that this proposal should be given up or at least not be worked into the law of the land through the hustled passage of the present Bill. At least time should be given for more careful consideration and we would, therefore, suggest that if the Government desires at all to proceed with this proposal it should defer it to the time when it is ready to go to Parliament with a more comprehensive amendment of the Companies Act of which the Finance Minister has spoken.

In any case, we just do not see what justification the Government has to seek retrospective effect for the authority to enforce conversion. We consider it to be highly unethical and a most injurious public policy to bring into the scope of this authority loan agreements or debenture holdings predating the passage of this Bill. Neither in the Finance Minister's opening speech nor in his reply to the debate has he explained why precisely he seeks this extraordinary authority. It should be interesting to know whether any special difficulties have arisen with regard to any loan or debenture transaction to which the Government is a party. Even if these agreements or arrangements have not worked out satisfactorily and the Government has any just cause for grievance, there should surely be some provision in the ordinary law for redress and it is certainly difficult to agree that, even in such circumstances there could be sufficient provocation for the violation by the Government of clear and definite contractual obligations entered into in the ordinary course.

Before we leave this particular provision in the Bill, we deem it necessary to emphasize once again that the authority for unilateral conversion could be a very strong deterrent to foreign collaboration, especially, financial, but also technical. No foreign industrialist or investor is likely to be exactly reassured by the prospects that at some unspecified date he might find the Government of this country a partner with him in his business without his having specifically bargained for it. We are convinced that, at this critical stage in this country's development, when so much depends on the increased inflow of capital and know-how from abroad, a false move such as this provision in the Bill could do very real and substantial harm to the nation's economic progress as against the vague and mystical socio-political virtue which may be attributed to it in some quarters.

Finally, the provision for divesting trusts of the voting
(Contd. on next page)

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Investments by (Public Ltd) Companies

By Our Special Correspondent

NEW DELHI :

THE GOVERNMENT of India, in the Company Law Department, has formulated guiding principles for the investment of shares and debentures of other bodies by public Limited Liability Companies. Section 372 of the Indian Companies Act provides that such an investment can only be made after they had been sanctioned by a resolution of the investing company in general meeting in addition to Central Government's approval. The Government has framed the following guiding principles for its approval :

- (a) Although industrial and trading companies are not investment corporations and it is not their primary business to give financial accommodation to, or make investments in the shares and debentures of other companies, they should be allowed to make trade investments in other companies, namely, investments which are likely to create conditions conducive to the interest of the investing company, as well as to other companies' more economic working and betterment of production. An example in point would be an investment by a sugar company in a company which produces sugarcane with a view to supplying sugarcane to the sugar company.
- (b) A company should be allowed to make the investment only if it has adequate liquid resources for making the investments and if the depletion of the working capital which would result from the blocking up of the funds of the company in the form of investments would not adversely affect the company's own working ;
- (c) A company that has resorted to borrowing for its own requirements or intends to finance its investment by borrowing, should not be permitted to do so, except in the case of trade investments if the terms of borrowing are

commensurate with the return expected both directly in terms of dividend and indirectly through creation of conditions conducive to the interests of the investing company ;

- (d) Inter-company investments should not be permitted where there is a reasonable suspicion that they are prompted by a desire to gain control over the management of companies or are for speculative or for other mala fide purpose. Where, however, the proposed investment would make the company a subsidiary of the investing company, the investment should be permitted subject to the existence of a reasonable functional relationship between the proposed subsidiary and its holding company or between it and the other subsidiaries of the holding company ; and
- (e) Whether having regard to the considerations set out below the proposed investment may be regarded as sound :
- (i) The company in which the investment is proposed to be made should be in a sound financial position and, in particular, the depreciation provisions made should be adequate ;
- (ii) The financial structure of the company in which the investment is proposed to be made, after taking into account the proposed investment, should be a balanced one as otherwise idle capital or heavy interest charges would act as an economic drag in the working of the company .
- (iii) The company in which investment is proposed should have earned profits and declared dividends, in the past or should at least clearly be capable of making profits and declaring dividends within a reasonable period of time ;
- (iv) The purchase price should be reasonable and neither too

(Contd. on page 1176)

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powers for the shares held by them and vesting such powers in an officer nominated by the Central Government, is likely to cause some justifiable misapprehension. The Finance Minister has pleaded that this authority is necessary for the Government in order to counteract the facilities offered by trusts to monied and vested interests for the indirect control of companies through nominees. If the institution of trusts has been abused, the Government is certainly entitled to take remedial action. But there is nothing in the language of the Bill to show that the Government will exercise the authority sought by it only in cases where there is a history of abuse or only in circumstances when there is reason to suspect that the voting rights will be abused. Here too a desirable safeguard may be to provide that the Minister should satisfy himself that the need exists in a particular case for invoking this authority. The Bill brings even within its scope only those trusts which have a substantial interest in any given company. This is a very desirable limitation and we would suggest that it should be further tightened up. As at present proposed, whether the holdings of a trust and shares or debentures of a company exceed Rs. 5 lakhs, the law will apply to it although its stake may be less than 25 per cent of the paid-up capital of the company. Since the Government's purpose is only to prevent abuse of voting rights, it should be sufficient if the applicability of the law to a particular trust is defined only in terms of the proportion of the trust holding to the paid-up capital of the company. In other words, we would suggest that, while the present provision that where the trust holding does not exceed Rs. 1 lakh should stand, the further prescription should be that the provisions of this Bill will be attracted only where the trust holding exceeds 25 per

cent of the paid-up capital. In his speech introducing the Bill, the Finance Minister indicated that "genuine trust essential for safeguarding family interests or charitable or educational trusts" would be exempted. This should be made clear through the language of the Bill itself.

To conclude, we must reiterate our conviction that the Bill in its present form is unlikely to serve the purpose of speeding up economic development and the expansion of the corporate sector which the Government evidently desires to bring about. We are not convinced that a satisfactory case has been made out for the necessity of the harsher provisions of the Bill in their present form. It is absolutely necessary that these provisions, which have been discussed above, should be considered in the Select Committee not in terms of the prestige of the Government or the prejudices entertained in certain quarters against the corporate sector generally and big business in particular, but strictly from the point of view of reconciling the demands of demonstrable public interest with the right of every citizen in a civilized democratic community to equality before the law and the freedom to carry on his lawful avocations without fear of political persecution or bureaucratic harassment. While we are all for an effective instrument of company legislation which would offer necessary protection to shareholders or the society from the activities of predatory individuals, we are emphatic that if the present trend in company legislation continues, business management will have to be classified as a dangerous occupation, which surely is not the way to encourage the entrepreneur or inspire the investor with trust in the business community of this country. The industry and trade of this country are not as if they were naughty little boys to be knocked about for sneezing.

ANNOUNCEMENT

THIS IS NOT A PROSPECTUS BUT ONLY AN ANNOUNCEMENT OF THE PROPOSED ISSUE OF THE CAPITAL. INTERESTED PERSONS MAY OBTAIN COPIES OF THE PROSPECTUS FROM THE COMPANY'S REGISTERED OFFICE, BANKERS, BROKERS AND UNDERWRITERS.

ENGEL INDIA MACHINES & TOOLS LIMITED

(Incorporated in India as a Public Company on 26th April, 1962 under the Companies Act, 1956.)
Registered Office: 6, Old Post Office Street, Calcutta-1.

SCOPE AND PROPOSED ACTIVITIES

A. Objects of the Company: The Company was incorporated on 26th April, 1962, with the following main objects as stated in the Memorandum of Association of the Company (a copy of which is available for inspection by the public):-

- To manufacture and deal in all kinds of machines, tools and die casting equipment.
- To manufacture and deal in all kinds of dies and moulds.
- To carry on business of manufacturers of and dealers in machineries and equipment required for plastic goods.
- To manufacture and deal in plastic moulding powders and compounds and all such articles and things as can be made therefrom or which can be used for or in connection with the manufacture thereof.
- To manufacture articles and things which can or may be manufactured from PVC compounds.

B. Location of Factory: The Company is setting up a composite plant at Calcutta to manufacture injection moulding machines and moulds required by the plastic industry. The factory will be located at Taratala Road, Calcutta on approximately 12 bighas of land in respect of which the Company has entered into a long term lease with the Commissioners for the Port of Calcutta. The factory site is within a highly industrialised area and is well served by good roads connecting the site to the Port of Calcutta and other engineering industries. The erection of the factory has been started and production is planned to commence by about mid 1964.

C. Technical and Financial Collaboration with

Ludwig Engel K. G., Schwertberg, Austria: The Company has entered into a technical and financial collaboration with Maschinenfabrik Ludwig Engel K. G. of Austria in terms of which the Austrian Company will subscribe for shares in the Company and will make available the necessary technical know-how and provide the other technical assistance required for the production of the machineries and moulds to be manufactured by the Company.

SOLE SELLING AGENTS

Union Carbide India Limited, 1 & 3, Brabourne Road, Calcutta-1.

AUDITORS

Messrs. G. Basu & Company, 6, Hasting Street, Calcutta-1.
Chartered Accountants.

SOLICITORS

Messrs. Dutt & Sen, 6, Old Post Office Street, Calcutta-1.

SOLICITORS TO THE ISSUE

Messrs. Orr, Dignam & Company, 29, Netaji Subhas Road, Calcutta-1.

INTERNAL AUDITORS

Messrs. Mr. Choudhury & Co., 5, Mission Row, Calcutta-1.
Chartered Accountants.

BOARD OF DIRECTORS

Mr. Ranadeb Chaudhuri
34, Ballygunge Circular Road, Calcutta-19
Barrister-at-law,
Director of:
East Anglia Plastics (I) Ltd.
Dr. Paul Lohman (India) Ltd.
The Hills Tea Estates Ltd.
Swadeshi Cotton Mills Co. Ltd.
Amrita Bazar Patrika (P) Ltd.

Mr. Ludwig Engel
Schwertberg, Austria.
Mr. Henry Joshua Silverston
(alternate to Mr. Engel)
4, Lord Sinha Road, Calcutta-16

Mr. Cattavoor Shanmugam Loganathan
6, Vasu Street, Kilpauk, Madras-10

Mr. Kishore Dharamsey Khatau
Manav Mandir Road, Malabar Hill, Bombay-6

Maharajkumar Pradeep Chandra Bhanj Deo of Mayurbhanj
6, Rainey Park, Calcutta-19.
Mr. Sailendra Chandra Sen
30, Nandan Road, Calcutta-25

Mr. Sasadhar Raha, B.A., A.C.I.C., A.C.W.A., A.I.C.W.A.,
4, Deodar Street, Calcutta-19

Prime Products Ltd.
Bengal Bonded Warehouse Association and other Companies.

Managing Director:
Ludwig Engel K.G. of Austria.
Solicitor and partner of:
Orr, Dignam & Co. Calcutta.
King & Partridge, Madras.
Director of:
Remington Rand of India Ltd.
McLeod & Co. Ltd.
Fort Gloster Industries Ltd.
Equitable Coal Co. Ltd.
Lodna Colliery Co. (1920) Ltd.
Rallis India Ltd.
Anglo-India Jute Mills Co. Ltd.

The English Electric Co. of India Ltd. and other Companies.

Industrialist.
Director of:
Kalinga Tubes Ltd.
The Travancore Cement Ltd.
Cauvery Spinning and Weaving Mills Ltd.
The Travancore Rayons Ltd.
The South India Carbonic Gas Industries Ltd.
Aruna Sugars Ltd.
W. S. Insulators of India Ltd. and other Companies.

Industrialist.
Director of:
Chemicoat Ltd.
G. Claridge & Co. Ltd.
Indian Plywood Manufacturing Co. Ltd.
South India Insurance Co. Ltd.
Khatau Brothers Private Ltd.
Mulraj Khatau & Sons Private Ltd. and other Companies.
Businessman.

Solicitor.
Director of:
Hindustan Twyford Ltd.
National Insulated Cable Co. of India Ltd.
The Hindustan Wire & Metal Products Ltd.
Dalmia Iron & Steel Co. Ltd.
Birkmyre Brothers Ltd.
Hindusthan National Glass Mfg. Co. Ltd. and other Companies.
Chartered Secretary and
Cost Accountant.

SHARE CAPITAL

Authorised:
10,00,000 Equity Shares of Rs. 10 each .. Rs. 1,00,00,000

Issued, Subscribed and Paid Up:

900 Equity Shares of Rs. 10 each, upon which Rs. 10 per share has been paid by the signatories to the Memorandum of Association and Directors of the Company 9,000
61,455 Equity Shares of Rs. 10 each Subscribed by Directors and Friends upon which Rs. 5 per share has been paid 6,14,550
62,645 Equity Shares of Rs. 10 each subscribed by Directors and Friends upon which Rs. 2.50 per share has been paid 6,26,450

Present Issue:
3,75,000 Equity Shares of Rs. 10 each 37,50,000
.. .. . Rs. 50,00,000

Out of the Present Issue:

1. Ludwig Engel K.G. of Austria have agreed to subscribe and will be allotted 75,000 Equity Shares of Rs. 10 each Rs. 7,50,000
2. 50,000 Equity Shares of Rs. 10 each have been reserved for allotment to companies and other persons connected with the plastic industry in India 5,00,000
3. NOW OFFERED AT PAR TO THE PUBLIC:
2,50,000 Equity Shares of Rs. 10 each 25,00,000
.. .. . Rs. 37,50,000

APPLICATIONS

Copies of application forms and prospectus can be obtained from the Registered Office of the Company or from the undermentioned Bankers, Underwriters and Brokers.

DATES OF OPENING AND CLOSING OF SUBSCRIPTION LIST

The Subscription list will open at the commencement of banking hours on 16th December, 1963 and will close at the close of banking hours on 24th December, 1963 or earlier according to the discretion of the Directors of the Company but not earlier than the close of banking hours on 18th December, 1963.

BANKERS

State Bank of India: Any branch or branches in Ahmedabad, Allahabad, Bombay, Calcutta, Howrah, Indore, Kanpur, Lucknow, Madras, Delhi and New Delhi.

Canara Bank Ltd.: Any branch or branches in any town in India.

The Central Bank of India Ltd.: Any branch or branches in Ahmedabad, Bombay, Calcutta, Delhi, Madras and New Delhi.

The Bank of India Ltd.: Any branch or branches in Amritsar, Baroda, Bombay, Calcutta, Hyderabad, Indore, Madras, New Delhi and Surat.

United Bank of India Ltd.: Any branch or branches in Bombay, Calcutta, Coimbatore, Gauhati, Kanpur, Lucknow, Madras, New Delhi and Patna.

UNDERWRITERS:

1. Industrial Finance Corporation of India, Reserve Bank Building, Parliament Street, New Delhi.	Rs. 5,00,000
2. Life Insurance Corporation of India, Jeevan Kendra, Jamshedji Tata Road, Bombay.	Rs. 2,50,000
3. Jardine Henderson Limited, 4, Clive Row, Calcutta-1.	Rs. 3,00,000
4. West Bengal Financial Corporation, 23, Rajendranath Mukherjee Road, Calcutta.	Rs. 5,00,000
5. Canara Bank Limited, 71, Canning Street, Calcutta-1.	Rs. 2,50,000
6. The Central Bank of India Ltd., Mahatma Gandhi Road, Fort Bombay.	Rs. 2,50,000
7. Place, Siddons & Gough (Private) Ltd., 6, Lyons Range, Calcutta.	Rs. 2,50,000
8. Batlivala & Karani, Union Bank Building Dalal Street, Fort, Bombay.	Rs. 2,00,000
	Rs. 25,00,000

BROKERS:

Calcutta M/s. Place, Siddons & Gough (Private) Ltd. 6, Lyons Range, Calcutta-1. M/s. Brijnath Khandelwal & Co. 12, India Exchange Place, Calcutta-1. M/s. N. L. Roy & Co., 7, Lyons Range, Calcutta-1.	Bombay M/s. Batlivala & Karani, Union Bank Building, Dalal Street, Fort, Bombay. M/s. Lewis & Jones, Bank of Baroda Building, Apollo Street, Bombay. M/s. A. B. Pandit & Co., 32, Apollo Street, Fort, Bombay. M/s. Harkisondass Lukhmidass New Stock Exchange Building, Hamam Street, Fort, Bombay. Mr. P. R. Subramanyam, 70-A, Stock Exchange Bldg., Fort, Bombay. M/s. Champaklal Devidas, Agakhan Building, Dalal Street, Fort, Bombay. M/s. Navalchand T. Shah & Co., 15, Union Bank Building, Dalal Street, Fort, Bombay.
Delhi M/s. M. R. Dhawan & Co., 6, Jantar Mantar Road, New Delhi-1. M/s. Raj Paul Chadha & Co., Delite Cinema Building, Asaf Ali Road, New Delhi. M/s. P. Roy Company, 3/8, M. M. Road, Jn. Panchkuin Road, New Delhi-1. M/s. Harbans Singh Mehta & Co., 33, Regal Buildings, Parliament Street, New Delhi-1. M/s. H. P. Mehta & Co., Connaught House, Connaught Place, New Delhi-1.	Madras M/s. Paterson & Co., 22, Erabalu Chetty Street, Madras-1. M/s. Maconochie & Co., Post Box No. 291, Mercantile Bank Buildings, Madras-1. M/s. Chitra & Co., 322/323, Linghi Chetty Street, Madras-1.
Bangalore M/s. M. Nanjappaiah Jahgirdar, 181, Cavalry Road, Bangalore-1.	

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- high nor too low, taking into account the net worth, prevailing market prices and future expectations of profit;
- (v) The proposed investment should normally provide an expected return on capital at least equal to the return on gilt-edged securities;
- (vi) Except in the case of trade investments, the shares or debentures proposed to be acquired should preferably be readily marketable.
- (vii) Investments by one company in the shares of another, where the first company is acting as or is proposed to be appointed as sole selling agents or sole distributors of the latter company should not ordinarily be encouraged unless the latter company will become, by virtue of these investments, a wholly owned subsidiary of investing company.

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The Chief Ministers of eight States, specially called to New Delhi to discuss the financial outlook for the State plans in 1964-65, find themselves in a Micawberish position. What they plan to spend just does not tally with what they hope to raise and so the Centre — to change the fictional analogy — finds itself confronted with a straight row of eight Oliver Twists. Mysore wants Rs. 20 crores more to make up the deficit in its resources for its next annual plan; Assam Rs. 19.4 crores; Bihar Rs. 10.5 crores; Orissa Rs. 9 crores; Kerala Rs. 4.7 crores; U.P. (rather modest in comparison) Rs. 2 crores; and (rather suprisingly) Maharashtra Rs. 1 crore. These amounts adding up to Rs. 64 crores are to be in addition to the amount of Rs. 220 crores which the eight States together will normally be securing as Central assistance.

The Union Finance Minister, Mr. T. T. Krishnamachari, however, seems to have other ideas. He has written to all Chief Ministers, including the eight, that the Centre will not be able to add to the Rs. 438 crores already marked as Central assistance to States in the coming year for Plan purposes.

This firm attitude certainly puts the States in a tight spot. While their revenue sources are limited, their ingenuity or perhaps their political courage is even more so. Only a few days ago Bihar scrapped a proposal for levying a surcharge on land. This was in spite of the fact that the State Chief Minister had earlier informed the National Development Council that he would convene a special session of the State Assembly to have the Land Levy Bill passed to realise new revenue of Rs. 1 crore a year. But valour in New Delhi seems to have yielded place to discretion in Patna. Sensing that difficult (if not dissident) elements in his Party were gleefully waiting for the opportunity to make political capital out of the proposed measure, Bihar's Chief Minister reportedly wrote to the Prime Minister and got his consent to have the proposal shelved. This has no doubt brought relief to other anxious State capitals. But even apart from the retreat in Bihar, there are the instances of Madhya Pradesh, and U.P. where the first "popular act" of the new Chief Ministers was to rescind the surcharge on land.

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A consequence of the financial stringency in the State capitals is that Central allocations are not always used for the purposes for which they are provided to the States. This

Banking by Bureaucrats?

From Our Correspondent

BOMBAY:

THE CHANGES proposed by the Finance Minister in the Banking Law Bill were generally on the lines predicted in this column earlier. They had a mixed reception in the banking community. While the restrictions proposed on non-banking companies were generally welcomed, those applicable to banks, especially the sweeping powers of appointment and removal of managerial personnel and the prescription of individual

has led the Union Ministry of Food and Agriculture to write to the States urging that funds meant for accelerating food production were not to be used for any other purpose. The Ministry of Health is now up against the problem of preventing Central funds meant for medical and health programmes getting disbursed in sectors such as irrigation, power or roads.

The Finance Ministry, which has reportedly been giving some attention to these problems is proposing to relate Central assistance with "specific programmes" in a flexible manner. This proposal has the interesting feature that it will allow State Governments some discretion in diverting funds to heads of higher priority, but not lower. Under this scheme the States will be allowed to ascertain shortfalls in expenditures in various sectors at the end of each year and permitted to divert enhanced funds to agriculture, irrigation and power. Meanwhile, it is being gradually realised that the fixing and refixing of schedules and priorities is leading to an increase in administrative work. It is, therefore, being asked whether certain obvious simplifications in procedures cannot be attempted. For instance, instead of State Governments being required to send returns of expenditure every quarter, they may be asked to do so every half year. Again, it may be possible to exercise some discipline on State Governments in the matter of spending Central allocations for the purposes for which they are intended if a policy decision is taken at the highest level to the effect that, where a State Government fails to spend the Central assistance given to it for the purpose, the amount thus unutilized might be transferred to some other State. It appears, however, that the Centre is not yet ready for such a drastic move.

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The brief speech which the President made to welcome India's sixteenth State, and its smallest, into the Union cannot be improved upon; it reflected a fine awareness of the troubled past of its 370,000 people divided among 14 tribes and of their aspirations for the future. Equally, Mr. Nanda's brief message emphasized the promise of advancement which the future held. Nineteen per cent of Nagaland's population are at present studying in 700 odd educational institutions which include two degree colleges and 28 high schools. The State has been extremely fortunate in that it will be the first in the country which is thus able to tackle the problem of priorities of economic development in the right order. For education stimulates the expectaion of increased standards of life. But if there is nothing like material prosperity to enable one to leave one's unresolved past behind, the new State Government is at the same time confronted with the problem of achieving it expeditiously. That is, of course, a problem the new State shares with its older colleagues in the Union, but it starts off with a decided advantage in that the amenities it already enjoys in the sphere of transport, health and education, computed in per capita terms, compare very favourably indeed with conditions that obtain elsewhere in the Union. Mr. Shilu Ao, the Chief Minister, is no stranger to his problems, having persevered in finding a liberal and moderate solution of these over seven years, and his achievements, if they appear modest, have to be evaluated against the background of an extraordinary law-and-order situation.

limits in each case for advances were being viewed with misgiving. The fate of banking industry rests very much on the due care and circumspection exercised by the Reserve Bank. The new amendment bill, to put it in one word, "aims to substitute the present control of industrialists on banking by that of bureaucrats".

A bearish tendency has come to prevail on the Bombay Stock Exchange. The active scrips have been showing swift

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declines due to selling pressure from both bulls and bears. The proposed amendment to the Company Law and the Banking Laws Bill seeking to vest enormous powers in the hands of Government had provided the main provocation for the selling wave. The selling wave brought down the share index by 5.3 per cent from the year's peak level to 115.2. In sympathy, the cash section also turned weak.

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The Gold Control Bill has had no obvious or considerable effect on the mood of the bullion market. The provision requiring individuals to declare holdings of ornaments beyond certain limits which, as has been indicated by the Finance Minister, may vary from Rs. 10,000 to Rs. 25,000 has not caused any undue alarm, although the more circumspect sections would certainly wait to assess how the Government is actually using the extensive powers it is acquiring with regard to many aspects of the possession of and trading in gold.

The bullion trade has made a fresh bid to revive forward trading in silver. The Bombay Bullion Association has pleaded, in a memorandum to the Finance Minister, for an early resumption of forward business in silver. According to the Association, silver stocks in the country are at present worth about Rs. 3,000 crores and the annual turnover is around Rs. 12 crores. Silver plays an important role in India's economy. The industrial use of silver is fast increasing as the metal is required by jari, film, telephone, chemical and certain other industries. The Association has, therefore, emphasized that the Government should remove the ban on forward business in silver imposed in January last. There is no smuggling of silver into the country. Prices of the white metal prevailing now in the country are almost on a parity with those in international markets. Another strong point in favour of resumption of forward trading in silver is that forward trading (in silver) has recently been resumed at New York after a lapse of nearly 30 years.

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Mr. M. S. Kannamwar, the energetic Chief Minister of Maharashtra, died suddenly at a time when he was eagerly

Looking for Oil

From Our Correspondent

MADRAS:

THE EXPLORATION of oil in the Kaveri basin is expected to be taken up vigorously in the coming months. Already, valuable data have been gathered through the carrying out of seismic and gravity-cum-magnetic surveys. The work in this connection will be carried out again early next year. Meantime, a well projected to a depth of 1,050 litres is being drilled near Pattukottai for obtaining sub-surface geological information. The Madras Minister for Industries visited the site some time back and examined samples of the various strata of mud and rock that were brought out during the drilling operations. Arrangements are being made for drilling an exploratory deep well in the Karaikal area and it is expected that the operations will commence in January next. It is too early to say anything definitely regarding the availability and extent of oil reserves in the Kaveri basin. Soviet technicians would however seem to be confident that there would be some rich strike in this area and, as in Cambay or Ankleshwar, early success might attend the drilling operations. Men with experience of exploration in Ankleshwar are now at Pattukottai and Karaikal.

**

It is feared by the owners of cashewnut processing factories in Quilon (Kerala State) that, without definite arrangements for growing larger quantities of cashewnut within the country, serious difficulties might be experienced by the factories in maintaining the rate of production. Unfortunately, the facility to import large quantities of raw nut from East Africa led to a sense of complacency especially as there

looking forward to several years of fruitful service. He became the Chief Minister during a period of stress when the country was suffering from the shock of Chinese attack. He succeeded in mobilising the resources of Maharashtra for a new defence build-up and productive effort. The strength of the NCC cadets was increased during the short period of his tenure, namely, one year, from 34,000 to 81,000. He raised nearly Rs. 10 crores for the National Defence Fund. Under a new agricultural programme sponsored, over 21,000 wells were dug in the first half of the current year. As many as five new industrial estates were set up in different parts of the State. He enjoyed the confidence of every section of the community and succeeded in carrying the Congress Party behind him. It is a good augury for the continuity of the smooth administration of the State that Mr. V. P. Naik, Revenue Minister in the Kannamwar Cabinet, has been unanimously chosen by the Congress Legislature Party to succeed the departed Chief Minister.

**

Mr. Ashoka Mehta, Deputy Chairman-designate of the Planning Commission, expressed the opinion that close political contacts would be very necessary to develop trade relations with other countries. Mr. Mehta returned after attending the session of the UN General Assembly and took the opportunity to meet a number of prominent men in industry and in the US Government. Later on he had talks in London and Paris before returning to India. He noted a 'lot of frustration' among the experts he met over the execution of development plans in India, particularly administrative delays and procedural complexities. While the Prime Minister's image abroad remained untarnished, the image of the country had suffered especially after the Chinese aggression. The Chinese were very active in Europe not only in doing propaganda work but in developing trade relations. The USA and the Western world were on the threshold of technological changes. The continental countries had become plan-minded. Mr. Mehta was of the view that India should seek the collaboration of some of the 'up and coming firms' in the USA instead of thinking only in terms of the big firms.

was a large trade in exports of cashewnut to the USA and the Communist countries and sizable profits are being earned merely through processing. The foreign exchange realised through exports is no doubt helpful. But it is now felt that, if the arrangements to process raw nut in Portuguese East Africa and elsewhere prove successful, it would be difficult to import the same quantities of raw nut as before. It is stated that an Italian firm will be establishing factories in Portuguese East Africa for processing raw nut. Though the quantities involved in the initial stages may not prevent the inflow of imports into this country, the acute dependence on these imports will be clear from the fact that against our production of 60,000 tons annually the quantum of imports is of the order of 1,00,000 tons, if not more. With the current yield of Indian crop, the factories in Quilon can operate only for 3 or 4 months in a year. There will thus be a problem of continued employment of a large number of workers, besides maintaining the present rate of exports, if imports of raw nut begin to decline.

Efforts have no doubt been made to expand cashew cultivation in different parts of Madras State, Andhra and Kerala. But the yield in some areas is rather poor while the new acreage has not started yielding results. It has, therefore, been suggested that the existing plants should be made to yield more while the programme of fresh plantation should be carried out more vigorously. Since the conditions for cultivating cashew trees are ideal in some areas in the southern States, the State Governments should give greater attention to these possibilities.

The moving finger writes

ALTHOUGH ALL of us may not have become socialists, a great many of us do seem to have become family planners. Whether this planning succeeds or, as in the case of our five-year Plans, it succeeds only partially, is of course a different matter. There is perhaps something to be said even for partial success in most cases — on the principle that half a loaf of bread is better than nothing —, but not surely in the case of family planning, where one either succeeds or fails. And that is the end — or is it the beginning? — of the affair.

There is, therefore, a lot to recommend in the decision of the Ministry of Public Health of the United Arab Republic to make family planning fool-proof even if not knave-proof. With this end in view, the Ministry seems to have rejected the idea of undertaking a family planning programme until a comprehensive investigation has been carried out first at the family level, second at the village level and third at the level of a group of villages to ascertain the social and psychological elements entering into personal attitudes towards family planning. In the course of this projected survey each couple in the selected families or villages will be provided — as is to be expected — with two forms, one for the husband and the other for the wife, for filling in such information as whether the couple is aware of the facts regarding conception and birth control and whether certain peculiar customs or beliefs would come in the way of their practising family planning. The U.A.R. Ministry of Health hopes that following these investigations, it would be able to take a final decision on the appropriate methods to be finally adopted for popularization on a mass scale.

★★

Meanwhile, it is interesting to note that the latest of the famous 'Which?' reports, published by the Consumers' Association in the United Kingdom, carried a 96-page Supplement comparing contraceptive methods and 165 named brands of contraceptives. The report is claimed to offer "unbiased information on reliability, safety, acceptability, convenience and cost based on laboratory tests and clinical experience". Normally this Supplement should become a best seller not only in Britain but in other countries as well; only its sale is restricted to subscribers of 'Which?'.

I may add, for the benefit of excitable readers, that the first reviews have been careful to point out that the language of the Supplement is "laconic, almost comically matter-of-fact". The 'New Statesman' illustrates this "language of non-advertisement" with this quotation: "Breast-feeding was sometimes prolonged with the idea that it would act as a contraceptive method. It does not." But if 'Which?' shatters some popular superstitions it certainly seems to confirm some popular impressions. Thus it comes to the rather commonplace conclusion that the combination of diaphragm cap and chemical contraceptive is tactically the most effective. A sheath aided by chemicals is rated next best. I must make it clear that, in the matter of effectiveness, the "birth pill" or "oral contraceptive" is put in a class by itself as being almost 100 per cent effective. Commenting on these findings, the 'Spectator' suggests that any women reading the 'Which?' report might come to the conclusion that, for reasons of effectiveness and aesthetics, marital life might be much more enjoyable if

she took over from the husband the main responsibility for family planning.

★★

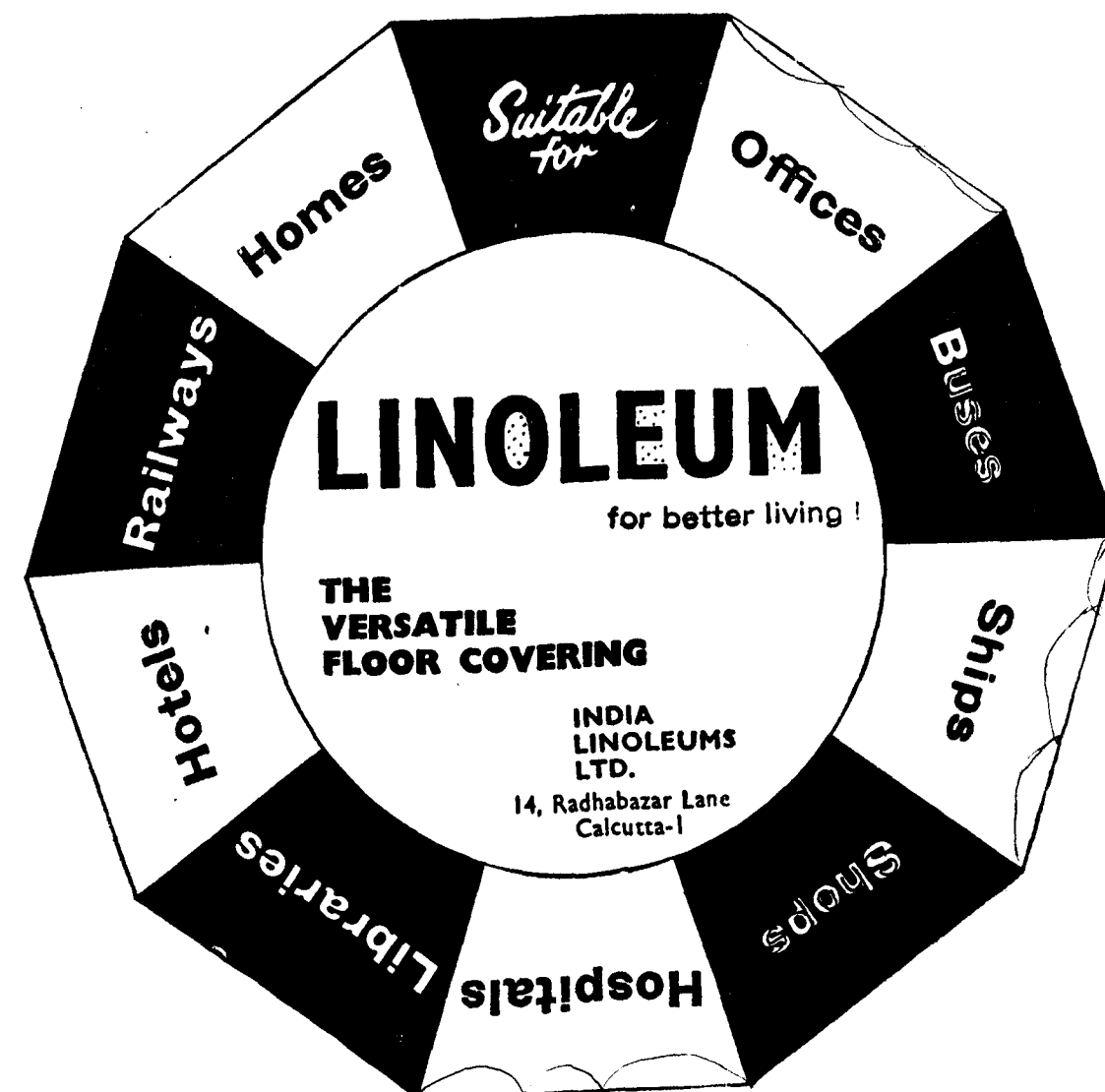
If the extremely cordial "dialogue" of Ministers which I had the opportunity to listen to last week at the Ashoka Hotel at a Dinner which Mr. C. Subramaniam gave to Mr. Walter Scheel, the visiting German Federal Minister for Economic Co-operation, is any indication, Indo-German friendship and understanding must be gaining ground considerably. The Minister for Steel (etc.) struck the right note in an after-dinner speech in which he generously acknowledged all that Germany had done so far to further our economic development and tactfully suggested that more of the same would be most welcome. Mr. Scheel has the reputation of being both tough and clear-headed where Aid questions are concerned and it is of course no secret that he wishes German development assistance to take the form more and more of private investors supplementing government grants or credits. But I must say that I sensed no lack of warmth or any trace of bargaining in the observations he made on this occasion. On the contrary, he not only made it clear that India could continue to expect friendly assistance from West Germany in its development but, in a charming phrase, suggested that he for one would not care to describe India as a "developing" country. And he went on to point out that, although India may have to catch up with Western countries in certain areas of industry, science or technology, India is also in many respects one of the most developed countries of the world — and that not only in the field of culture. Mr. Scheel mentioned the iron pillar before the Kutab Minar which he had seen earlier that day and asked whether it was not a fact that the Indian know-how in metallurgy was centuries-old.

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While the visit of Mr. Scheel has certainly come at a time when a frank and friendly exchange of views on many issues of interest to West Germany and this country has become not only desirable but necessary, I cannot help wondering whether the Government of India for its part is always adequately conscious of West German sensitiveness to issues of national prestige. I have heard it said, for instance, that the omission of any Rourkela representative from the expert committee on the Bokaro project report has not merely irked but offended feelings. It is being argued that if Soviet and British steel men, reflecting the presence of the U.S.S.R. and the United Kingdom at Bhilai and Durgapur respectively, could be included in this committee, it is courtesy as well as common sense that a West German steel man with Rourkela experience should also have been found a place, especially as the pattern of end-products planned for Bokaro would be most akin to that of Rourkela.

V.B.

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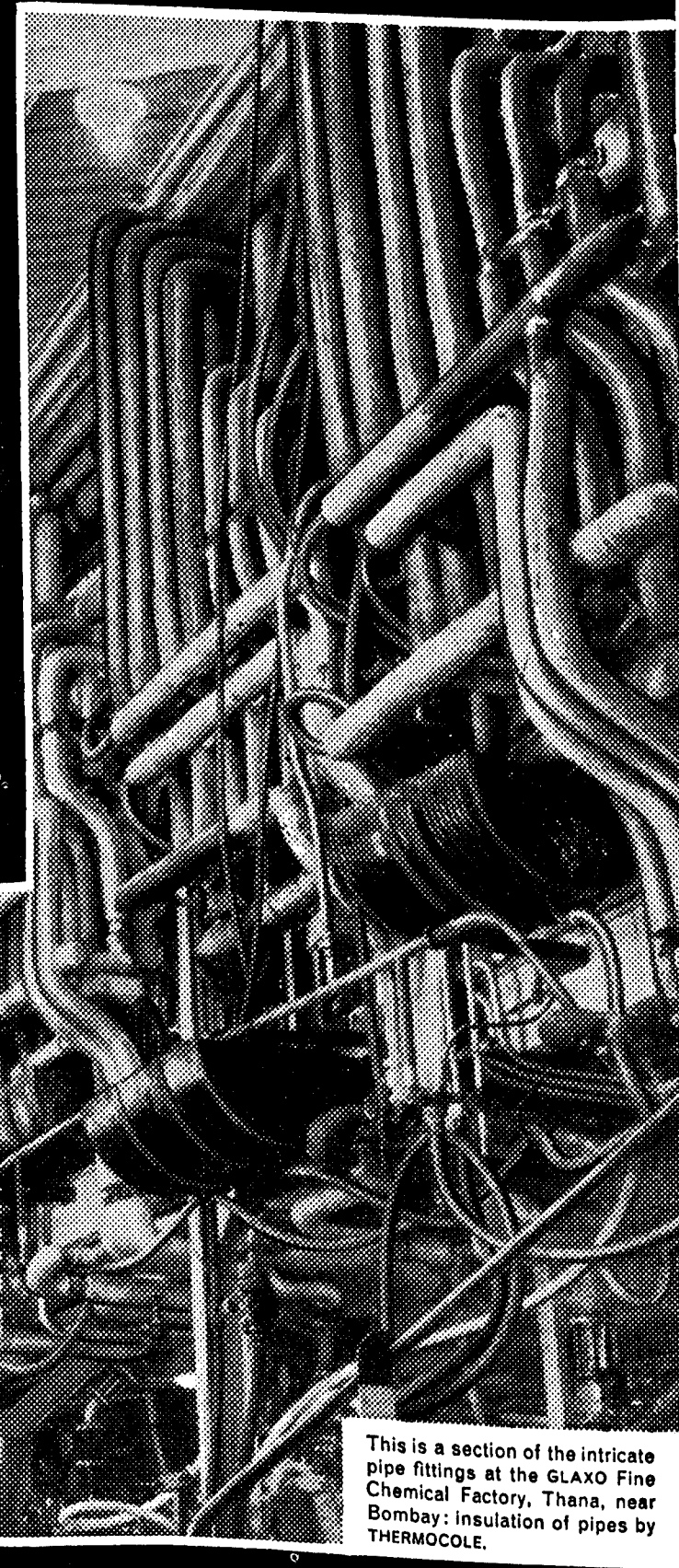
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COMPANY MEETING



DELHI CLOTH & GENERAL MILLS COMPANY LTD.

SPEECH BY LALA BHARAT RAM

Chairman, Board of Directors

At the 75th Annual General Meeting of the shareholders of the Company on the 2nd December, 1963, at Bara Hindu Rao, Delhi-6.

Ladies and Gentlemen,

I am happy to welcome you to the 75th Annual General Meeting of your Company. I cannot, however, help making a reference at the beginning of this meeting to the memory of my respected father, the late Lala Shri Ram. The growth and prosperity of DCM are largely the fruit of his hard work and devotion, and the inspiration his integrity and high ideals gave to the rest of us. No greater homage could be paid to his memory than that all of us should continue and carry on his great work with the same devotion and high integrity which he showed. We met last year under the cloud of the Chinese aggression. The Chinese aggression had various repercussions. There was on the one hand a spontaneous patriotic upsurge in the country, and on the other, various friendly countries extended financial and military assistance. Even though there is, at the moment, a ceasefire, the danger of aggression has not altogether receded. The country has to keep itself prepared for any eventuality and it would be dangerous to relax our preparation. The Chinese aggression was bound to have its repercussions on our economy. Some of our efforts had necessarily to be diverted from civilian needs to military requirements. It is however unfortunate that instead of there being a spurt in production, there has been a slowing down in the economy. The mid-term appraisal of the third Plan is a matter of concern, for it reveals that the economy is dragging at a time when it ought to be pushing forward with greater speed. The shortfall in the agricultural sector, which is not only a sizable component, but on which depends the productivity of the industrial sector as well, is reflected in the total national output. In the industrial sector also, while development effort has been larger and more broad-based, the general index of industrial production fell short of the average increase of 11 per cent visualised in the Plan to 6.5 per cent in the first year and 8 per cent in the second year. It would seem that the only effort that has exceeded the target is in the field of additional taxation, which is expected to be in excess by Rs. 1,100 crores by the end of the third Plan, the yield being at Rs. 1,000 crores as against Rs. 800 crores. I am sure, this excessive taxation is greatly responsible for the slowing down of the tempo of development.

Apart from the requirements of defence, with the fast growing population and the need for improving the standard of living of the people, we have before us a gigantic task. This can be accomplished only if the production increases considerably faster than the population. One of the most important factors affecting our rate of development is the perennial shortage of foreign exchange. While we should be grateful for the assistance which various friendly countries are giving to us in the form of loans and grants, we cannot with any certainty depend on the assistance continuing at these levels indefinitely. We must, therefore, depend on our own efforts to bridge the gap between our imports and exports.

To my mind, there is no other way except to work hard, produce more and export more. We must not think in terms of exporting only our surpluses. With the growing population and demand we shall never have surpluses except in a very few commodities. Therefore, we will have to restrict in many cases our own consumption so as to export. In order that we succeed in our export effort, we have to be competitive and produce goods of quality which would be acceptable in other countries. It is necessary to ensure that costs do not go up. The costs can remain low if output per man, whether in the industry or on the farm, increases. While I am not against increases in wages, I would emphasise that if there is not more than a corresponding increase in productivity per man, the costs will continue to go up and we will be wiped out of the world market. It is unfortunate that India's share in world trade has declined from 2.1 per cent to 1.1 per cent during the last decade of planning. When compared with other developed countries, the value of India's exports as percentage of national income works out to about 7 per cent as against 19 per cent for U.K., 21 per cent for West Germany and 12 per cent for Japan. I do not propose to spell out in detail here the various measures necessary to put our economy on an even keel, but shall only reiterate the important fact that the standard of living consists not of money but what the money will buy and money will only buy more goods and services provided the productivity per man increases.

In spite of all our efforts we shall still need more foreign capital and it is necessary that everything is done not merely to provide incentives to foreign investors but also to create a feeling of confidence in our fiscal policies. The stability in our fiscal policy is the biggest factor in creating confidence for the foreign investor. Frequent changes not only upset the programme of financing but also create a feeling of uncertainty.

I have every faith in the country's capacity for quicker growth provided we all work hard and our economic policies are practical and not affected by ideologies.

Coming back to the Company's affairs, although there has been an appreciable increase in total sales, profits have been lower due to rising costs of raw materials, stores and wages. In the case of sugar, unfortunately, like the rest of the industry, your factories also had a very short season which increased the cost of production and considerably reduced the profits. In addition, Government's fiscal measures like Super Profits Tax, Emergency Risk Insurance etc. have further reduced the profits. The Company has continued to follow a policy of expanding its activities. Our Project for the manufacture of plastics to which I made a reference last year is nearly complete. One of its products, namely, caustic soda, is already in the market and it is expected that PVC will be in the market within a short time.

Likewise, the Rajasthan Rayon's Project is also progressing satisfactorily and it is expected that the factory will start

producing high-grade rayon tyre-cord by about the end of 1964.

Last year I had referred to two major schemes of expansion. One, the spinning mill at Hissar, and the other, the expansion in sugar mills at Mawana. The extension of our Hissar spinning unit is continuing at a rapid pace and, it is expected that the capacity will increase from 37,000 to 63,000 spindles by the beginning of the next year. The expansion of the Mawana Sugar Works from 1,500 tons crushing capacity per day to 3,000 tons per day has been done. We are, of course, facing a few teething troubles, but I hope they will soon be over. Apart from these major expansions and new projects we have been continuing to renovate our existing equipment. I have no doubt that as soon as the new projects have come into production and the expansions have been completed the profits of the Company will increase.

The record of exports of your Company has again been satisfactory. While on the subject of exports, I would like to refer to a new Organisation which we propose to set up for handling our export business. It is proposed to set up a new export Company. This would be a subsidiary of your Company. While in the first instance, it would export the products of Delhi Cloth Mills, in course of time, it would take up the export of other manufacturers' products also. It would thus grow into a trading company, the benefits of which will accrue to our shareholders.

One of the problems facing the industry in the country

today is shortage of personnel. As your Company is also expanding its activities, it had also felt these shortages. The Management now is busy concentrating on training our management personnel at all levels. Today the science of management has made great advances and it has become a great science. Your Company has started a separate department for not only training fresh people but also to teach the modern techniques of management to the existing staff. In addition to starting our own department for training, your Company has been sending people to various management courses to other places. I am sure, this policy will pay rich dividends.

I am glad it has been possible for your Company to maintain the same rate of dividend as last year in spite of lower profits. In addition to this, the benefit of undistributed tax-exempt profit under Section 15(c) of the old Income-tax Act has also been passed on to the shareholders. In effect, 34 per cent of the dividend will be exempted from tax in the hands of the shareholders. Thus, most of the shareholders will get a higher net dividend than last year. I may, however, make it clear that this is in the nature of a windfall for this year only.

Before concluding, I would like to record our sincere appreciation of the good work of all our workers and staff whose efforts have enabled us to achieve satisfactory result during the year.

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

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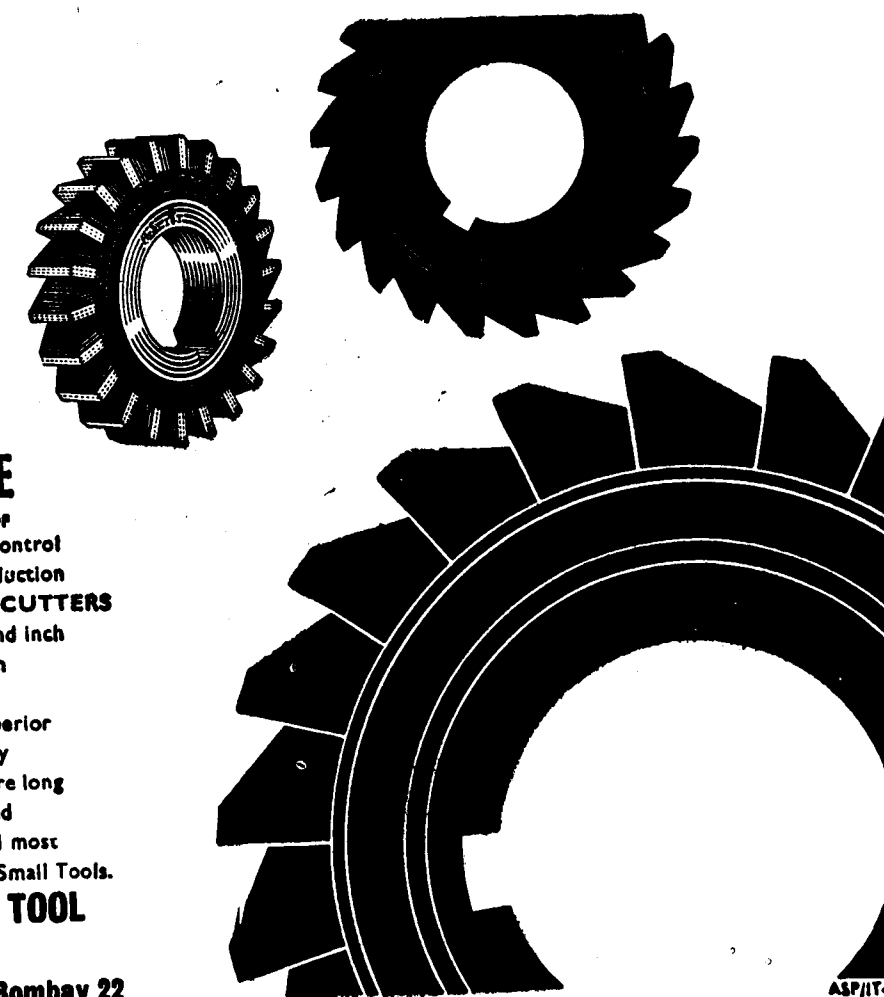
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82/KFS-6

Trade Winds

CANADIAN DOLLARS FOR DEVELOPMENT

IN THE Canadian House of Commons, Mr. Paul Martin, Minister for External Affairs, recently stated that Canada plans to increase its foreign aid spending next year by between \$60 and \$70 million. The programme for the current year is approximately \$120 million, and for the fiscal year 1964-65 it will be between \$180 and \$190 million. The main new feature will be special lending for development purposes. Up to \$50 million will be loaned with such attractive terms as long maturity periods, liberal grace periods and little or no interest.

Canada's existing aid programmes will be continued in 1964-65 at their present level. However, in future grant aid will be devoted to the provision of assistance to development projects, technical assistance, and the supply of industrial commodities to developing countries. Separate provision will be made for a food aid programme and for contributions to the Indus Basin Development Fund, which were previously included under the bilateral grant aid programmes. The new programme will be flexible and designed to place Canada in a position to make an effective response to changing national and international circumstances. In particular, it will provide for: (a) higher levels of aid to Colombo Plan countries of Asia; (b) a more comprehensive and sizable Canadian programme for the Commonwealth countries of the Caribbean; (c) larger and more effective programmes for Africa, including the French-speaking States, and (d) further contributions to Latin American development, in close co-operation with the Inter-American Development Bank, through the availability of new additional lending resources.

BONN BUDGET FOR AID

The West German Government has now approved the draft of the 1964 Federal budget. The total volume of the budget is 60,300 million D-marks. The budget of the Federal Ministries and authorities alone amounts to 56,800 million D-marks. Though the budget for 1964, which now awaits parliamentary approval, exceeds that of the previous year, it is rated as an "economy budget". The original demands of the Federal authorities surpassed the 70,000-million D-marks limit.

As regards development aid, the Government draft says: "In 1964, too, the Federal Government will devote special attention to development aid. However, our means and resources available for this task are limited. This explains why the 1964 budget provides a slightly smaller amount for foreign aid than in the preceding year. However, the reduction is to be largely offset by the expected effects of the Law on Tax Privileges for the Promotion of Private Investment in Developing Countries which has been drafted and is now awaiting approval by the German Bundestag. The aim of the law is to encourage private initiative and to shift some of the emphasis of German aid policy from the public sector to private enterprise. By renunciation of tax receipts the law will, in fact, represent a kind of indirect increase in the Government's foreign aid contributions. Long-term planning which is secured by the Federal budget and the Law on the Encouragement of Private Investment in Developing Countries are to demonstrate the Federal Government's willingness to provide long-term aid for the developing countries.

"The amount of 400 million D-marks set aside for bilateral financial assistance to developing countries plus the contribution from ERP-counterpart funds are to be used primarily to cover development aid commitments entered in previous years. The total of these promises amounts to about 5,000 million D-marks. The new budget authorises the Government to enter new commitments of up to 750 million D-marks in the 1964 fiscal year. Bilateral technical assistance to developing coun-

tries which includes also social and educational aid projects and agricultural aid have turned out to be extremely effective. Therefore they will be given priority treatment in the future. A total of 200 million D-marks have been earmarked in the 1964 budget for that purpose. Furthermore the budget authorises the Government to promise another 200 million D-marks for the same purpose in order to enable the smooth continuation of technical aid projects in the coming years. Multilateral development aid requires Government contributions of about 275 million D-marks in 1964, taking into account the financial assistance granted to Turkey. The ceiling for export guarantees has been increased by 4,000 million D-marks to 23,000 million D-marks in the 1964 budget. The developing countries will profit from this measure in the first place."

CONSUMER GOODS FOR HUNGARY

Contracts for the export of consumer goods worth approximately Rs. 37 lakhs were signed in New Delhi last week between the State Trading Corporation and Konsumex of Hungary. They provide for the export from this country of woollen and cotton fabrics and knitwear, shoes and chappals, handicrafts and paper products. Paper product is a new item which is being introduced in Hungary for the first time. The Hungarian trade delegation which recently visited India had taken samples of razor blades and varieties of woollen and cotton textiles for examination in Budapest.

RUMANIAN ECONOMY

Industrial output in the Rumanian Peoples' Republic grew over 1.7 times during the period 1958-62. Machine-building and metal working branches grew from 10.2 per cent in 1958 to 26.3 per cent in 1960. Chemical output rose from 2.3 per cent to 7.4 per cent. The average annual increase in industrial gross output was 13.3 per cent during the period 1951-62. In machine-building industry there was an increase of 26 per cent, chemical industry 29.1 per cent, electric and thermal power 16 per cent. The consumer goods industry has also expanded a good deal. In 1960, the per capita output of cotton



"Well, the economy is getting streamlined!"

fabrics was 1.5 times higher than in 1950, while in France and Italy it increased by 11 per cent. In 1937, Rumania produced 21 per cent less sugar per head of population than Italy, while in 1960 the Rumanian sugar output was 20 per cent more.

In the domain of agriculture, Rumania left behind countries such as France and Italy in regard to cereal output per head. Whereas in 1950 per capita wheat output in Rumania represented 74 per cent compared with the level of production in France and 81 per cent compared with the level in Italy, in 1961, the level of Rumanian wheat output per inhabitant was 4 per cent higher than in France and 29 per cent higher than in Italy. The volume of Rumanian foreign trade was 3.8 times bigger in 1960 than in 1950 and trade was carried on with more than 80 countries. The average rate of increase in the national income which was over 10 per cent between 1951 and 1961 was higher than the rates reached in France, Britain, Belgium, Sweden and Italy during that period. With all the increase in population in Rumania, per capita national income was 2.7 times bigger in 1962 compared to 1950.

PROBLEMS OF TEXTILE INDUSTRY

At the second annual general meeting of U.P. Cotton Textile Millowners' Association, Mr. Padampat Singhania in his speech dwelt upon the various problems facing the textile industry. He pointed out that, while the prices of cloth have remained stationary on account of the voluntary price control in operation since the end of 1960, the cost of production has gone up owing to the increases in practically every item. Increase in the price of cotton, wages, the employers' contribution under employees state insurance scheme, custom duties, compulsory emergency risks insurance, etc., all combined have placed a heavy burden on the mills. In view of these rising costs, a revision of cloth prices, Mr. Singhania stressed, particularly of coarse and medium varieties, is urgently called for. If price control is considered indispensable in the existing circumstances, Mr. Singhania said it should be made flexible so that automatic upward or downward adjustments in prices could be made for fluctuations in the prices of various items of cost of production.

Referring to the consumption of cotton by mills, Mr. Singhania stated that though it has been steadily increasing, there has been no corresponding rise in the output of indigenous cotton. It is in the interests of all concerned, the industry, the grower and the consumer that higher returns on cotton should be secured through improved yield per acre rather than by frequent revision of the floor and ceiling prices. So far as exports are concerned, Mr. Singhania mentioned that unless the mills are enabled to modernise and equip themselves with up-to-date machines and produce goods that can prevail in the world market in both price and quality, our export target will remain elusive. Market research must be given proper attention because it is only through this method that a study of the tastes and the preferences of consumers in the foreign markets can be made. The Government of India should make it possible for the mills to buy and import machinery easily and quickly and import licences for machinery should be issued on a priority basis. It is gratifying to note that the restriction on the expansion of spindlage and loomage has at least been relaxed and it is now to be hoped that mills will take necessary steps to ensure that these new installations are completed as early as possible.

INTERNATIONAL MARKETING

A seminar on international marketing held last week in New Delhi covered a wide range of subjects. Principles and practices of international marketing, market research and sales promotion, cost reduction, standardisation and quality for export, publicity, packaging, transportation and Government measures for export promotion were discussed at length. At the seminar in Bombay organised under the joint auspices

of the Bombay Management Association and the Bombay Productivity Council, Mr. G. L. Mehta in his inaugural address pointed out that in a sellers' market, the role of marketing tends to be neglected. In an economy which is no centrally planned and directed such as India's, production cannot be undertaken irrespective of the consumers' choice. It has been found at regular intervals that the setbacks to production have occurred in periods when markets have failed to keep pace with production. What is called the Kenyesian revolution recognised the vital need of augmenting purchasing power to make the economy dynamic. We should, therefore, have plans, Mr. Mehta stressed, not only for production but also for consumption. The production pattern must be guided by overall income and within it the expenditure preferences of consumers.

PROTECTION CONTINUED

The Tariff Commission's recommendation to continue protection to antimony metal at the reduced rate of duty of 35 per cent ad valorem subject to a maximum of Rs. 85 per quintal for a period of five years ending December 31, 1968, has been accepted by the Government of India, subject to a review after three years. The Government has also accepted the recommendations of the Commission to fix selling prices at Rs. 3,550 per tonne or Rs. 3.55 per kilogram as a condition for the extension of protection to the antimony industry.

The Government of India has accepted the recommendation of the Tariff Commission that protection to the electric

*Here with a loaf of
Bread beneath the bough,
a bottle of Gold Coin,
a book of verse and thou,
Beside me singing in
the wilderness—and wilder-
ness is Paradise enow.*

— with apologies to 'Omar Khayyam'

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refreshing and so
nourishing. It is
really good for
health and beauty.*

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motor industry should be continued for a further period of two years ending December 31, 1965. The Government has also accepted the Commission's recommendation that squirrel cage and slip ring motors and synchronous motors exceeding 660 HP and up to 3,000 HP and component parts of these motors should be brought within the scheme of protection at the existing rates of protective duties of 15 per cent ad valorem and 20 per cent ad valorem respectively.

EXPORTS OF GOLD JEWELLERY

Gold jewellery of purity of more than 14 carats manufactured before January 10, 1963, was allowed to be exported provided the gold content did not exceed 20 per cent of the value of the jewellery. The Government has received representations that some stocks of jewellery made before January 10, 1963 have still not been disposed of. It has now been decided to allow export of such jewellery manufactured prior to January 10, 1963 remaining in stock with dealers provided their gold content does not exceed 40 per cent of the total value. This concession will be available only up to March 31, 1964.

RE-EXPORT OF DRY FRUITS

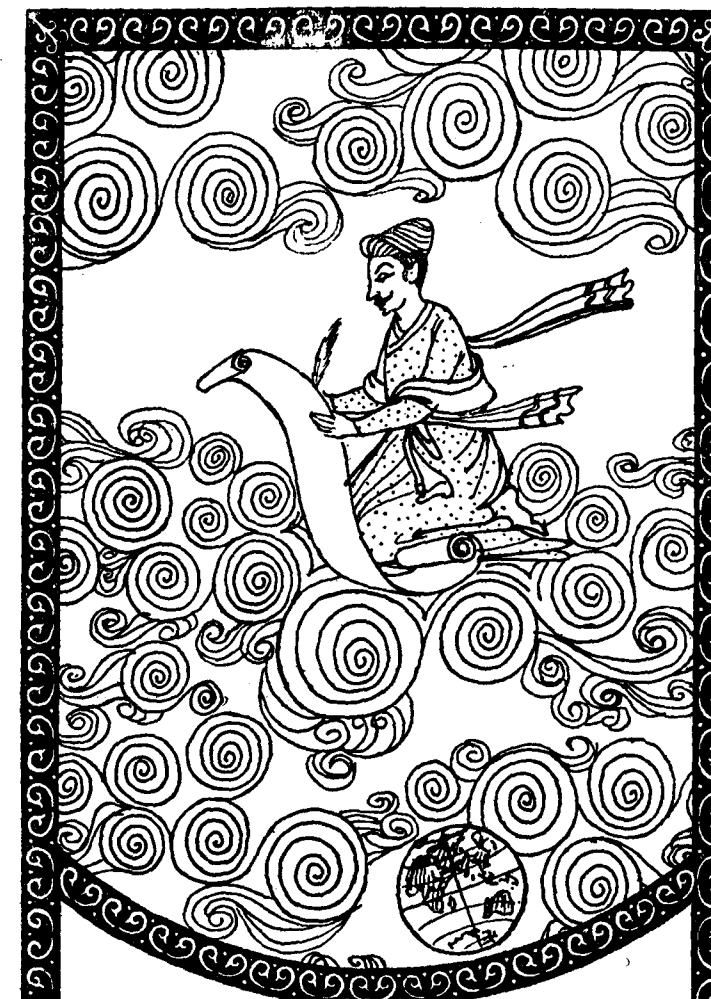
Permits for import of dry fruits from Afghanistan will be issued to approved importers, subject, inter alia to the following conditions: the importer shall effect re-export of 20 per cent of the dry fruits in a processed form to any country other than Iran, Iraq, Afghanistan, Nepal, Bhutan and Sikkim within six months from the date of import. The aforesaid 20 per cent relates to the value of the imports and an importer will be free to re-export within this value any item/items of processed dry fruits of his choice. The approved importers will be required to furnish a bond to the licensing authority in a prescribed form, undertaking to effect the required re-export. The bond will have to be accompanied with a bank guarantee for an amount equivalent to the value of the re-export obligation. Non-fulfilment of re-export obligation on the part of any importer will render him liable to deregistration from the list of approved importers.

TRAINING OF CHARTERED ACCOUNTANTS

At a press conference recently Dr. R. C. Cooper, President of the Institute of Chartered Accountants of India, said the Central Council of the Institute of Chartered Accountants has accepted the following recommendations of the committee which aimed at increasing the number of chartered accountants without watering down the standards. The recommendations are that the system of charging premiums to articulated clerks should be abolished; members should voluntarily pay stipends to articulated clerks during the period of their training. The Institute should explore the possibility for providing hostel facilities to trainees at important centres in the country. In case of all graduates who secure 60 per cent marks at the degree examination and in the case of commerce graduates with accounting and auditing, who secure 50 per cent marks in the examination, remission of one year in the period of training (which is four years at present) should be given. The period of apprenticeship in case of audit clerks, paid trainees, etc. should be reduced from 8 years at present to six years; this period may further be reduced by one year in case of graduates having secured 60 per cent marks in the degree examination or commerce graduates with accounting and auditing getting 50 per cent marks. To expand training facilities, bigger firms of accountants having a number of qualified assistants on their staff should be permitted to take in more apprentices for training. The importance of an apprentice receiving a part of his practical training in industrial or commercial organisation was emphasised.

STC OFFICERS ABROAD

The State Trading Corporation has already opened an office in Western Europe and a special officer has been attached to our Embassy in Prague to represent the State Trading Corporation. It is proposed to appoint a similar officer in our Embassy at Moscow. It is also proposed to open an office of the State Trading Corporation in Japan in 1964.



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Company Affairs

ENGEL INDIA MACHINES

ENGEL INDIA Machines and Tools Ltd. will enter the capital market with an issue of Rs. 37.50 lakhs in 375,000 equity shares of Rs. 10 each. The subscription list will open on December 16 and will close on December 24 or earlier at the discretion of the directors, but not before December 18, 1963. Out of the present issue Ludwig Engel K. G. Schwertberg, Austria, the technical collaborators, have agreed to subscribe 75,000 equity shares. Another 50,000 equity shares have been reserved for allotment to company's directors and other persons connected with the plastic industry in India. The remaining 250,000 equity shares valued at Rs. 25 lakhs are offered to the public at par.

The authorised capital of the company is Rs. 1 crore made up of 1,000,000 equity shares of Rs. 10 each. Out of the issued capital of Rs. 50 lakhs, equity shares worth Rs. 12.50 lakhs have already been subscribed by directors and their friends. The whole of the issue offered to the public has been underwritten by Industrial Finance Corporation, Life Insurance Corporation, Jardine Henderson Ltd., West Bengal Finance Corporation, Canara Bank Ltd., Central Bank of India Ltd., Place Siddons & Gough (Private) Ltd. and Batliwala & Karani.

The company was incorporated in April 1962, with the object of manufacturing machines, machine tools and die-casting equipment and also to manufacture plastic moulding powders and components. The company is setting up a composite plant at Calcutta to manufacture injection moulding machines and moulds required by the plastics industry. The factory will be located at Taratala Road, Calcutta and will start production towards the middle of 1964. The company has entered into a technical and financial collaboration agreement with Maschinenfabrik Ludwig Engel K.G. of Austria in terms of which the latter will, besides participating in the capital, will make available the necessary technical know-how. Union Carbide India Ltd. will be the sole selling agents of the company.

INDIAN GRAFIC ARTS

Indian Grafic Arts Equipment Co. Ltd. will enter the capital market early next year for public subscription of Rs. 7.35 lakhs. The company has been started in Coimbatore in collaboration with the well-known American printing machinery manufacturers, Messrs. Miehle Gass Bexter (MGB). Besides a block capital of Rs. 75 lakhs, there will be equity shares of the value of Rs. 30 lakhs of which the collaborators will take Rs. 15 lakhs and the Indian partners Rs. 7.65 lakhs. The construction of the factory will start in January, 1964 and within a year the production of platten and cylinder printing machines valued at Rs. 1 crore will commence. In the second stage offset machines and in the third stage newsprint rotary printing machines will be produced.

CENTRAL INDIA SPINNING

The directors of the Central India Spinning, Weaving and Manufacturing Company Ltd. propose to revive the rights issue in view of the improvement in the financial and capital market. Last year the company offered to the shareholders 46,875 new ordinary shares of Rs. 100 at par, but this offer was withdrawn subsequently in view of the Emergency and the slump in the market. The consent order of the Controller of Capital Issues, which was valid up to May 30, 1963, was extended up to December 31, and has now further been extended up to June 30, 1964. There is, however, one change in the revived offer. As the Tata Trusts are no longer in a position to take up their full quota, the undertaking previously given by Tata Sons and associates to take up their quota of 31 per cent of the equity capital, will be modified to the extent

that Tata Sons Private Ltd. and the Sassoon J. David and Company Ltd. alone, who held about 14 per cent of the present issued equity capital, will now take up their full allotment of the proposed new issue. Both these companies have maintained their previous offer to accept at par such shares and additional shares as are not taken up by the other existing ordinary shareholders. These companies have advanced to Central India Spinning a total sum of Rs. 55 lakhs as unsecured short-term loan, a part of which will be adjusted against these shares. The proposed issue of additional capital of Rs. 46.88 lakhs will enable the company to reduce its borrowings besides finding money for rehabilitation of plant.

USHA SPINNING

Usha Spinning and Weaving Mills Ltd. proposes to raise a further capital of Rs. 35 lakhs for its expansion programme, which is likely to involve a capital outlay of over Rs. 1 crore. A sum of Rs. 45 lakhs will be raised by way of loans and another sum of Rs. 15 lakhs by deferred payment guarantee from the Industrial Finance Corporation of India. Machinery worth about Rs. 21.79 lakhs is to be imported and orders for indigenous machinery worth Rs. 24.50 lakhs have already been placed. During its working for the year ended June 30, 1963, the company recorded sales at Rs. 12.47 lakhs. After providing Rs. 2.16 lakhs for depreciation, it has incurred a loss of Rs. 3.55 lakhs. The company's mill is reported to have now gone into effective production and consequently the results are expected to be satisfactory during the current year.

ELGIN MILLS

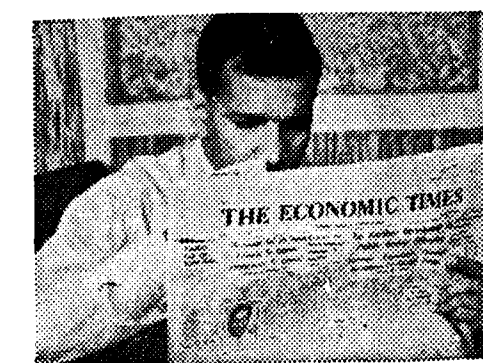
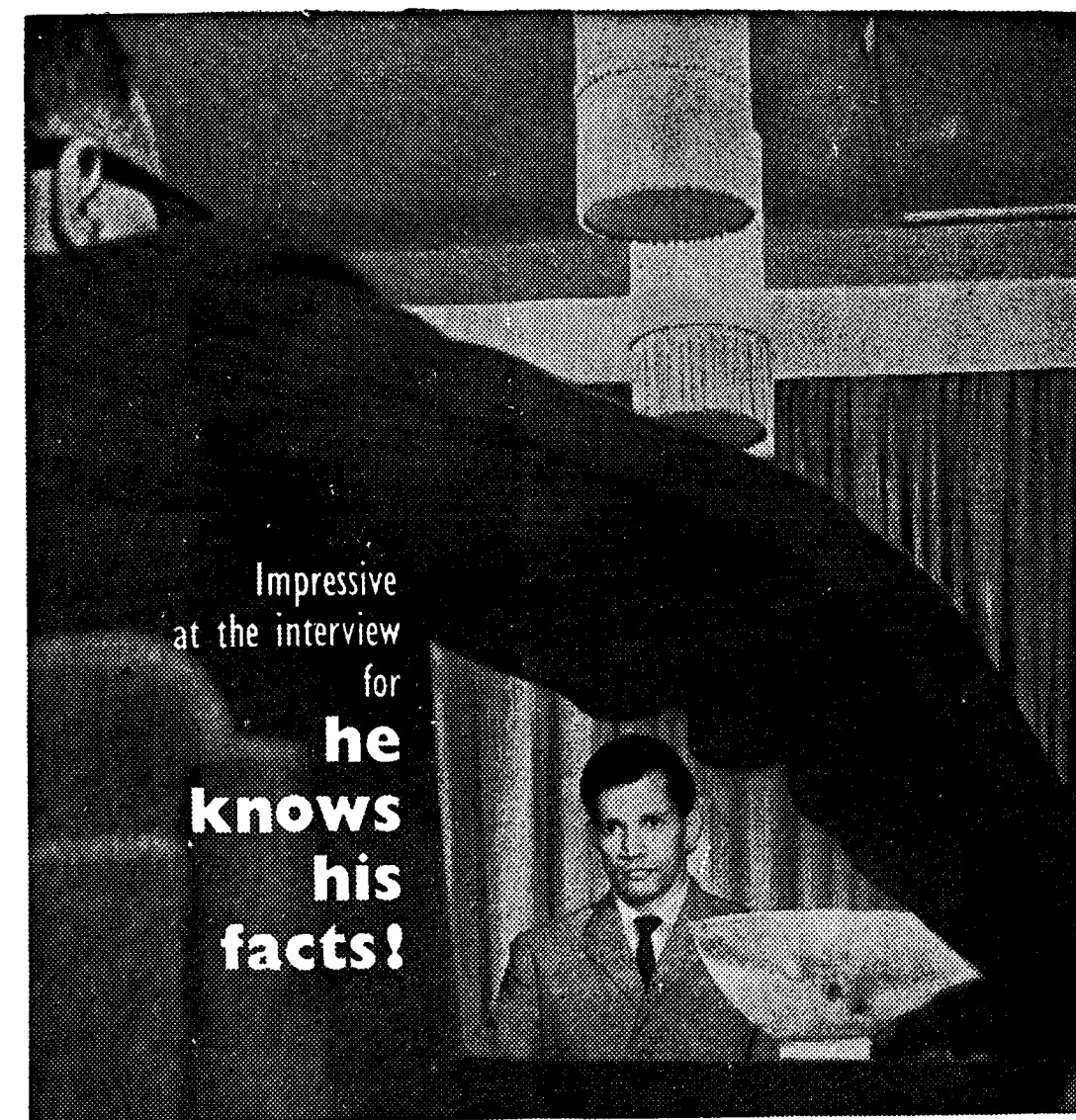
Elgin Mills proposes to issue bonus shares in the ratio of one share for every two shares held, subject to the approval of the Controller of Capital Issues. This will mean the capitalization of a sum of Rs. 31.50 lakhs. The company's total reserves at the end of September, 1962, aggregated to Rs. 2.10 crores out of which, capital reserve alone accounted for Rs. 48.17 lakhs. Its paid-up equity capital now stands at Rs. 63 lakhs.

GENERAL TYRE

General Tyres Limited has received the consent of the Controller of Capital Issues for issuing a capital of Rs. 80 lakhs in 800,000 equity shares of Rs. 10 each in cash at par to the existing shareholders. It also proposes to take additional loan from the Industrial Finance Corporation. The Company is raising these funds to carry out its expansion programme. It received an industrial licence permitting substantial expansion of the installed capacity to the extent of 120,000 tyres, 120,000 tubes and 600,000 kgs. of camel black (rereading materials). After completion of the above expansion scheme, the company's total annual capacity will be 300,000 tyres, 300,000 tubes and 600,000 kgs. of camel black. It is expected that the tyres and tubes will be introduced to the market before the end of the current year. It may be added that the company during the year ended June 30, 1963, has incurred a loss of Rs. 1.83 lakhs against a loss of Rs. 92,882 in the previous year.

MAHENDRA MILLS

The directors of the Mahendra Mills Ltd Ahmedabad, propose to make capital issue of Rs. 43,12,500 divided into 43,125 equity shares of Rs. 100 each. The shares will be offered for cash at par or at such premium as may be fixed by the Controller of Capital Issues. The shares will be offered in the first instance to the existing shareholders in the ratio of one new share for every existing fully paid-up or partly paid-up share. As a large sum is involved in this issue, the directors intend to offer the shares simultaneously to the public after the quota shares and additional shares apply



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December 6, 1963



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EASTERN ECONOMIST

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for by the existing shareholders are disposed of. The partners of the Managing Agent firm have waived their rights to the extent of 3,750 shares, so that the new equity shares can be offered on 1:1 basis. The proceeds of this issue will be utilized to finance the expansion scheme of the company; it has been licensed to install 500 automatic looms.

UNION CARBIDE

Union Carbide India Ltd. has decided to apply to the Controller of Capital Issues for permission to raise its capital by Rs. 1.20 crores by the offer of 1,200,000 equity shares of Rs. 10 each to the existing shareholders in the ratio of three shares for every 7 held at par or at such premium as may be fixed by the Controller of Capital Issues. The present issued capital of the company is Rs. 2.80 crores and the additional capital is intended to provide a part of the capital expenditure for the expansion of chemicals and polythene capacity and the construction of an olefins plant at Trombay.

BATALA ENGINEERING

The Batala Engineering Company Ltd., a subsidiary of Mukand Iron and Steel Works, proposes to raise fresh capital through rights shares to finance its modernisation and expansion plans. It proposes to issue a share capital of Rs. 8,25,440 in ordinary shares of Rs. 10 each to the existing shareholders in the ratio of three new ordinary shares to five existing ones held, at par. It also proposes to increase its authorised capital from Rs. 25 lakhs (200,000 ordinary shares of Rs. 10 each and 5,000 preference shares of Rs. 100 each) to Rs. 80 lakhs (600,000 ordinary shares of Rs. 10 each, 5,000 preference shares of Rs. 100 each and Rs. 15 lakhs in unclassified shares). Special resolutions to approve the changes in the capital structure of the company and the issue of fresh capital will be placed before the extraordinary general meeting to be held on December 17.

GOODYEAR'S OUTPUT

Goodyear India achieved during the month of September a record output of 38,005 tyres against 15,324 tyres for the corresponding month of last year, at its Ballabgarh factory. It is stated that production improved in spite of various problems, such as power shortage, faced by the company. New planned production programmes, it is reported, have proved very successful. Modern techniques and large switchover to the finest raw materials have helped to improve the products of the company substantially.

JAY ENGINEERING

Jay Engineering Works Ltd. for the year ended March 31, 1963, has recorded higher production and higher sales, but this improvement has not been reflected in profits. Total sales were computed at Rs. 10.79 crores as against Rs. 9.43 crores last year. But the net profit after providing for depreciation and taxation is Rs. 26.05 lakhs against Rs. 32.79 lakhs in the previous year. This decline in profit was essentially due to an increase in excise and import duties on raw materials, increase in railway freights, emergency war risks insurance and provision for provident fund on production bonus earnings as a result of the Supreme Court judgment with retrospective effect from January, 1960. The company also registered a loss in its Hyderabad factory. Provision for depreciation has been raised to Rs. 32.51 lakhs and provision for development rebate reserve is also higher at Rs. 5.40 lakhs for development last year's Rs. 2 lakhs. The directors have proposed to pay a taxable dividend of 10 per cent on the equity shares.

The company has continued its extensive export drive and has registered a 20 per cent rise in export earnings which touched a figure of Rs. 1.1 crore. This figure could have been higher, but for continued import restrictions in certain countries. With regard to prospects for the current year, the directors have stated that the problem of power shortage continues to hamper production. The operations in Hydera-

bad company are still not satisfactory. In regard to the formation of a subsidiary company in Ceylon to be called Usha Industries Ltd. the directors have stated that assembly operations have already started although import restrictions imposed by the Ceylon Government are proving restrictive.

TUBE INVESTMENT

In spite of a drastic power cut and shortage of raw materials, Tube Investments of India Ltd. reported satisfactory results for the year to July 31, 1963. After providing Rs. 3.22 lakhs for development rebate reserve, Rs. 40.43 lakhs for depreciation and Rs. 45.25 lakhs for taxation, the net profit is Rs. 40.08 lakhs which is higher than last year's figure of Rs. 36.87 lakhs. The directors have provided Rs. 13 lakhs for general reserve, Rs. two lakhs for dividend equalisation reserve and Rs. 3.57 lakhs for the additional provision for tax liabilities in respect of the previous year. The ordinary dividend is maintained at 10 per cent, less tax, which will absorb Rs. 25 lakhs.

The directors have reported that the output of TI Cycles of India was about 10 per cent lower than in the previous year which was attributed to continued scarcity of steel skelp and strips and a severe cut in the value of import licences which in turn restricted the import of essential consumer stores, mostly chemicals. A drastic power cut which extended over a period of two weeks compelled the virtual closure of the factory. This was, however, the first year when the company used raw materials mostly from indigenous sources. Production of Tube Products of India Ltd. also suffered a similar setback for nearly the same reasons. The directors have complained that the steel supplied by Rourkela Steel Mill was not of the requisite quality, and the manufacturing defects became manifest only after the steel had been processed. The cold rolling mills produced good results in its first completed year.

TATA HYDRO COMPANIES

The Tata Group of Hydro Electric Companies has maintained the interim dividends at three per cent for the year ended March 31, 1962. The Tata Power Company Ltd. and the Andhra Valley Power Supply Company Ltd have each declared a dividend of Rs. 30 per share on the equity capital and the Tata Hydro-electric Power Supply Company Ltd. has announced a distribution of Rs. three per share.

NEW STANDARD ENGINEERING

New Standard Engineering Co. Ltd. has been advised by the Income Tax authorities that the benefit of exempt profits under Section 84 of the Income Tax Act, 1961, be made available to both preference and equity shareholders in the ratio of exempt profits to total dividends declared. The company, it may be added, had sought the advice of the Central Board of Revenue in regard to the claim of preference shareholders in exempt profits under the above stated Act. Pending further clarification from the Central Board of Revenue, the company had deducted tax at the standard rate of 30 per cent from the dividends on the preference as well as equity shares.

CAPITAL ISSUES

Four companies have been authorized to raise capital amounting to Rs. 1.38 crores. The consent of the Controller of Capital Issues is valid for 12 months.

Raj Prakash Spinning Mills Limited is to issue capital of Rs. 30 lakhs in shares of Rs. 100 each — Rs. 25 lakhs equity and Rs. 5 lakhs in 9.3 per cent preference shares — for cash at par. Equity shares of the value of Rs. 15 lakhs and entire preference shares will be offered to the public by prospectus. The proceeds will be utilized in the establishment of a spinning mill with a capacity of 12,000 cotton yarn spindles.

Wyman-Gordon India Limited, Bombay, is issuing further capital of Rs. 25 lakhs divided into 25,000 equity shares of Rs. 100 each for cash at par, to be issued to the existing share-

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holders on rights basis. Out of this, shares of the value of Rs. 12.50 lakhs will be issued to Wyman Gordon Company of the U.S. The proceeds of the issue will be utilized for financing the expansion of the forge plant.

Gammon India Limited, Bombay, is to issue further capital of Rs. 73 lakhs consisting of Rs. 23 lakhs divided into 2,30,000 equity shares of Rs. 10 each on rights basis in the ratio of one for every 5 shares held for cash at a premium of Rs. 1.50 per share and Rs. 50 lakhs divided into 50,000 9.3 per cent redeemable preference shares of Rs. 100 for cash at par to be issued to the public by prospectus. The proceeds of the issue will be utilised for carrying on the business as civil engineers and contractors.

Sri Anjaneya Cotton Mills (P) Ltd., Devangere (Mysore), is to issue further capital of Rs. 10 lakhs divided into 200 equity shares of Rs. 5,000 each for cash at par, to be subscribed privately by the directors and their friends. The proceeds will be utilized for purchasing textile machinery.

LICENCES ISSUED

The following licences have been issued under the Industries (Development and Regulation) Act, 1951 during the week ending 23rd November, 1963. This list contains the names and addresses of the licensees, the articles of manufacture and annual installed capacity.

IRON & STEEL

Jessop and Co. Ltd., P.O. Box No. 108, 63, Netaji Subhas Road, Calcutta-1 (Sondlia, 24-Parganas, West Bengal) — Steel castings 6,000 tons. Shri Suresh Vakil, Bombay, Proposed name: M/s. Cambay Industries, 40, Veer Nariman Road, Bombay-1 (Cambay, Gujarat) — S.G. iron castings 900 tons. Kamani Engineering Corporation Ltd., Agra Road, Kurla (North) Bombay-70 (Jaipur or Bharatpur, Rajasthan) — Transmission towers 24,000 tons, Heavy structurals 6,000 tons, H.T. bolts and nuts 6,000 tons, Shifting of above capacity of 36,000 tons from Maharashtra to Rajasthan.

ELECTRICAL FANS

Steel Plant Private Ltd., "Shivaenum" 205, Dr. A Besant Road, Worli, Bombay (Maharashtra) — Industrial blowers 1,800 Nos.

ELECTRICAL LAMPS

Shri D. N. Bhowmik, 9, East Road, Jadavpur, Calcutta-32, Proposed name: M/s. Orissa Electric Lamp and Glass Industries Ltd. (Bhubaneswar, Orissa) — GLS lamps 6 million Nos.

ELECTRICAL EQUIPMENT

Semiconductors Ltd. Advani Chambers, Sir, P.M. Road, Fort, Bombay-1 (Poona, Maharashtra) — (i) Transistors and diodes 6 lakhs Nos. (ii) Thermistors 72,000 Nos.

WIRELESS COMMUNICATION APPARATUS

Philips India Ltd., 7, Justice Chandra Madhab Road, Calcutta-20 (West Bengal) — Tranceiver (wireless communication apparatus type DA/PRC/261 for meeting the requirements of Ministry of Defence) 1800 Nos.

AUTOMOBILES

Auto-Cy Machine Products, Ghelabhai Mansion, 34, Chowpaty Road, Bombay-7 (Bhavnagar, Gujarat) — Tyre tube valves for automobiles, (change of location from Bangalore Mysore State, to Bhavnagar Gujarat).

CEMENT MACHINERY

Walchandnagar Industries Ltd., Construction House, Ballard Estate, Bombay-1 (Walchandnagar, Distt. Poona, Maharashtra) — Complete standard plant having a capacity of 600 tonnes per day — one plant.

MACHINE TOOLS

Mysore Kirloskar Ltd., Yantrapur P.O., Harihar (Yantrapur, Mysore) — Automatic production lathes (Monomatic Model) No. 20H 18 Nos.

PLASTIC MOULDED GOODS

Synthetic Moulders Ltd., 53, Netaji Subhas Road, Calcutta-1 (42, Biren Roy Road (West) Behala, Calcutta, West

Bengal) — Plastic moulded goods-machine capacity one injection moulding machine-capacity 60 oz.

INSECTICIDES

Pesticides Ltd., 28, Sayani Road, Bombay-28 (Maharashtra) — Ethylene dichloride 3,000 tonnes.

DRUGS & PHARMACEUTICALS

Rallis India Ltd., Teddington Chemical Factory Division, 21, Ravelin Street, Bombay-1 (Maharashtra) — Annual Capacity: (i) Multivitamin with minerals—dragees—60,00,000 dragees, (ii) Emetine hydro chloride injections B. P. 30mg/ml — 72,000 x 1 ml ampoules, 60 mg/ml — 36,000 x 1 ampoules. (iii) Emetine and bismuth iodide — tablets 60 mg — 36,00,000 tablets. Rallis (India) Ltd., Ralli House, 21, Ravelin Street, Bombay-1 (Maharashtra) — Antacid tablet 60,00,000 tablets, Acrosal spray bandage 45,000 pieces.

WOOLLEN TEXTILES

Oswal Woollen Mills Ltd., Miller Ganj, Ludhiana (Punjab) — Automatic looms for manufacture of woollen textiles and barrack blankets 24 Nos. Shree Digvijaya Woollen Mills Ltd., Aerodrome Road, Jamnagar (Gujarat) — Automatic looms for manufacture of woollen textiles and barrack blankets 24 Nos. The Punjab Woollen Textile Mills, G.T. Road, Chheharta (Amritsar, Punjab) — Automatic looms for manufacture of woollen textiles and barrack blankets — 24 Nos. Kabir Woollen Mills Industrial Area 'A', Ludhiana (Punjab) — Automatic looms for manufacture of Woollen textiles and barrack blankets — 24 Nos. Bharat Woollen Mills Ltd., 11, Esplanade East, Calcutta-1 (Dulhipur, Mughalsara, Uttar Pradesh) — Automatic looms for manufacture of barrack blankets — 24 Nos. Model Woollen Mills, 4-C, Vulcan Insurance Bldg., Veer Nariman Rd., Bombay-1 (Thana Maharashtra) — Automatic looms for manufacture of woollen textiles and barrack blankets — 24 Nos. The Raymond Woollen Mills Ltd., Pokhara Road, P.O. Jekegram, Thana (Thana, Maharashtra) — Automatic looms for manufacture of woollen textiles and barrack blankets — 24 Nos. E. Sefton & Co. Private Ltd., Mirzapur, U.P. (Mirzapur, Uttar Pradesh) — Automatic looms for manufacture of woollen textiles and barrack blankets — 24 Nos.

SYNTHETIC FIBRES

Plastic Packaging (P) Ltd., Chowpatty Chambers, Bombay-7 (Maharashtra) — Nylon technical multifilaments 15 tons per month.

FIRE BRICKS

Shri S. Suryanarayan, C/o Srinagar Housing Syndicate, North Avenue, Srinagar, Guindy, Madras-15, Proposed name: "Ideal Brick Works" (Chithathur Hamlet, Sriperumbudur Taluk, Distt. Chingleput, Madras) — Bricks 3,60,00,000 Nos.

CHANGE IN NAMES (Owners or Undertakings)

During the week ending 23rd November, 1963
(The information pertains to particular licences)
From M/s. British Physical Laboratory India Private Ltd., Ernakuam to M/s. British Physical Laboratories India Private Ltd., Ernakuam.

LICENCES REVOKED OR SURRENDERED

During the week ending 23rd November, 1963
(The information pertains to particular licences)
M/s. Kishanchand Partabrai, Bombay — Electric resistance welded steel tubes. M/s. Central Automobiles Private Ltd., Bombay (Name of the undertaking) M/s. Ashok Auto Industries Private Ltd., Bombay — Thin walled bearings and bushes. Shri S. H. Kelkar, Poona (Name of the undertaking) M/s. G.K. Aromatics Private Ltd., Bombay — Aromatic chemicals and perfumery compounds. M/s. Surajmal Mehta & Co., Calcutta (Name of the undertaking) M/s. Delhi Oxygen Ltd., Ballabgarh — Oxygen and dissolved acetylene cases. M/s. Swaika Oil Mills, Calcutta — Cottonseed oil. Shri N. N. Banerjee, Bombay — Glass tubings. M/s. Rajasthan Ceramic Industries, Bombay — High tension and low tension insulators.

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BOOKS BRIEFLY

The World of Oil

An Economic Geography of Oil: By Peter R. Odell; G. Bell & Sons Ltd., London; Price 22s. 6d. nett.

Reviewed by W. B. MATRE

THIS BOOK aims at a basic geographical analysis of the various activities of the oil industry throughout the world, together with their impact on national economy and deals with the pattern of world oil supply and demand, refining, transport and distribution. In discussing the various estimates of recoverable oil in the world, the author points out that opinion mainly in political circles that the world is running out of oil is not well-founded. However, some of the figures quoted for ultimate reserves seem to be too optimistic on the basis of our present knowledge. It is probably true that we could succeed in discovering all that oil provided someone can tell us exactly where it lies!

In discussing the importance of recovering more oil from the various pools, the author has traced the importance of secondary recovery and has drawn attention to the effect of crude production costs and price of crude. It is generally being realized in the USA that even a slight increase in the price of crude would enable operators to produce more oil which cannot now be economically produced.*

In the light of the present shortage of metallurgical coal in India to meet the requirements of the expanding steel industry, the reference to the new method of fuel oil injection into the blast furnaces, reducing the coke consumption by up to 30 per cent seems of particular interest to India and it should be worthwhile checking the claim that this reduces the overall cost of production of steel. The experience of Venezuela, Brazil, Argentina and Mexico, where steel plants based on the use of oil/natural gas are contemplated, should be of considerable interest to other countries with shortage of reserves of coking coal.

In view of the dearth of authentic information on the fuel efficiency of the various sources of energy, it seems unfortunate that this subject has not received much attention from the author. He, however, quotes that as a result of widespread replacement of steam by diesel traction on the railways, one ton of diesel fuel, which has the equivalent in heat value of about 1.5 tons of coal, can save up to 7 tons of coal and that as a result of rail dieselization the annual saving in the United States is of the order of 50 million tons of coal per annum.

In discussing the price of crude and its effect on national economies of the producing countries, the author gives some quite interesting information, including a reference to discounts of as high as an equivalent of Rs. 20 per ton representing a discount of about 30 per cent on the posted price.

It is to be regretted that this book, dealing with the world oil industry, refers only casually to the Indo-Pakistan sub-continent and China which together constitute a substantial part of this globe and are using oil in increasing amounts. The other countries in South-Eastern Asia and the Far East also do not receive much attention.

In view of the popular misconception that over a large part of the world the oil industry suffers from lack of com-

petition, it is interesting to read an unbiased opinion on the role of the major international oil companies and the 'independents'. As some one humorously pointed out recently, the hundreds of smaller independent companies help sharpen competition in petroleum to something comparable to Olympic standards. The role of USSR and ENI of Italy in bringing down the price structure in the oil industry is also discussed impartially.

The author is to be congratulated on the high standard of compilation and on the accuracy with which he has covered the vast statistical data on oil. The reviewer has, however, noted a few small errors which are discussed below.

The author states (p. 8) that "the deepest production is from a depth of 25,000 ft. compared with only 7,500 ft. in 1927." It is pertinent to record here that though the deepest well drilled so far is 25,340 ft. deep, commercial production of oil has not been obtained from depths below 21,470 ft.; this record holder was abandoned in 1962. The present deepest producer is producing gas from a depth of 19,895 ft. only. Similarly the deepest well in 1927 was 8,046 ft., whereas the deepest production at that time was from 7,591 ft.

There are also minor errors of punctuation on page 9 and page 11. However, these are relatively small points which detract only slightly from the quality and accuracy of the publication.

POLAND AS TRADER

Polish Exporter 2-3 (56-57) 1963: Published by the Polish Chamber of Foreign Trade; Pages 88.

THE POLISH Exporter, a quarterly publication in English and French, published by the Polish Chamber of Foreign Trade, is by now well-known for its basic information on Poland's economy, science and technology, the achievements and possibilities of foreign trade, latest production, export novelties etc. The issue under review carries information on the range of goods exported from Poland and the activity of the various Polish foreign trade firms. There are many interesting articles on subjects such as the development of economic relations between Poland and the Afro-Asian countries and machine tool exports to Africa and the Near East. The export of pneumatic tools, wood and paper articles, tyres and rubber technical articles, electric welding equipment, installation accessories, electrical equipment for hard coal mines etc. are dealt with separately in a precise manner.

It is interesting to observe that, while in 1959, Polish exports to Asia were running at some \$16.7 million and to Africa at a mere \$1.9 million, the figures had risen by 1961 to \$64.4 million and \$18.9 million respectively. The rate of growth in Poland's foreign trade turnover with these countries was much higher than the rate of growth of Poland's foreign trade turnover as a whole. If the purpose of this special issue is mainly to familiarize African and Asian leaders with Poland's export capacity, it has been well served. The get-up and lay-out are good, and it could well serve as a model for other countries doing publicity in export promotion.

* Robert L. Wood, then President of the Independent Producers' Association, had pointed out more than 15 years ago that an increase in price of crude of 50 cents a barrel would enable the industry to drill additional 9,000 more wells to reduce imports to USA totalling an equivalent of Rs. 600 crores a year and will yield 150 million barrels of oil, which would otherwise be lost on account of high cost of production. It was then pointed out that over 9,000 poor producers which were abandoned in 1945, on account of comparatively low prices then prevailing, could have economically produced an additional 345 million barrels of oil if the selling price were increased by 25 cents per barrel i.e. approximately half anna per imperial gallon. The figures for 50 cents and 75 cents increases were given as 1256 and 1825 million barrels (based on Uren's "Petroleum Production Engineering," 1950 edition, p. 24).

RECORDS AND STATISTICS

Mid-Term Appraisal of Third Plan

DURING THE past two years, India has made substantial progress in sectors like Transport, Power, Coal, Machine Building and basic industries. But the annual rate of increase in National Income in the first two years of the third Plan has been of the order of only 2.5 per cent, largely because of a setback in agriculture.

There has been, however, no proportionate setback in investment which has, in fact, increased steadily and has been at high levels in several strategic areas. During the first three years of the third Plan, the total plan outlay in the public sector is expected to be Rs. 4,198 crores. Over the five years of the Plan, subject to availability of resources, the total outlay is now expected to be about Rs. 8,000 crores.

Foreign exchange position continued to be difficult. Although commitments to the extent of Rs. 2,100 crores are now in sight, additional non-project assistance needed over the next two years amounts to Rs. 450 crores.

During the first year of the Plan, the general price index declined by 3.6 per cent and in the second year it rose by 3 per cent. But since March last it has risen by over 8 per cent. The bulk of the increase has been in food articles, especially rice, sugar and gur.

These facts are contained in the Report on the Mid-Term Appraisal of the third five-year Plan (1961-66) prepared by the Planning Commission, which was presented to Parliament on November 25.

NDC's Endorsement

The Report was considered by the National Development Council at its twentieth meeting held on November 8 and 9, 1963. The Council broadly agreed with the findings and recommendations of the Planning Commission and decided that the Central and State Governments should proceed, as a matter of urgency, to take all necessary steps to correct the existing deficiencies and ensure the realisation of the objectives and targets of the third Plan. The Council reviewed progress in agriculture and drew attention to some of the principal directions in which efforts to increase agricultural production should be intensified. It also proposed action in other fields, such as the speedy completion of projects likely to yield early benefits, supply of raw materials for small industries and steps to bring about qualitative improvements in education and to accelerate the programme for family planning. The Council also urged that special consideration should be given to the elementary needs of the people such as the supply of drinking water in rural areas, urgent social problems like slums and unsatisfactory living conditions, and the development of the more backward regions in different States. Finally, the Council decided that in the light of the Planning Commission's appraisal report, State Governments and Central Ministries should take specific measures to improve their machinery for planning, raise the levels of administrative efficiency and strengthen the implementation of development programmes in different sectors. The Council reviewed progress in the implementation of land reform and considered that the speedy execution of the programme of land reform was vital for increasing agricultural production and strengthening the rural economy. It called upon all State Governments to complete the implementation of their land reform programmes before the end of the third Plan. The Council constituted a Committee of Chief Ministers under the chairmanship of the Minis-

ter of Home Affairs to review at regular intervals progress of land reform in different States and to suggest measures for strengthening and improving implementation.

The Planning Commission's mid-term appraisal of the third Plan has also been considered by the Central Government who have generally approved of the suggestions contained in it. Among the suggestions approved are the following. Firstly, in all important fields project studies should be undertaken as part of continuing programmes of work. Early strengthening of technical organisations for project studies and designs is essential for ensuring that changes in cost estimates are kept to the minimum and construction schedules are maintained. This will also facilitate advance action in relation to future projects and make for greater continuity in planning. Secondly, the question of reducing costs has to be pursued systematically. For this purpose, besides high level technical committees for reduction in construction costs at the national and State levels, heads of major projects should be given the assistance of well-equipped cost reduction units. Thirdly, specific programmes for import substitution should be worked out in respect of components, raw materials and equipment in different industries. These have to be based on forward planning for the co-ordinated use of the available indigenous capacities and utilisation of the results of scientific and technological research.

To secure complete co-ordination between different agencies at the national level in matters relating to agricultural development, the Central Government have also decided to constitute an Agricultural Production Board under the chairmanship of the Minister of Food and Agriculture.

The Appraisal Report emphasizes that in the implementation of plans and policies there is need for greater emphasis on the social objectives of planned development, in particular, on bringing about reduction in disparities in income and wealth and ensuring the basic necessities to the weaker sections of the population. On these aspects of development, a number of proposals were set out in the third Plan, including those relating to expansion of opportunities for employment, development of education and social services, grants of scholarships and other forms of aid, provision of minimum amenities in rural areas, extension of social security and adoption of appropriate fiscal and other policies.

Effect of Emergency

The Report draws attention to the fact that for over a year the third Plan has been implemented against the background of a serious threat to national security and a continuing emergency which has brought new burdens and responsibilities. The National Development Council viewed the Plan as an integral part of the national defence and in November 1962, called for its successful and speedy implementation with the necessary reorientation to meet the emergency. Accordingly, the immediate priorities of the Plan were re-examined with a view to adapting it to the urgent requirements of defence. In particular, plans for industry, transport, power and scientific and technical manpower were stepped up and a larger agricultural effort was proposed. Economies in construction and in the use of scarce materials were also stressed.

Efforts to mobilise resources for development, which were already under way, were considerably enlarged under the

stress of the emergency. Against a target of additional taxation of Rs. 1,750 crores indicated in the third Plan, during the first three years of the Plan, the Central and State Governments have undertaken taxation yielding about Rs. 2,400 crores over the Plan period. Investment in many strategic areas has been at a high level and has also increased steadily from year to year. With assistance from friendly countries and from international agencies, foreign exchange requirements have been substantially covered in some sectors, notably in power, expansion of steel plants, railways, ports and oil. However, in a number of important fields there are still significant gaps and import requirements for components and raw materials are not being adequately met.

The first year of the third Plan was marked by power shortage and transport difficulties, specially in respect of coal. A series of short-term measures were taken to deal with these problems. At the same time, to avoid imbalance in the future, plans for the development of power and transport were augmented appreciably. From the beginning, efforts have also been made to intensify the programme for agricultural development and to improve its implementation. More recently, high level study teams were sent out to confer with the States and devise further measures for accelerating agricultural production. The progress of industrial programmes has also been closely followed and steps to improve the pace of utilisation of external assistance allocated to projects have received special attention.

Financial Position

Budgetary outlay of the Central and State Governments, covering both developmental and non-developmental expenditure, increased substantially during the third Plan period. Normal tax receipts have turned out more buoyant than estimated earlier. However, non-Plan expenditures, particularly those connected with national security, have also shown large increase. The tax measures taken so far by the Centre will yield roughly Rs. 1,900 crores, about Rs. 800 crores more than the target. However, the contribution of the States, indicated at Rs. 610 crores, would be short by about Rs. 185 crores on the basis of the measures taken in the first three years.

The cost of third Plan public sector programmes was initially reckoned at Rs. 8,300 crores against the financial provision of Rs. 7,500 crores. Since then some additions have been made in Transport, Communications and Power programmes. Considering the actual pace of implementation, however, the total outlay over the Plan period in the public sector, subject to availability of resources, might be close to Rs. 8,000 crores, out of which Rs. 4,198 crores is expected to be spent in the first three years. While efforts to mobilise resources have been on the whole encouraging, there are some States which are experiencing difficulties in raising resources on the scale envisaged in the Plan. Additional taxation undertaken in these States has been low in comparison with their initial targets. These States will find it difficult to fulfil their plans without further steps to strengthen their financial position.

Agriculture

In the third Plan the greatest emphasis was placed on agriculture, which obviously holds the key to rapid economic growth. During the first two years of the Plan, seasonal conditions were unfavourable, and the actual levels of production of foodgrains and other crops did not correspond with the efforts made to increase agricultural production. In the nature of things, in a country like India in which, over large areas, the volume and distribution of rainfall are a decisive factor in agriculture, it is difficult to achieve a steady rate of growth in agricultural production from year to year. This makes it all the more essential to secure high yields per acre

in areas with irrigation and assured rainfall. In the scheme of development, greater emphasis has to be given to the development of scientific and progressive agriculture in an intensive manner in areas with relatively favourable agricultural conditions. This approach is being followed in a number of areas which have been marked out for intensive development. Efforts are also being made to make available for agricultural development increasing resources in finance, supplies and personnel.

The index number of agricultural production which increased from 116.8 in 1955-56 to 139.6 in 1960-61 rose to 141.4 in 1961-62 and fell to 136.8 (provisional) in 1962-63. Foodgrains production which had gone up to 79.7 million tons in 1961-62 declined to 77.5 million tons in 1962-63. On present indications, in comparison with estimates in the third Plan, there may be a shortfall of the order of 3 to 5 million tons in the output of foodgrains. There may also be some shortfall in cotton and oil seeds. In respect of jute and sugarcane, however, the estimates of production are expected to be achieved. The estimates for rubber, coffee, tea and tobacco are also likely to be realised.

The Report notes that until recently organisational and administrative efforts and resources devoted to the implementation of agricultural production programmes have not been commensurate with the requirements of the Plan and makes a number of suggestions for strengthening the implementation of agricultural development programmes and intensifying production efforts, especially in areas with irrigation and assured rainfall and in those selected for the intensive development of different crops.

Achievements

Achievements during the first three years of the Plan include increases in the area benefiting from minor irrigation programmes by 7 million acres, soil conservation programmes 4.4 million acres, improved seeds 46 million acres, green manuring 12.3 million acres, plant protection measures 6 million acres and increase in the supply of nitrogenous fertilisers from 200,000 tons to 450,000 tons (in terms of N.). Intensive Agricultural District Programme now extends to 17 districts. Intensive development of rice and millets has been taken up in 40 and 76 districts respectively, and of cotton, jute and sugarcane in a number of selected areas. The number of community development blocks have increased from 3,100 to 5,183, thus covering almost the entire rural area. A number of steps have been taken to re-orient the community development programmes so as to secure greater concentration on agricultural production. The Rural Works Programme now covers more than 800 community development blocks and is proposed to be extended during the next two years to another 1,000 to 1,200 blocks.

Although the rate of utilisation of irrigation potential has steadily increased in recent years, there is still an unutilised potential estimated at 3 million acres. It is imperative to improve the utilisation of irrigation potential further by intensifying programmes of field channel construction and related measures of development.

The prospects for the current year's crop seem to be good and it is hoped that in the remaining years of the Plan the lag in agricultural production observed in the past will be overcome.

Industry

Since the beginning of the second Plan, valuable experience has been gained in planning for industrial development and executing industrial projects. The importance of co-ordination and inter-related planning for industry, power and

transport is fully appreciated, and the Ministries concerned and the Planning Commission endeavour to maintain a close watch on common problems in these sectors. It is also recognised that the provision of facilities for power and transport should be undertaken, to the extent possible, well in advance of actual requirements. These considerations have been borne in mind in implementing the third Plan and also in planning for the future. However, there are some aspects where the existing arrangements need to be considerably strengthened. Thus, in a number of projects, anticipated time schedules and estimates of cost have tended to be optimistic. To an extent, changes in these are inevitable, but it is essential that they should be kept to the minimum. This object can be achieved if careful technical and economic studies are undertaken at the stage of planning and systematic programming is undertaken in relation to all phases of a project. From this aspect, the main stress has to be on strengthening the existing technical organisations and, where necessary, establishing new organisations for preparing technical project studies and designs. In major fields, such studies should be undertaken as part of the continuing programmes of work. This would facilitate the correct selection of projects. It would also make for greater continuity in planning so that, as investigations are completed, new projects could be approved for necessary action.

Complementary Roles

In the plans of industrial development, public and private sectors have important complementary role. In the third Plan a wide range of important tasks were assigned to the private sector. However, progress on the part of private sector has lagged behind in a number of key industries. Shortfalls in these fields will have repercussions on future development and it is necessary to devise appropriate means for ensuring that major targets assigned to the private sector are in fact realised in keeping with the requirements of the economy and the scheme of the Plan.

General index of industrial production increased by 6.5 per cent in 1961-62 and 8 per cent in 1962-63 as against the average increase of about 11 per cent visualised in the third Plan. There was significantly larger growth of producer goods and basic industries (e.g. steel, aluminium, machine tools, fertilisers, caustic soda, etc.) compared to the general index. Compared to the level of production in 1960, the output in basic metal industry increased by 26 per cent, metal products by 60 per cent, machinery by 22 per cent and chemical products by 23 per cent.

Investment during the Plan period on public sector programmes is likely to be higher than originally visualised. Projects under Heavy Engineering Corporation, Hindustan Machine Tools, and Heavy Electricals, and the fertiliser plants at Rourkela, Alwaye and Trombay progressed satisfactorily. The three public sector steel plants have attained their targets of 1 million tons of ingot steel each. Work on their expansion programme and on the Bokaro Steel Project has, however, been considerably delayed. Fertiliser units at Naharkatiya and Gorakhpur are behind schedule. Projects for manufacture of ball and roller bearing and compressors are in initial stages. The Phyto-chemical Project (Kerala), Organic Intermediates Project (Maharashtra) and Heavy Plate and Vessel Plant (Wardha) have been considerably delayed.

In the private sector, during the first two years of the Plan, conditions were generally favourable for investment and licences to cover the third Plan targets were issued for a large number of industries. Progress in the private sector in several important industries like alloy tool and steel, aluminium, steel castings and forgings, machine tools, certain types of machinery, cement, fertilisers, paper and newsprint, etc. has been unsatisfactory.

Finished steel output by 1965-66 is likely to be 1 million tons less than the Plan target of 6.8 million tons. The production target of 8 lakh tons of nitrogenous fertilisers is not likely to be achieved mainly on account of the slow progress in the implementation of the private sector's schemes. Production in 1965-66 is likely to amount to 5 lakh tons.

The Report points out that there will be shortfalls in certain crucial sectors of industry and as a result full benefits envisaged in the third Plan will be available only after a year or two, and the fourth Plan will start at a comparatively lower base than originally contemplated.

Coal

Coal production in the last year of the Plan is expected to reach 90 million tonnes as compared to the Plan target of 98.6 million tonnes. This may be sufficient because the total demand is likely to be lower. The output of washed coal in the last year of the Plan is, however, likely to be somewhat less than the requirements.

Power

The installed capacity at the end of the third Plan is expected to be 12.5 million KW. against the target of 12.7 million KW. The Plan target of 45 billion KW hours generated is, however, expected to be achieved and possibly exceeded as a result of likely improvements in the utilisation of planned capacity. In order to mitigate power shortages in certain areas, some additional power schemes have been accepted in the Plan. Also a few schemes for the fourth Plan have been accepted for advance action. Special cells have been set up in the Ministry of Irrigation & Power and the Central Water & Power Commission to assist in implementation of these projects. Power development is now being considered on a regional basis and the recent inter-connection of Rihand Power System with the Bihar-DVC System is a significant development. Steps are being taken to expedite the construction of inter-State transmission lines. Out of 20,000 additional villages expected to be electrified during the third Plan, 7,770 villages have been covered in the first two years of the Plan. The target for rural electrification set for the third Plan is likely to be achieved and perhaps exceeded.

Transport

The transport situation which was difficult when the Plan was formulated improved considerably in 1962 and the improvement has since been maintained. There has been, in particular, improvement in the coal transport position. Substantial additions have been made in the programmes for rail-heads and roads and the estimated expenditure under these heads will now be about Rs. 450 crores higher than the Plan provision. In view of the emergency, road programmes have been considerably expanded. Production of wagons has been stepped up from 1,800 in 1960-61 to 32,000 in 1963-64 (in terms of four-wheelers). During 1964-65 and 1965-66 about 80,000 wagons are expected to be produced. The total road kilometrage was expected to increase from about 230,400 in 1960-61 to 270,400 in 1965-66. During the first two years of the Plan, the total kilometrage is expected to have reached 248,000. As regards shipping, the total tonnage has increased from 8.6 lakh GRT in 1960-61 to 10.6 lakh GRT in 1962-63 and is expected to reach the figure of 15 lakh GRT in 1965-66 as against the Plan target of 10.9 lakh GRT. Programmes relating to communication service have been augmented substantially in view of the emergency.

Exports

The Third Plan had visualised a substantial effort for increase in exports. The programme for exports is now being implemented as an integral part of the country's development plans. There has been already a measure of response, but to

raise the annual level of exports by about a third over the five-year period and to double exports by the end of the fourth Plan, are uphill tasks. In this connection, reference may be made to a problem, which affects production both in the private and the public sectors. There is at present an appreciable gap between the available capacities in a number of industries and the extent to which these are being utilised. In part this is a question of allocating foreign exchange to meet critical shortage of components and raw materials. This difficulty becomes easier to resolve to the extent to which exports expand and external assistance is available for non-project imports. At the same time, it is important that requirements of imported components and raw materials in the future should be kept to the minimum. This calls for systematic import substitution in each industry and forward planning for the effective and co-ordinated use of all available indigenous capacities.

Social Services

A steady expansion has been maintained in both general and technical education at all levels, and Plan targets are likely to be exceeded. At the same time, deterioration in standards is reflected by over-crowding of classes and unfavourable teacher-pupil ratio. Shortage of teachers for technical education and teaching of science is particularly acute. States have been urged to give more attention to measures for maintenance and improvement of standards of education. In view of the emergency, additional facilities have been created for technical education and it is expected that the Plan target of annual admission to technical degree courses will be exceeded by 4,000 and to technical diploma courses by about 10,000. The target of students in schools is likely to be exceeded by 4 million. The number of scholarships and fellowships under various programmes have been substantially increased.

Institutional facilities for medical care have substantially increased during the first two years of the Plan and some of the targets may be exceeded. Primary health units are, however, progressing slowly because of the shortage of doctors.

The number of family planning clinics at the end of the second Plan was 2,136 (1,379 rural and 757 urban). During the first two years of the third Plan, 209 urban and 660 rural clinics have been added, bringing the total number of clinics to 3,005. Facilities for free sterilisation operations have been made available on a fairly wide scale. It is reported that by February 1963, 3.35 lakh persons were sterilised. On the whole, however, total impact of the programme, specially in rural areas, has not been appreciable so far. A Committee has been set up to review and suggest ways and means for improving this.

Plan Implementation

In recent years a wide range of measures to strengthen administration have been taken or initiated, both at the Centre and in the States. Yet, in their practical aspects, problems of implementation are still of formidable dimensions and events since the beginning of the third Plan have further emphasised the need for concentrated and sustained action towards the attainment of high levels of performance, better training of personnel, systematic reporting and evaluation and a greater responsibility and initiative on the part of different agencies within the administrative structure.

A high level Committee on Administration has been constituted within the Central Government. Several States, e.g., Andhra Pradesh, Assam, Gujarat, Madras, Madhya Pradesh, Maharashtra, Mysore and Uttar Pradesh have taken concerted measures to increase administrative efficiency and to bring

close study to bear on their administrative problems. In the immediate post-war period extremely rapid expansion in the business of Government had led to a degree of dilution in personnel and lowering of standards in the disposal of work. For several years, therefore the major concern of Organisation and Methods Units was to improve the general procedures followed in Secretariat Departments and executive agencies.

Two significant developments have been the decentralisation of Central Secretariat Service and the introduction of a new scheme for financial and budgetary control which provides for enhanced delegation of powers to the Ministries. Work studies have been undertaken for simplifying and rationalising methods and procedures. All India Services for Engineering, Forests and Medical & Public Health are being constituted. A proposal for constituting an All-India Agricultural Service is under consideration. A recent study of State Administrative Services shows that in some States Administrative Cadres are inadequate and personnel requirements are frequently under-estimated. It has been recommended that a minimum of 50 per cent of posts in the State Administrative Services should be filled through competitive examinations and special training institutes should be set up for State Services. During the past two or three years, in a number of States steps have been taken to improve the system of reporting on Plan projects and schemes and of evaluation. Efforts have been made to give effect to some of the recommendations made in the third Plan about management of public enterprises. Though considerable advance has been made in terms of skill, experience and organisation, it cannot be claimed that time schedules, cost estimates, flow of benefits and returns on investment generally conform to the basic assumptions made when individual projects were approved. With the object of evolving suitable systems of programming and reporting on performance in projects of different kinds undertaken in the public sector, the Planning Commission is at present engaged in a study of 15 selected projects under industry, minerals, power and transport.

Strengthening States' Machinery

Existing Planning machinery in the States need early strengthening in view of the wide range of responsibilities being cast upon State Governments. The aspects to be specially emphasised are evaluation, manpower planning, mobilisation of resources, technical project studies, arrangements for obtaining statistical information and systematic reporting and review of progress.

In some States there has been recently a degree of pressure to shift funds as between different heads of development, thus departing from the scheme of allocations agreed under the five-year and the annual Plans. Such diversions are likely to cause set-backs in development in fields like agriculture and co-operation and may affect social programmes to which higher priority has been given. It is important that planning procedures in the States should be designed to avoid diversions of funds which may upset national and State priorities.

The Report emphasises that one of the main lessons of the emergency is that defence production and civil production have to be viewed together at each step in terms of a common and continuing economic plan, which comprehends production, transport, power, research, training and use of technical and scientific manpower as well as wider social goals. Already the third Plan had vast administrative implications and called for high standards of efficiency, co-ordination and concentration of resources at vital points and the participation of millions of people in the national endeavour. The emergency has further enhanced the significance of these conditions.

SINO-SOVIET BLOC ECONOMIC GRANTS AND LOANS* TO DEVELOPING COUNTRIES (JAN. 1, 1954 — JUNE 30, 1962)

(U.S. \$ million)

Recipients	Commitments	Disbursements	Recipients	Commitments	Disbursements
Europe	129	126	Asia	3,525	911
Cyprus	1	..	Afghanistan	515	155
Turkey	17	15	Burma	93	7
Yugoslavia	111	111	Cambodia	65	31
Africa	678	86	Ceylon	58	6
Ethiopia	114	6	India	950	224
Guinea	125	45	Indonesia	641	122
Ghana	200	15	Iran	6	6
Mali	100	20	Iraq	216	32
Morocco	5	..	Nepal	55	6
Somali Republic ..	63	..	Pakistan	33	7
Sudan	25	..	Syrian Arab Republic	178	65
Tunisia	46	..	United Arab Republic	..	..
America	567	80	(Egypt)	671	221
Argentina	104	36	Yemen	44	29
Bolivia	2	..			
Brazil	4	4			
Cuba	457	40	GRAND TOTAL	4,899	1,203

*Outside the Bloc and excluding military aid.

Source: "The Flow of Financial Resources to Developing Countries in 1961", O.E.C.D.

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(August 1939 = 100)

Period	Bombay			Delhi	Bengal	U.P.	Bombay	Madhya	Madras	E.P.	All India
	Bombay	Bombay	Ahmedabad	Delhi	Calcutta	Kanpur	Nagpur	Jubbulpur	Madras June 1936=100	Ludhiana	
		June 1934=100	July 1927=100								
1955	322	338	218	130	334	371	364	133	321	134	132
1956	336	352	244	142	347	424	397	151	356	152	145
1957	352	368	269	150	364	448	422	162	375	157	152
1958	376	394	274	150	384	468	447	165	401	157	161
1959	393	412	308	158	384	469	498	163	429	166	168
1960	401	420	296	158	397	476	512	165	467	167	171
1961	412	431	300	167	406	486	495	168	478	172	173
1962*	423	444	302	172	420	511	502	198	484	182	179
1962 April	418	439	300	170	410	491	492	198	480	182	177
May	422	443	303	167	417	491	496	199	480	180	178
June	426	447	307	171	417	505	497	201	484	182	179
July	427	448	309	175	420	515	501	202	487	185	182
August	433	454	308	177	431	530	510	204	488	187	184
September	429	450	310	176	434	525	506	204	488	187	182
October	425	446	306	173	445	522	513	204	487	187	185
November	424	445	300	173	437	518	516	201	487	185	184
December	419	440	290	169	424	504	511	199	488	180	181
1963 January ..	417	438	285	171	417	499	508	199	484	180	179
February	416	437	282	171	427	497	492	199	484	184	178
March	417	438	285	171	431	498	485	201	480	189	179
April*	416	437	290	174	441	498	497	201	483	190	181
May*	419	440	293	174	448	501	500	201	483	187	182
June*	425	446	297	174	448	509	522	202	485	189	185
July*	427	448	—	175	—	530	540	204	487	192	186
August*	428	449	—	177	—	537	541	213	490	194	188
September* ..	433	454	—	179	—	540	552	216	490	194	189
October*	—	—	—	—	—	547	—	—	489	—	—

*Provisional. †Base: 1944 = 100.



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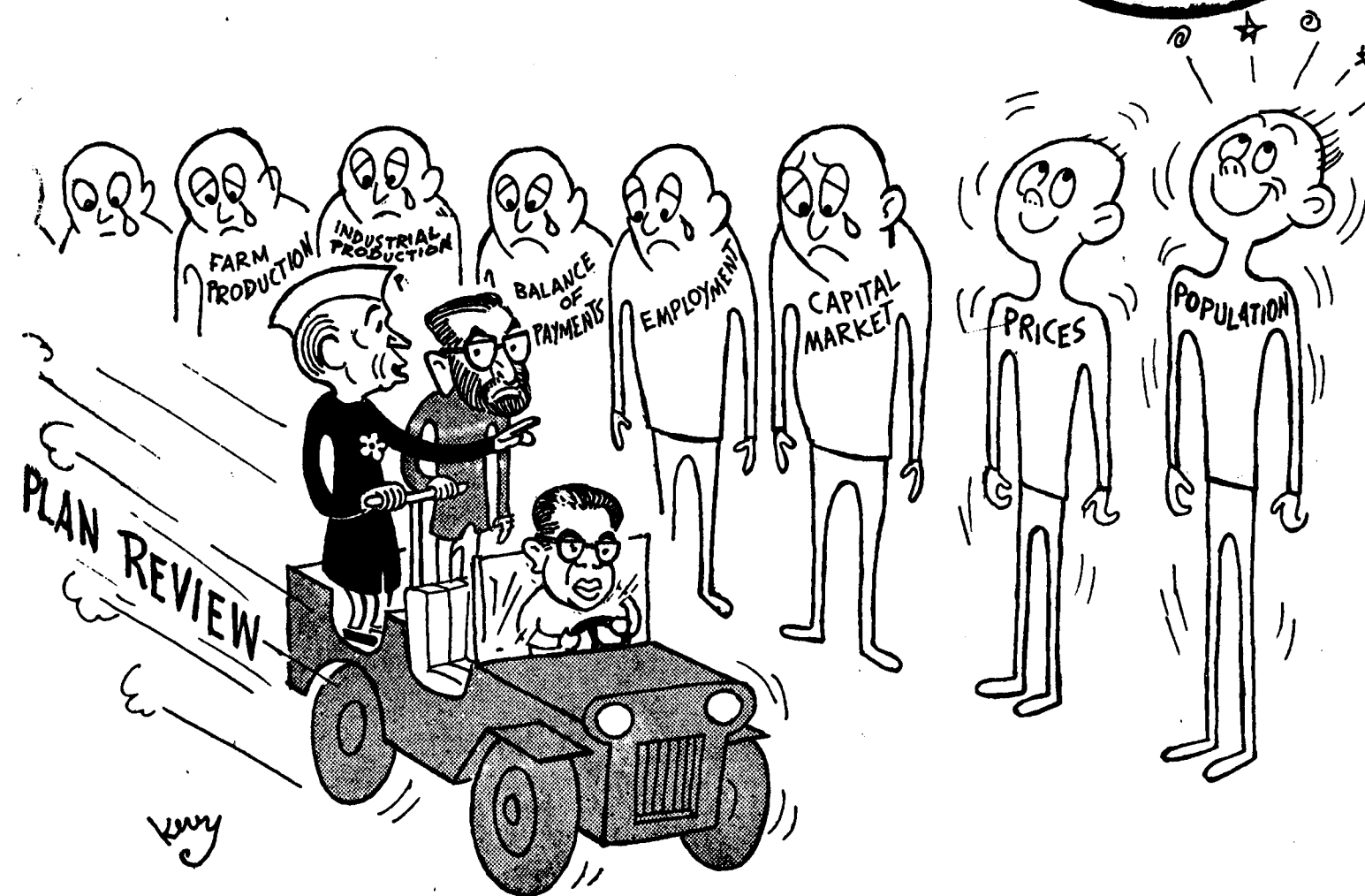
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EASTERN ECONOMIST



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DECEMBER 13, 1963

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A Sop To Cerberus?

HAVING DECIDED presumably not to heed the raucous cry for the nationalisation of banks raised by certain individuals or groups within the Congress Party or other political parties, the Government evidently wants to place as high a price as possible on its moderation—for, it is clear that the only argument of any substance which can at all be advanced in favour of the further restrictions proposed to be imposed on the banking industry in the Banking Laws (Miscellaneous Provisions) Bill introduced in the Lok Sabha recently is that the alternative in demagogic terms to further regulation is nationalisation. We do not know whether this would be officially admitted in the course of the discussion on the Bill, but we would be surprised indeed if no awareness is shown in Parliament of the obvious truth that the additional powers which are planned to be given to the Reserve Bank are hardly functional.

The Reserve Bank is being transformed steadily into a vast policeman whose primary job would be to pry and probe into the detailed functioning of the nation's banking system. Clause 18 of the Bill places the Reserve Bank in the position of a direct and decisive disciplinary authority on the Directors as well as all other employees of the banking company. The Reserve Bank in essence will be a real employer with this difference that, while it will have the authority to hire and fire, it will not have the responsibility for finding the salary or getting the work done. Perhaps the position is even a little worse. Whereas an ordinary employer's right to hire and fire is severely restricted by law or contract, the Reserve Bank's authority in these matters in relation to management and staff of banking companies will be virtually absolute. Indeed—and rather ironically—the Reserve Bank will be more free in hiring or firing the employees of the various banks than it probably is in hiring or firing officials whom it carries on its own pay bill. This is indeed an absurd situation, and it is noteworthy that the Bill itself makes no serious attempt to stuff sense into it. On the contrary, by providing that any Director, Chief Executive Officer or other officer or employee of a banking company or indeed any person associated with a banking company could be removed in the public interest or for preventing the affairs of a banking company being conducted in a manner detrimental to the interest of the depositors or for securing the proper management of any banking company if the Reserve Bank considers it necessary or desirable to do so, the Bill has formally avowed its unashamed arbitrariness.

It is conceded by the Government that the Reserve Bank already has adequate powers for removing the Chairman or other Director, Manager or Chief Executive Officer of a banking company if he has been found by any tribunal or authority, other than a criminal court, to have contravened the provisions of any law in circumstances which make it undesirable for him to continue to be associated with a banking company. For any reasonable Administration interested only in safeguarding the character and integrity of the management of banking companies, these powers surely should have been sufficient. But it is precisely because something more is sought to be done than to disassociate from the management of banking companies persons who have been found to be unsuitable by duly constituted and independent authorities with a judicial bias that the wholly unprincipled provision is made in the Bill that the Reserve Bank, in its own judgment of who is worthy or who is not

worthy, can determine which citizens of this country can be associated with or even work for a banking company and which citizens not. It is all very well to say that these powers are not meant to be used lightly or as a matter of course and that they will be exercised only in grave circumstances calling for their exercise. If that were so, why should the law itself not use language which compels economy in the exercise of these powers rather than leave everything to the good sense of its minions?

In the contemporaneous Company Law Bill, where vast powers are being taken by the Government to remove persons from managerial positions in companies, there is at least a provision — for what it is worth — for an investigation of the grounds for removal by a tribunal and the added, if limited, safeguard that there could be an appeal to a High Court on points of law. But here, in this Bill, the Reserve Bank would be a veritable Hydra in the sense that it could be prosecutor, judge, jury and executioner, all rolled into one. It is important to note here that the Reserve Bank, under its Statute, is free from effective or detailed control by the Government at least with regard to much or most of its administrative functioning. Consequently, there is little real scope for Parliament to look into how well or wisely the wide powers it is being asked to delegate to the Reserve Bank are exercised by that institution. Thus a citizen who may be unfairly or wrongly penalized or punished by the Reserve Bank in terms of the powers conferred on it by this Bill can have no recourse to any remedy or redress.

We do not believe that there is any organ of the Government which can safely be entrusted with such arbitrary powers over the rights of citizens. As for the Reserve Bank, if its history and record are any indication, it is not an institution which can always be expected to use such powers with restraint or solely when public purposes demand their exercise. We do not want to say more here than to point out that, whatever may be the bare letter of the Law as it is, even without this amendment, in actual practice the Governor of the Reserve Bank has always had unnamed and unchartered powers of an informal, but for that reason not less effective, nature for securing the departure from the key posts in banking companies of individuals who are *persona non grata*. These powers moreover do not merely exist, but have been exercised. Finally, they have not always been employed justly or without *mala fides*. This being the case, if this part of the Bill, in its present form, is to pass into Law it will place all bank managements and bank personnel in a bond of servitude for which there is no justification whatsoever. It is true enough that the Reserve Bank will be required to record in writing the reasons for which it may remove a bank Director or official. But this is a poor safeguard since the aggrieved individual has no means of reopening the matter or reversing a decision already taken except perhaps

through a costly process of litigation. When it is borne in mind that the consequence of removal by the Reserve Bank is that the affected person cannot be associated with any banking company in any manner for any period not exceeding five years as may be specified by the Reserve Bank, it must surely be seen that the authority which is sought to be vested in the Reserve Bank is both offensive and excessive.

An explanatory note to Clause 18 says that there is no provision according to the Law as it now stands for the Reserve Bank to make appointments directly on its own initiative to the post of a Director or Chief Executive Officer of a banking company. We do not see why the Government or for that matter the Reserve Bank should make a grievance of this situation. If the purpose is merely regulation, a properly disciplined authority to remove persons who have violated the Law or have otherwise been guilty of conduct which, in the eyes of a judicial or quasi-judicial authority, disqualifies them for being associated with the management of a banking institution should be more than enough. For the Reserve Bank to take powers to appoint its own men to the management and even the staff of banking companies is simply not reasonable. It is a different matter that, in extraordinary circumstances, as a temporary measure and for the carrying out of a specific assignment, a supervisory or regulating authority, following recognized principles and procedures of law and justice, may appoint its own officers or agencies, but to assume arbitrary powers for appointing management or other personnel on vague and general grounds is surely a tyrannical gesture.

We have heard it said that the issue of control of banking establishments is in a special category since

Eastern Economist 20 Years Ago DECEMBER 3, 1943

WHEN IN August last the Government of India allowed the employment of women labour underground in the coalfields of C.P. and Berar, the step rightly invited severe condemnation from a public opinion shocked at the reintroduction of a nineteenth century evil, and from students of industry and trade who were unconvinced of the bogus arguments about coal shortage that were advanced in justification of it. Instead of retracing this ill-conceived step, the Government of India have now come out with an extension of this measure to the coalfields of Bengal and Bihar. They have, of course, accomplished this with their characteristic ease and perversity in such matters. As a sop to an outraged public conscience, the new notification lays down that all women employed underground shall be paid equal wages with men and that no woman shall be employed in galleries less than six feet high, and further promises to employ a woman welfare officer shortly—measures that are more provocative than allaying. The fact that a number of women will surely seek employment now in coal mines cannot alter the moral indefensibility of exploiting their poverty for a form of labour to which they are, by all civilized standards, unsuited.

those who control capital of a bank or even the general body of the shareholders could have only a small financial stake in the form of capital as compared with the far larger stake which depositors have in the form of working funds. We must confess that we are not impressed by this argument. The depositors are free agents. They have a wide choice of banks to which they can take their deposits. From the point of view of any individual bank they are not a permanent community but a floating mass and above all the reasons why they prefer bank 'X' to bank 'Y' for banking their money has surely something to do with the quality of that bank's management as they assess it and the trust they repose in that management. It is therefore neither intelligent nor fair to attempt to treat bank managements as interlopers who have no business to be where they are, to be doing what they are doing. While the Government certainly deserves full praise for dismissing uninformed and politically loaded demands for nationalisation of banks, it would surely be a short-sighted policy on its part to exploit the situation by imposing increasingly unnecessary and altogether unfair restrictions and prohibitions on the functioning of bank managements. This is not the way to promote higher standards of business initiative and enterprise or social responsibility in the banking system at a time when all those qualities are needed urgently and in a vast measure to serve the expanding needs of agriculture, industry and trade for credit facilities and promoting the habit of investment and saving among more and more people in

town and country.

There is an important chapter in the Bill which proposes to extend the authority of the Reserve Bank of India to regulate the working of (a) certain financial institutions, namely, firms, companies or other corporate bodies which are financing trade, industry, commerce and agriculture, and (b) non-banking institutions accepting deposits from members of the general public. The objects in view are (1) the supervision and control of the specified financial institutions in the interest of better or more effective control of credit, and (2) the regulation of the business of acceptance of deposits of these and other non-banking institutions in the public interest. Two valid arguments have been advanced for this extension in the Reserve Bank's jurisdiction. One is that, for purposes of an effective and integrated monetary and credit policy, the Reserve Bank should be enabled to exercise a certain measure of regulatory functions with regard to banking or quasi-banking transactions outside the organised money market. Secondly, even from the point of view of scheduled banks, it has been thought desirable that the Reserve Bank should take powers for regulating the terms on which non-banking institutions, such as manufacturing concerns, receive deposits directly from the public.

It is certainly desirable that these areas of financial transactions should be brought under the purview of the Reserve Bank and it is therefore not necessary to elaborate the need for the extension in the Reserve



EGYPTIAN COTTON

Bank's authority which the Bill contemplates in these directions. This is all the more so because, in the case of institutions such as hire-purchase firms, there is also need to protect the interests of the public and see that there is no exploitation of the ignorance or the helplessness of persons dealing with such agencies. Indeed, it may be necessary for the Central Government to undertake sooner perhaps than is supposed, model legislation for the benefit of State Governments for regulating the activities of certain categories of financial or quasi-financial institutions which are not now being effectively supervised by Law. Besides this, it is also more than likely that the Finance Minister has the feeling at the back of his mind that the extension of the authority of the Reserve Bank proposed here would help him in tracking down what he has been describing as "unaccounted money" and assist him in framing measures for dealing with this problem. This is not necessarily the place where the larger question of whether "unaccounted money" is as serious a problem as is being made out needs to be discussed. But it is only proper to concede that if

the Finance Minister really believes that there is a considerable amount of "unaccounted money" in the economic system, he should certainly take the initial step of empowering the Reserve Bank to explore and investigate this situation. But while the move to extend the area of financial transactions policed, supervised or disciplined by the Reserve Bank is to be generally welcomed, there is a genuine feeling that here again more powers are being taken than are necessary, over a wider area than may be justified. For instance, it has been suggested that under the Bill, as it stands, even a grocer's shop, having some stock-in-trade or allowing credit to customers, could be brought under the purview of the Reserve Bank. Since it is obvious that the Government does not contemplate this kind of situation, it should be possible for the relative provisions of the Bill to be narrowed down and defined strictly to serve precisely the purposes which the Government has in mind. It follows that the least that the Government should do at this stage is to agree to the Bill being referred to a Select Committee for hearing evidence.

Exports of Engineering Goods

THE INCREASINGLY important role played by the engineering industry in augmenting export earnings of the country was highlighted recently at the annual meeting of the Engineering Export Promotion Council held in Calcutta. The total export of engineering goods, excluding steel, during the period from April 1962 to March 1963 was Rs. 8.45 crores against Rs. 7.15 crores in the same period of 1961-62. The trend has since been even more promising in that export earnings from April to September 1963 have been placed at Rs. 6.34 crores as against Rs. 4.33 crores during the corresponding period of the previous year. Speaking at the meeting, the Council's Chairman, Mr. S. L. Kirloskar, expressed the hope that provided the present rate of progress was maintained, the target of Rs. 13 crores fixed for the current year would be well within reach. He said that the immediate aim of the industry was to export at least from eight to 10 per cent of its production and when that became a reality it would not be difficult for the industry to achieve an export earning of Rs. 40 to Rs. 50 crores which could be increased to about Rs. 80 to Rs. 100 crores by the end of the fifth Plan.

Despite the fact that the industry is a comparatively new-comer in the export field and notwithstanding the highly developed state of the engineering industry in western countries, the Indian industry has succeeded in making a successful debut in a number of sophisticated markets. Mr Kirloskar drew attention to a significant feature in the export trade in engineering goods over the past few years: India now exports a wide variety of engineering goods to a number of countries. While acknowledging that the headway in exports has been made possible by the increased assistance now made available to exporters, Mr Kirloskar opined there was room for streamlining such assistance. Supplies of raw

materials are still inadequate and the facilities by way of grant of foreign exchange to salesmen who go abroad leave much to be desired. An important point made by Mr Kirloskar was that a manufacturer's products should be governed by one standard only both in respect of items intended for export and those manufactured for the home market. He further said that the raw materials supplied to the industry should be of the highest quality available.

It would however appear that exporters of engineering goods and for that matter all exporters in the country will get all the help and assistance they will need provided they expand their exports. Addressing the Council meeting Mr Manubhai Shah, Union Minister for International Trade, referred to the steadily growing confidence in India-made goods in world markets. Till a few years ago consumers abroad were under the impression that Indian goods rarely conformed to the required standard but this is now slowly changing. The primary duty of our exporters is to improve "the image of Indian goods abroad." It will however be disastrous to underestimate the magnitude of this task because for most of the products which we export there is a buyer's market and a number of other producers of similar goods are vying with one another to sell more and widely. Two fundamental factors will for ever govern success in exports: quality and price. There is need for emphasising this because

This issue (dated the 13th December, 1963) is the last one for this year. The next issue, which will be dated December 27, will be "Eastern Economist" Annual Number, 1964. A separate announcement regarding the Annual Number appears in this issue.

despite the realisation that there is urgent need for initiating strenuous measures to promote exports, the price factor has not received the attention it must be given. Mr Manubhai Shah warned against complacency in export performance on the strength of the present encouraging trend but the warning should be first addressed to Government itself. For, despite the consensus that the country should continue to depend on its traditional exports for the greater part of its export earnings for a considerable time to come Government still seems to be unmindful of the fact that almost all our traditional exports compare unfavourably in price with those put on world markets by other producers of like commodities. Thus our sacking jute goods are priced out of most of its natural markets by Pakistan while our cotton textiles are losing in almost every market because of their lower quality and higher price. Tea is in much the same plight. These products suffer from a higher production cost and some from lower productivity due to outdated machinery as in the case of our cotton textile industry. As noted by Mr Shah, diversification of products is a 'must' but so long as the fundamental problem of price is not tackled satisfactorily our effort at maximising export may be confronted by serious obstacles.

The present position therefore is that in regard to a number of commodities and manufactures, exports are possible only at a loss because of the disparity between internal and international prices for these items. And it is hard to expect general response from the manufacturers to prefer selling abroad at a loss rather than to selling their products in the home market and reap a profit. It is therefore gratifying that at long last Government has realised that no exporter should be asked to sell his products abroad at a loss. Mr Shah indicated that with the conversion of the Export Risks Insurance Corporation into the broader based Export Credit and Guarantee Corporation, the present difficulty would largely disappear as the new body would be able to give the necessary guarantee to the exporters so that they could embark confidently on expanding their sales overseas.

Some constructive suggestions have also been made by Mr Shah in the implementing of which the industries need only their own co-operation. Referring particularly to some of the difficulties encountered by the Engineering industry, Mr Shah mooted the idea of raw material banks situated at central places in the regions where the engineering industry is concentrated. Evidently the buffer stock which has been working successfully in the case of the jute industry and the decision to have a similar buffer stock for the cotton textile industry should have prompted this proposal. The raw material bank proposal envisages the building of regional stocks of basic raw materials such as steel, pig iron and coal which can be loaned to needy producers who however will be required to replace what they have drawn from the "bank" as soon as they receive their quotas. The

capital for the bank is to be contributed by the producers themselves from their quotas. Such a bank will go a long way towards minimising the loss of production in any unit even if supplies allotted for that unit are delayed. Another very valuable suggestion made by the Minister for International Trade relates to the unhealthy competition among our own exporters in pushing their goods in world markets. Such a practice does only harm to all the exporters in the long run because the foreign buyer will take advantage of this lack of cohesion amongst our traders to depress prices to his advantage. It has been pointed out that one of the main causes of the low prices realised by our mica exporters is the presence of such unhealthy competition amongst them. Mr Shah has rightly pointed out that it should be the responsibility of the Export Promotion Councils to remedy this situation by fostering mutual understanding among exporters.

EASTERN ECONOMIST ANNUAL NUMBER 1964

This Annual Number will discuss the progress, problems and prospects of all the important industries of this country. Taking one major industry after another, it will study how it has grown in the past, visualize the rate at which and the lines along which it is likely to develop in the future and assess critically the limitations on its progress as well as the steps which will have to be taken to deal with the difficulties. We are confident that a study of our industries in these terms will be extremely useful at the present time when there is a justified and widespread disappointment over the failure in many industries to progress towards third Plan targets. Believing that the best service which an economic journal can do to this country now will be to study and state objectively the bottlenecks in development which have affected individual industries, it has been planned to collect, analyse and present a comprehensive picture of India's industrial progress and discuss the measures which need to be taken to promote the further growth of individual industries and ensure the steady march of the nation's industrialisation.

A special feature of this Annual Number is a section in which is presented a series of stimulating discussions on some of the important aspects of current national or world economic history.

The Special Numbers of "Eastern Economist" have always enjoyed a wide readership both at home and abroad and we are confident that this tradition will be maintained by the forthcoming Annual Number, 1964. The issue will be a sumptuous one and will include colour graphs, charts and statistical tables. Priced at Rs. 10 per copy, it will be available for sale direct from our office or from our Agents in the first week of the new year. Those who are already subscribing to "Eastern Economist" or others who enter their annual subscriptions before the 31st January, 1964 will receive the Annual Number free of charge.

The Eastern Economist Ltd.
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United Commercial Bank Building,
Parliament Street, NEW DELHI - 1

Once he hears the call of the hills, there's no stopping Debdas Banerji!

'Camping's my first love,' he says enthusiastically. 'You live close to nature, cook your own food over open campfires, fend for yourself, and return a new man.' An active member of the Rover Scout Troop, Banerji enjoys his annual camping trip...the days of hiking, the many views of nature, treasured in memory and photographs when he returns.

BLUEPRINTS AND BUDGETS

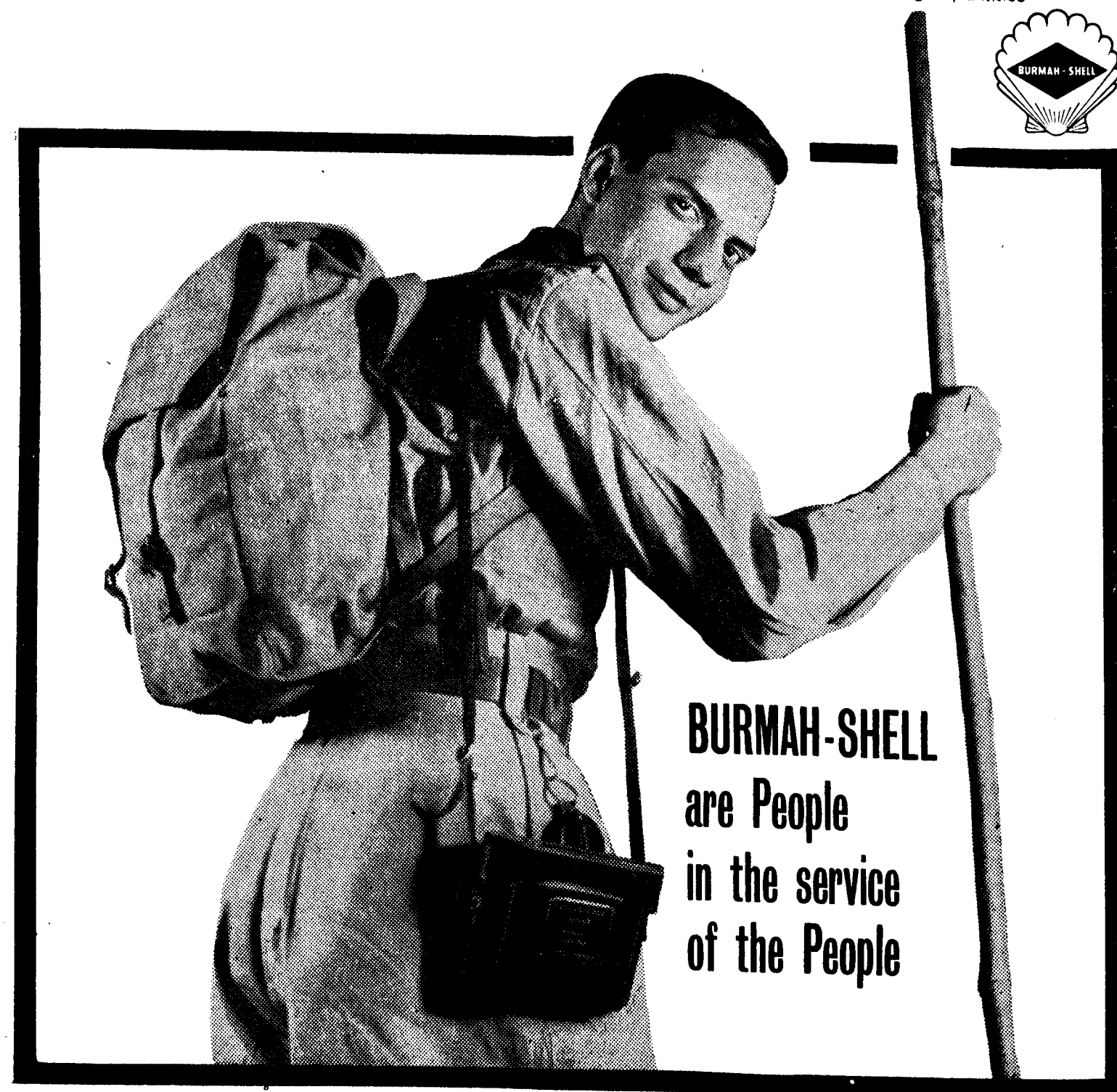
A foreman at Burmah-Shell's Installation at Budge Budge, Calcutta, he is in charge of the drawing office. He prepares blueprints, estimates budgetary expenses, and

controls costs. He performs his responsible task with the knowledge and experience of years on the job.

TODAY, AS EVER, PEOPLE LIKE BANERJI ARE WORKING FOR YOU

Banerji is a happy man. 'Living at peace with your environment,' he says, 'is the only thing that matters.' He has the look of a man who has achieved it.

Banerji and people like him—at all levels of responsibility—are Burmah-Shell. Today, as ever, they are hard at work...working to ensure that vital petroleum products, essential to India's growth and progress, are brought to you at the right place and time, in the right quantities



BURMAH-SHELL
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in the service
of the People

Highlights of the Week

A KING CALLS

THE DAILY round in the capital is unedifying to most, used as the people and the gentlemen of the Press have become to dignitaries visiting us amidst toast-drinking and pious expressions of goodwill or to conferences where the idle are bored and the others fret at being called away from their preoccupations or because they have too much to say which they cannot in such forums. The events themselves, like history and life itself, do often sound like a tale told by an idiot, but people neither in India nor in Jordan can afford to lose their freshness of response. History, which is in danger of passing the affluent by, will not let Indians and Jordanians rest. The young Hashemite King, Hussein Ibn Talal, who was with us last week, has had an eventful life crowded enough without fast cars and aeroplanes. Life began for him at seventeen, and he has survived not only the assassin's bullet but the terror of that moment. Yet he has retained his sensitivity; he could still declare at the Presidential banquet that he felt too bemused after his recent arrival in the country to express his feelings or more thoughtfully that he had often, in the course of an undoubtedly constructive rule, felt inadequate—a feeling which he had sought to overcome through renewed and fruitful dedication to the work of his people. The many problems that this young successor to a long, harassed house of hereditary monarchs—very few of them have survived in troubled countries elsewhere—has had to face serve to underline the effortless grace with which he has accepted their challenge. It is not only that he was among the first to commiserate with us when our territory was violated; he has other virtues besides.

Jordan, more than any of the Middle Eastern countries, started off with a legacy of utter dependence on the British, yet King Hussein summarily dispensed with Glubb Pasha, a power to reckon with in Jordan. He acted equally unhesitatingly when he set up diplomatic relations with Moscow or furthered his friendship with de Gaulle. To abandon, for the moment, a becoming stuffiness in the presence of royalty, a man who has been alone with a fast motor car will not isolate himself from his people; he passionately longs for Arab unity which his people so much want but will not accept relations with the Arab League except on terms of equality for Jordan. Having sensed the value of true freedom, he would not accept either the dominance or the zealous intolerance of new enthusiasms. He well knows that Jordan has most need of neighbourly help and understanding, for it has the largest population, in the Middle East, of politically conscious refugees. She is furthermore most proximate to Israel, and the unresolved Arab-Israel problem is a daily and ever present reality in the Middle East that just has to be lived with. King Hussein acted decisively with the defeat of the Rifai Government and the pro-U.A.R. riots that followed the announcement, on April 17, 1963, that Egypt, Iraq and Syria were constituting themselves into a federation. His choice of Sherif Hussein bin Nasser, his uncle, as head of an interim Government was endorsed in the peaceful general elections to the House of Representatives, held in July this year on the basis of limited franchise. As for economic problems, he has his hands full with an over-populated West Jordan Bank but the U.S.-aided Ghor Canal, east of Jordan, will bring significant relief. He evidenced rare maturity in one so young when he spoke in Delhi of "taking life as one found it" and of "sticking to one's principles...regardless of opportunities offered here and there". In fact, King Hussein has ridden out many storms with ease—and without brandishing ideology, the much favoured recourse of many who have to rule new democracies. It must also be

noted that our President, who well understands the traditions of both East and West, brings to bear on his ceremonial tasks not only a truly Roman "gravitas", suited alike to his office and temperament, but a warmth and an aliveness to individual occasion; unlike so many who, thanks to the "impediments" in their mind, can only understand the world around them through "systems", he had no trouble in singling out the virtues of this visiting King.

GOLD CONTROL

APPREHENSIONS that the powers which are being sought by the Government under the Gold Control Bill, currently before Parliament, to call for declarations of possession of gold ornaments beyond a certain limit may be exercised for putting a ceiling on possession of gold ornaments by individuals have been dispelled by authoritative sources. Anyone having gold ornaments in excess of the limit, if and when specified, will not be required to surrender the surplus ornaments. Acquisition of new ornaments beyond that also will not be illegal provided these acquisitions are declared if and when periodical declarations are called for. The prohibition of converting primary gold into ornaments of more than 14-carat purity is of course not affected.

The Informal Group, consisting of six top officials of the Union Government, set up in September last to report on the working of the Gold Control Order, in the meanwhile, has expressed satisfaction over the success achieved by the Gold Policy in its two primary objectives of reducing smuggling and curbing of demand for the yellow metal for acquisitive purposes. The Group feels that the task for the future is essentially one of preserving, consolidating and extending the gains of the past few months. It draws pointed attention to the three main difficulties encountered in making this policy a greater success. These are: (1) lack of concerted political support for the policy; (2) the absence of adequate machinery for its equitable enforcement; and (3) economic distress suffered by thousands of self-employed small goldsmiths who have lost the greater part of their custom.

The Group has expressed itself against the suggestion that the Government should import gold or use part of its reserves of this metal for supplying 14-carat purity bars to goldsmiths. It thinks that such a step will defeat the very purpose of gold control. The Group has also cautioned the Government that the 14-carat Rule for new ornaments is an important part of the long-term gold policy. Any going back on it would give impetus to the demand for gold and also marginally increase the scope for smuggling. This recommendation, however, was modified by the Group in a postscript to its report after a review of the position, at the instance of the Finance Minister, in the light of the distress caused to small goldsmiths because of the rehabilitation measures taking time in implementation. The outcome has been the concession allowed to self-employed goldsmiths to engage themselves in the work of "repairing or re-making old ornaments to a purity not exceeding the original". The relaxation, according to the Group, should be for such minimum period as is found really necessary. The fixation of a low ceiling on individual holdings of gold ornaments has also not been favoured by the Group on the ground that the country is not yet ready for accepting or administering such a suggestion.

The Group has called for liberalisation of the facilities obtainable at present for securing credit against investments in forms other than gold. Special steps might be taken to step up credit operations in the rural areas by land mortgage banks, co-operative societies and similar other institutions. It has also been suggested that as a supplement to gold control, suitable forms of investment should be devised and these should be endowed by law with the same quality of "street-dhan" which gold ornaments at present possess. As a social

reform measure, it has been recommended that the Government should make a categorical declaration that gold control has come to stay and, if anything, it would be implemented more strictly in future. It is only on such a clear statement of policy that goldsmiths, as a class, can be expected to turn of their trade by the Gold Control Order.

The Group suggests that the Central Government should prepare, in consultation with the State Governments, an overall scheme for the rehabilitation of goldsmiths displaced out of their trade by the Gold Control Order.

As regards enforcement of gold control, the Group has favoured the appointment of a Gold Control Administrator instead of Gold Board. To assist the Administrator, it has, however, suggested setting up of an advisory board or a committee, the chairman of which should be a non-official. The responsibility for the enforcement of the gold policy, the Group recommends, must continue to rest with the Central Excise Department. But suitable enforcement agencies of the State Governments should also be enlisted for this job.

FOSTERING CO-OPERATION

THE FOURTH Indian Co-operative Congress, held in New Delhi last week, has made a number of recommendations with a view to bolstering up co-operative activities in India. Most of these suggestions, of course, are not new; they have been repeated ad nauseam in the recent past. What attaches significance to reiterating them once again is the plea of the Congress that the share of co-operation in the total outlay in the next Plan should be increased substantially. There can be little objection to the stepping up of this outlay in view of the fact that the co-operative movement in this country has come to be diversified a great deal since mid-1950's. But higher allocations can have meaning only if there is a reasonable prospect of their efficient and judicious utilization. The past experience unfortunately shows that in various spheres of this activity (particularly industrial co-operatives) and in several States, the expenditure has not infrequently been falling short of the funds available.

It is encouraging that the Union Government is taking steps to de-officialise this movement. But, as the Congress has regretfully pointed out, there are many States which have not yet fallen in line with this policy. This is probably due to the paucity of non-official leadership in such States and also owing to the none-too-energetic steps being taken for imparting education and training in this field. The sooner this leeway is made up, the better it will be in the interests of strengthening and fostering the co-operative movement.

The Congress has paid particular attention to the development of co-operatives for consumers, for the weaker sections of the society and for improving agricultural production. Presumably in view of the rising cost of living, it felt that here was need to make large-scale efforts to organise consumer co-operatives, both in the urban and rural areas. Four suggestions have been made in this respect: (1) ensuring of adequate supplies of consumers' goods to co-operatives by persuading the private manufacturers to reserve a reasonable percentage of their production for distribution through consumer stores at ex-factory or ex-mill rate; (2) exemption of consumer co-operatives from multi-point sales tax; (3) full patronage by Government and semi-Government institutions to consumer stores by placing orders of their requirements with them; and (4) creation of a federation of wholesale stores at State levels for handling of supplies to the retail stores. The first and the last among these suggestions obviously are of crucial importance. Lack of adequate supplies at reasonable prices has been one of the principal reasons for the Consumer Stores not proving an unqualified success.

Three measures have been recommended for strengthening the agricultural co-operative movement. They are: (1)

liberal interpretation of the rules regarding financial assistance from the Reserve Bank in short and medium-term loans, where the special circumstances of certain States required; (2) making available of PL 480 and other such funds for meeting the medium and long-term requirements of these co-operatives; and (3) creation of a price fluctuation fund at the level of all marketing societies, to which the Government should make contributions in addition to what the societies themselves contribute out of their own profits. Along with this liberalisation of financial assistance, there is, however, need to tighten up the loans recovery set-ups of the co-operative societies so that effective use is made of the available resources. The Congress has also called for extension of the policy of price support to agricultural produce and fixation of "floor" prices on a realistic basis.

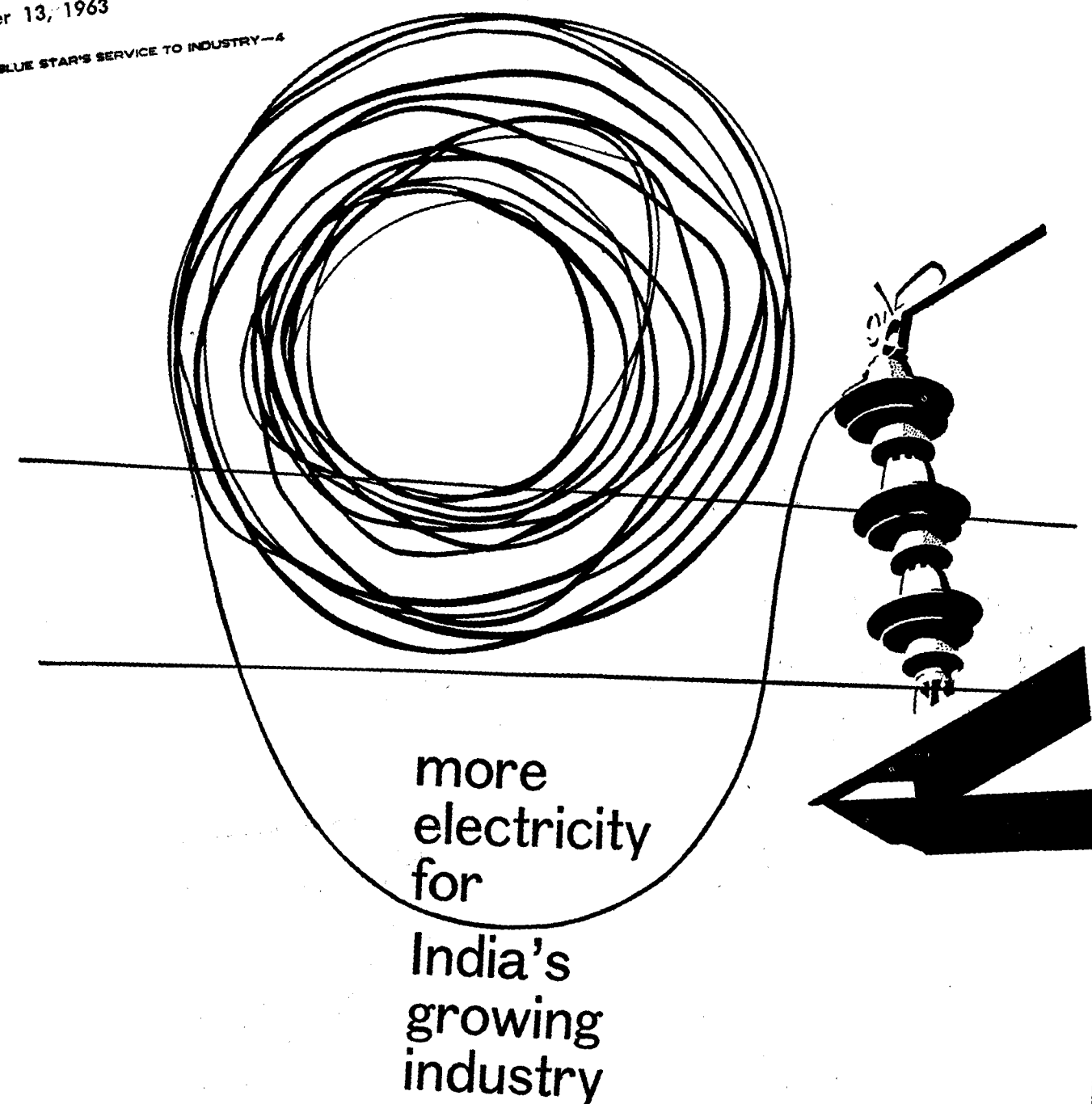
As regards industrial co-operatives, it has been suggested that the Government should earmark specific quotas of indigenous and imported raw materials, tools, etc., for these co-operatives. It has been further recommended that the maximum limit of dividends on their share capital should be raised to 9 per cent, as had been done in some of the advanced States of the Union. Both these steps should be in the right direction. For fostering co-operative farming, it has recommended that the land available with the Government should be allotted to the weaker sections of the society for undertaking cultivation in co-operation. Formation of forest co-operatives has been suggested for ameliorating the economic conditions of the forest tribes.

RAJASTHAN LAND REFORMS

THE RAJASTHAN Government can be legitimately proud of the steps it has taken in respect of land reforms in the State. It claims to have had completely abolished by August last, all intermediaries between the tiller of the soil and the State and taken over all the non-religious and religious jagirs as well as the zamindari and biswadari estates. The State Government has also implemented in right earnest most of the other directives of the Planning Commission regarding land reforms. The Rajasthan Tenancy Acts have afforded a good measure of security to tenants against ejectment. The wide diversity of tenancies and tenures that existed in the past has also been considerably reduced. With a view to bringing down agricultural indebtedness, powers have been taken to reopen all transactions carried on during the 12 years immediately preceding the last transaction or January 1, 1952, whichever is earlier. An Act has also been passed providing for compulsory consolidation of agricultural holdings and for prevention of fragmentation. Up to April last, a total area of 31,03,463 acres, situated in 1,746 villages, had been consolidated. In addition to this, over 7 lakh acres of land had been consolidated by the Director of Consolidation, Hanumangarh, and the Colonisation Commissioner. Considerable progress has been made in establishing village panchayats and democratic decentralisation. Rajasthan as a matter of fact is one of the pioneers in this field.

The one major lacuna that has been left, however, is in regard to the imposition of ceiling on land holdings. The delay in this matter has been caused by the complexities involved in verification of records and rights. Concerted efforts are now proposed to be made in this sphere too when the Land Ceilings Act passed by the State Legislature in 1960, is brought into force on December 15, 1963. The ceiling proposed is 30 standard acres per family of five members or less. The area in excess of this ceiling will be acquired by the State on payment of compensation and let out to landless and other persons for cultivation.

The progress made by Rajasthan in introducing and effectively implementing land reform measures should stand it in good stead for stepping up agricultural production when water is available to this thirsty tract from the Rajasthan Canal.



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The Man in the White House

By PAUL BAREAU

THE TRAGIC and immensely sad circumstances of President Kennedy's death open up a new chapter in the economic and political history of the United States. In the early pronouncements of the new Administration, the stress has, understandably enough, been laid on continuity and on unchanging broad lines of policy. The Johnson Democrats will, in the short period that is allowed them before the next election, follow the trail that has been blazed by the Kennedy Democrats.

But these two men were so different in character, upbringing and attitudes that it is difficult to believe that the transition from President Kennedy's to President Johnson's Administration will leave no mark on the course of American policy, even over the short period of the unexpired term of this Presidency. The cultured sophistication which had invaded the White House with the advent of Kennedy, his highly civilised wife and his immensely intelligent team of advisers, must make way for the homespun simplicities of the extrovert, larger-than-life Texan, who has now moved in. It has been noted as a strange, ironic echo of history that after the assassination of Abraham Lincoln in 1865, he was succeeded by President Andrew Johnson. He was a colourless man who left no mark on the history of his country. The same will not be true of the Lyndon B. Johnson who now presides at the White House.

There is one respect in which L.B.J. (as he has been and will wish to remain known) must not be under-estimated. It is in his knowledge of Congress and particularly of Senators, and in his familiarity with the techniques through which things can get done on Capitol Hill. This had been the main weakness of the preceding administration. After the death of John Kennedy it is natural and right that praise should be showered on his memory. But it should not be forgotten that in the matter of getting things done, of pushing bills through Congress, of translating his ideas into legislation very little had been achieved in his three years of office. In the past few months all the dynamism and idealism of the New Frontier had in fact drifted into the doldrums. The foreign aid appropriations had been slashed. The reform of taxation and the proposals to cut income tax in order to sustain the economy had been decisively rebuffed. The Civil Rights legislation to which President Kennedy had devoted so much effort and for which he had risked so much in political terms, was similarly deadlocked. The only major piece of legislation achieved during the past year was the Trade Agreements Act on the basis of which the 1964 "Kennedy Round" of tariff negotiations was due to be launched in Geneva; and that achievement with all its ideals of still freer international trade is now blocked not by Congress but by General de Gaulle.

Breaking Log-Jam

If President Johnson can break through this log-jam on Capitol Hill he will have achieved a great deal. All that can be said at the moment is that his personality and experience are better calculated to achieve that objective than were those of his predecessor. The new President, moreover, will be helped in this by the inevitable emotional reaction to President Kennedy's assassination and by the wave of sympathy which this has unleashed for all the causes which he had at heart.

Is there, however, more than this mere technique of "the Fixer" in the prospect opened up by the new Presidency? The main reservation on this score is the time available before the President is plunged into the overwhelming distractions, first of the Party Convention at which he will no doubt be nomi-

nated as Democratic candidate, and then of the Election campaign itself with its climax in November, 1964. This timetable leaves very little scope for major initiatives, particularly in the foreign policy field. This, however, does not imply that a gloomy view should be taken of the initiatives and policies which the United States will generate in the coming year. Presidents have been known to grow with their job. When Mr. Truman was pitchforked into the Presidency after the death of Mr. Roosevelt, his background as a small-town haberdasher, inconspicuous senator and Vice-President who had been totally ignored by his giant team-mate, did little to prepare the world for the effective leader he was to become. On superficial evidence President Johnson starts with far more powerful assets than did President Truman.

Immediate reactions to the transition from Kennedy to Johnson have been full of interest and significance, particularly in the spheres of finance and security markets. These are important because they reflect world confidence in the United States economy. The United States balance of payments was in deficit and the dollar therefore appeared to be highly vulnerable to a crisis of confidence. Such a crisis might well have been unleashed by the brutal circumstances of the assassination and all the uncertainties caused by the advent of the new and largely untried man.

Precautionary Measures

In fact, nothing of the kind occurred. Ample precautions had been taken some time ago to meet the difficult conditions that might arise in the event of sudden pressure on the dollar and other currencies. The central banks of the eleven largest industrial countries of the free world had exchanged mutual credit facilities which could be drawn upon at a moment's notice. They were ready to hand on November 22 when the news came through of the President's death in Dallas. The Federal Reserve Bank in New York had at its immediate disposal all the foreign currencies it needed to meet any selling of dollars. There were sales, but intervention occurred without allowing the rates of exchange to move by one iota. In a matter of minutes confidence reappeared; the panic seller of dollars rapidly retired from the market.

There was equal calm in the gold bullion market. In times of trouble and uncertainty the instinctive reaction of many investors has been to turn to gold. It happened again on this occasion though on a minor scale. Here, too, the authorities were ready through the International Gold Pool, to intervene in the market and to hold in check any panic rush. Complete calm was very soon restored.

The only market in which the immediate news of the tragedy caused some disarray was Wall Street where the index of stock values fell by 20 points in the few minutes during which dealings were allowed after news of the assassination became known on November 22. The markets of the world then closed. Those in Europe reopened on Monday and on that day and the greater part of Tuesday they had to operate without any guidance from Wall Street. They stood their ground firmly and their example may well have provided part of the explanation for the confident uprush of prices in Wall Street when the markets there reopened on Tuesday, November 26. On that day the index not only regained the previous Friday's loss but did so with 10 points to spare. In this technical and market collaboration lies the promise that on the wider field of economic co-operation, the Atlantic Alliance will not be disturbed by the change of President.

The Quest for Technical Dynamism

By ASHOK DESAI

WHAT DETERMINES the rate of technical advance in a country? Is it a matter of expenditure on research? Or of investment expenditure? Or of training scientists? Is it firms' expenditure on research that needs to be increased or expenditure on basic research in universities? These questions have attracted considerable attention in Britain for two reasons. First, the low rate of growth of the British economy in the 'fifties coincided with a low rate of growth of the working population — less than $\frac{1}{2}$ per cent per annum, so that the problem of faster growth was looked upon as one of a more rapid rise in the productivity of labour. Second, Britain has been having chronic payments difficulties; and success in exporting is based these days on either the possession of materials that other countries are badly in need of, or having a technological lead in the production of something. Since Britain — like India — does not have much luck in respect of the former, the increase of her exports must depend on her technical dynamism, a fact which has compelled recognition from both the main political parties.

In these respects, the experience of the National Research Development Corporation is illuminating. This Corporation was set up by the Government in 1949 to encourage the commercial exploitation of inventions. A striking feature that emerges from its annual reports is the small proportion of inventions that became remunerative. Of the 10,500 inventions communicated to it in 13 years less than $2\frac{1}{2}$ per cent earned a revenue; and much of the Corporation's revenue came from royalties on a few particularly successful inventions. This is perhaps not unexpected, since it is well known that research often leads one everywhere but where one set out to go. Scientists at the National Cash Register Company in the United States, for example, started looking for a more rapid printing process and instead found children's crayons that did not mark walls and facial perfume that could be applied from tissue paper!

Pays to be Free

This waywardness of the results of research would suggest that it paid best when it was free from close direction by the firm's management. Many firms employ research scientists for trouble-shooting, i.e. to deal with hitches that arise in production processes: perhaps this is not the best use scientists could be put to. The question then arises, how far should the firm insist on research that is of some use to it? If one looks far ahead enough the most basic research is potentially useful. It is unlikely that the technical dynamism of aircraft, vehicles, electrical and chemical industries is unconnected with the large body of knowledge that has been built up in physics and chemistry; and in general, one would expect that a corpus of established generalisations would reduce the need for experimentation in the solution of particular problems: the greater the heritage of knowledge the less the need for trial-and-error processes. From the point of view of the country, however, one can make a case for the concentration of basic research in universities and public laboratories on the ground that it is communicated and spread more readily than if it were done by firms which might have an interest in withholding results of commercial value. From the firm's point of view the answer would seem to lie, not so much in insistence on particular kinds of research, but in establishing close communication between its scientists and production managers, so that the former are aware of the latter's problems and the latter assimilate the ideas of the former.

Another conclusion of the NRDC is that the chances of success of an invention are much greater if the team engaged

in developing it comes to have a personal stake or faith in it. This is because snags very commonly arise in development and it would not be carried through without considerable doggedness on the part of the developers. It is easy to see that it is not enough for the scientists to persist: they must also be backed to the hilt by their firms. Only firms that put resources into research on a large scale can do this. Further, in view of the small proportion of research work that becomes remunerative, research can be profitable only if a large number of ideas are being given a run simultaneously: firms must be large enough to be able to spread their risks between many projects. This explains why over 85 per cent of the research expenditure, both in Britain and in the USA, is incurred by the 350 largest firms. As a study of the National Institute of Economic and Social Research points out, the recent mergers in the British aircraft industry were due to the high costs of development, and similar forces probably operate behind the growing concentration in car, electrical and chemical industries. It also brings out the high correlation between the proportion of the net output of the industry that is spent on research and its rate of growth since 1935.

Helps to Grow

This correlation implies, not only that industries that do more research have been more remunerative, but also that they have expanded their markets faster. To some extent this is because they include industries producing military equipment; but the main reason is that they have produced new products, products with a high income-elasticity of demand such as radios, televisions and cars as well as cheap substitutes for traditional goods such as synthetic rubber, synthetic fibres and alloys. The obverse of this is, of course, the decline or slow growth in the demand for traditional goods like natural rubber, copper and jute — a penalty that primary producers pay for their technical backwardness.

The case of jute, India's chief exchange earner, is particularly interesting. In spite of the enormous expansion of the world economy since the last war, the total consumption of jute is no greater today than before the war. This, as an FAO-NIESR study shows, is due to the fact that jute sacking is being replaced by multi-layer paper and plastic, and that grains, cement and fertilisers, the goods which were traditionally packed in sacks, are being increasingly handled in bulk. The consequent decline in demand has been cushioned by two factors. First, the industrialising countries of Asia and Africa, especially India and China, have increased their consumption. Second, jute is used as backing for carpets, and with increasing incomes, the people of Western Europe and America have been buying more and newer carpets. It is estimated that the increase in the purchases of carpets for every one per cent rise in incomes in the UK and the USA was 2.4 per cent. There is still a prospect of a considerable increase in the consumption of carpets in Western Europe; this will not, however, benefit jute exports proportionately because people are coming to prefer tufted carpets which use less jute than wool ones.

These trends present two striking aspects. First, the demand has been under the influence of powerful technological changes, none of which was pioneered in India. Second, even after the changes have arrived, there is no tendency to adopt them in India, e.g. to take up the production and export of carpets. The chemistry of jute, again, still remains to be explored for its commercial possibilities. If, for example, paper could be made out of it, a rapidly expanding market would be opened up; if it could be processed to make a fabric for human use, it might be a cheap substitute for wool of which India is short. It is possible that the jute industry is missing the bus in these directions.

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FROM THE PRESS GALLERY

"The Frustration Squad"

By A. K. MUKERJI

NEW DELHI, Wednesday.

TALKING of mice and men in the same breath is never a sensible pursuit and doing so when dealing with such live subjects as the Plan and the Plan appraisal is worse still. And this is precisely what Mr. Nehru contrived to do during his intervention in the Lok Sabha debate on the mid-term appraisal of the third Plan.

Declaring repeatedly that his intention was not to go into the alphabets of planning, he did precious little else for most of the hour he was on his legs. Nothing was left out by him: how and when the idea of planning was taken up and why and by whom; the merits of and the need for perspective planning; the essentials of the general approach of planning that was an integrated affair; and the basic strategy and tactics these were based on and needed to be judged by. It was like drawing a long, long line the end of which was not yet clear in any manner even to the person drawing it.

Of course, Mr. Nehru also dealt with the shortfalls revealed in the Plan appraisal, admitted they were there and swung back to comforting gains in statistical percentages Mr. T. T. Krishnamachari had on Tuesday already quoted to stress the self-same point—that on the whole everything was nice as it could be, provided the entire Plan period was not kept out of reckoning. Neither of the two big guns which intervened in the debate seemed to remember the famous quip that on the whole and in the ultimate analysis all mortal things are dead.

However, even ignoring this aspect of the matter, what is it that Mr. Nehru really held out as the sum of expectations he was confident of being fulfilled not too late, even if not in the near future? First, the private sector never had it so good as under the two Plans and the first two years or more of the third Plan and that they would have it better still under the Plans to come. Secondly, for the vast majority of the people, the poor and the hungry, the position for another 15 to 20 years would continue to remain not very much different from what it is today. And yet Mr. Nehru said—as the Finance Minister had said earlier—that there was progress all round: intake of calories had gone up, people were wearing more clothes, education was expanding and the eye was on a socialistic goal!

Alice in Wonderland

It almost seemed after this that Mr. Homi Daji (Communist) was not wrong when he said that, like Alice in Wonderland, our planners were running without moving from where they were: that planning had failed because the planners were not properly politically oriented (on Communist lines?).

The suspicion is perhaps unjustified. But on the face of it, it looks as if T.T.K. thought likewise! (in his own vein) when talking of the difficulties of turning back from planning he remembered one who rode a tiger. A well-read man and well-acquainted with lore and legend, he surely could not have done this unless he thought of the hapless lady of Riga the end-result of whose tiger-ride was a smile on the face of the tiger. His declaration that the Government had no intention to dismount the tiger (planning) was in the circumstances almost akin to a stifled cry of despair.

In contrast to all this, a comparative junior in the Congress Party seemed to know his ropes better. Rightly anticipating by a day Mr. Nehru's plea for a "balanced appraisal", he concentrated in the main on the sectors in

which the Plan appraisal had noted considerable progress—health, education, coal and power, especially, and also the fact that the steel works were now working to capacity. For economic and political integration, there were the river valley schemes in the first place and the Community Development Projects which, despite innumerable defects, had achieved one thing—given an all-India direction and pattern to development activities at the grass-roots level of the villages.

But this was only a fortissimo. The major tunes came from Mr. Krishnamachari and Mr. Nehru and they both engaged themselves in dilating predominantly on fundamentals and ultimates while the debate was on what to do to save the Plan, to work out appropriate priorities (demanded by Mr. S. N. Dwivedi of PSP among others) and to have production placed at the centre of the Plan. This pre-occupation of theirs was so laboured and so prolonged indeed that it ended up by being primarily an assault major on Mr. M. R. Masani! The Swatantra leader should be happy after this. But what about stemming the rot threatening the Plan?

Social Security Programme

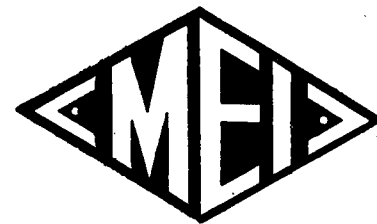
Mr. Krishnamachari at one stage reassuringly affirmed he would rather have concentration of wealth and production than no production at all to avoid concentration of wealth. He even sounded very earnest when he went on from this to hold out the promise of launching in the near future a social security programme for the aged and the infirm. The promise of a vigorous campaign for family planning was another. But even with all this the Finance Minister was careful to add an eloquent footnote. The third Plan was, he said, like a child slow in growth. Expect slowness, in other words, but do not be surprised if there is a sudden spurt in the child's height.

Not that the critics of the Plan appraisal did not at times speak as if they were talking through their hats. Added to this was grotesque overstatement and exaggeration. A case in point was Mr. Masani's description of the Plan as "910 days of wishful thinking, wasteful expenditure ... outdated dogmas." Another was when Communist Homi Daji took to quoting scriptures, sorry, George Orwell, to prove how the Government and the Planning had perfected the art of double-talk.

But some of the Congress Party's spokesmen were no better in some ways. Leave alone the Serajuddined Oil Minister, Mr. K. D. Malaviya, who, along with Mr. Bhagwat Jha Azad, talks almost the same language as the Communists. But Mr. Bhagat (who initiated the debate) and Mr. Harekrushna Mahatab were equally fatuous, though differently. In the face of the Plan appraisal's finding that the increase in national income was barely one-half of the target, they had no difficulty in describing it as a slight shortfall. Even the finding that the shortfalls were a concomitant of failure in agriculture, the king-pin of the country's economy, was for them, as if, no pointer of any consequence!

Mr. S. N. Dwivedi had used the devastating phrase, "frustration squad," for the Planning Commission in the main. It was left to the Government spokesmen — not excluding Mr. Nehru and T.T.K.—to make it appear a cap made to fit the Government as a whole.

All this would be no more than frustrating were it not that the doctor seemed completely oblivious of doing something expeditiously to save the patient on the point literally of collapsing. Notwithstanding the political faith of his party (which one may or may not accept), Mr. Masani was certainly dead right in saying, "Only two things have



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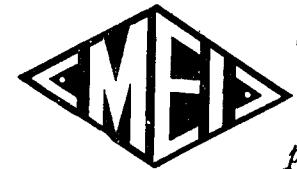
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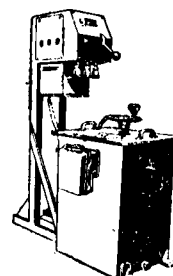
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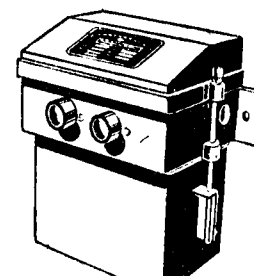
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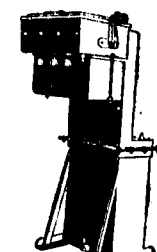
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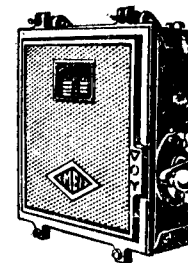
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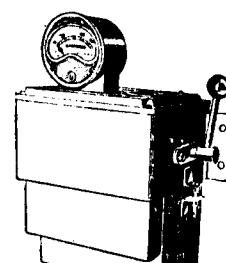
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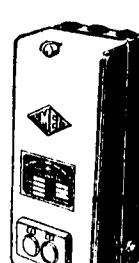
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registered increases during the Plan period—prices and taxes". The medicinemen seemed most intent on not bothering even to note these symptoms of serious distemper. That this should have been the case at a time when, in Mr. Masani's enunciation again, the Prime Minister and the Finance Minister have begun showing "a sense of economic realism" seems inordinately amazing, to put it mildly.

But with all this and everything else, the debate on the Plan appraisal was no patch on the heights of absurdity reached during the Food debate earlier. With most of the speakers of both the Congress and the Opposition the object of their preoccupation was not food supplies and prices as such but the price of sugar and sugarcane, especially of the latter. Mr. Swaran Singh, Food Minister, even improved upon this record by devoting as much as the good part of the first 40 minutes of his hour-and-a-half-long speech to sugar and "gur", particularly to "gur". But this was only a part of the joke (cruel, let it be added). The rest of the joke comprised shoalful of shibboleths and, for good measure, a bagful of statistics on which no one would really care to stake his shirt.

Balloon Flattened

Not to go into details, there was Mr. A. M. Thomas, Minister of State for Food, quoting official statistics to "prove" how comfortable the food situation was at present and was bound to be in the coming years. The balloon was neatly flattened when Mrs. Renu Chakravarty (Communist) pointed out how Mr. Thomas had quoted figures for the period November-March, the harvest season, when prices were usually low, and left out the period March-November. But did this matter? Not apparently to the former Food Minister, Mr. A. P. Jain, to whom the acute food situation was a "universal experience" — in the Soviet Union and in China, even in Holland. France was the only exception, he claimed. However, even this was some mercy. For eventually Mr. Jain ended up with a dangerous postulate: "A little marginal pressure (scarcity, high prices 'et al') is necessary to whip up the producers and to alert the consumer." Maybe, there is a substratum of truth in this statement. But it is devoutly to be hoped that the margin of Mr. Jain's marginal hypothesis does not extend to the limits of the horizon in the calculations of the Government. Mr. Swaran Singh, new to the portfolio, could give but little ground for sustaining this hope. But nothing seems to explain why he need have gone all out to paint a roseate picture all round. The Achilles heel of his brief showed clearly when he turned from wheat to answer a volley of questions on the position and prospects of rice. After this, even if one did not quite feel like joining the Communist group in the walk-out staged by it one tended to throw the arms up in despair.

To be fair, it must be recorded that Mr. Thomas rendered a valuable service, even if unwittingly. While dealing with prices, he said price had been rising since March last. More revealingly he went on to add that the high prices had followed in the wake of pressures exerted by the new taxes and other budgetary proposals. For this candid confession Mr. Thomas deserves a bouquet.

The Opposition cannot be said to have emerged in conspiracy to be an eloquent commentary that it contrived to do no better even during the debate on the Unit Trust Bill. Dr. Ram Manohar Lohia (Socialist) was about the worst. He not only suspected but even insinuated that the Bill was designed solely to feather the beds of the capitalists ranged behind the Congress. Not to let things rest at that, he quoted from the transcript of the Finance Minister's initiating speech in the debate to "prove" there was something unholy somewhere. The Communist spokesman, Mr. Umanath, was of course a greater whole hogger. The proposed Trust, according to him, was an instru-

ment meant to help the capitalists (cursed?) "to corner shares and make profits for themselves." Fortunately, T.T.K. was not the person to be rattled by this style of attack. And he earned the due premium in return when the Lok Sabha passed the Bill almost with acclaim, after incorporating Mr. Morarka's amendment amplifying tax rebates provided in the Bill for incomes received by unit holders. This further concession would exempt a slab of Rs. 1,000 from super-tax in marginal cases.

Opinion on the merits of the Bill will no doubt continue to be divided. But there is certainly much to be said in favour of an arrangement for providing to the people in the lower and middle income groups an opportunity to acquire prosperity in the form of shares whose base "will not erode but appreciate in value as years pass", in Mr. Krishnamachari's words. If the quantum of Rs. 100 crores he expects to raise annually through sale of units to small investors in the main gets collected there will be reason to be grateful, whether or not one shares Mr. Masani's view that it is improper to have the Trust in the public sector.

The Minister in the Ministry of Finance, Mr. Bhagat, however, was no candidate for contesting in this flash of sense and sensibility. On the contrary, he made a very poor speech while concluding the debate in the Rajya Sabha on the Income Tax (Amendment) Bill (which offers certain tax rebates by way of incentive for promoting investment on plant and equipment needed for modernizing the coal industry). But



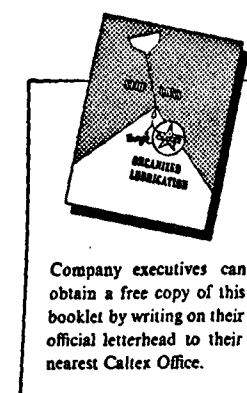
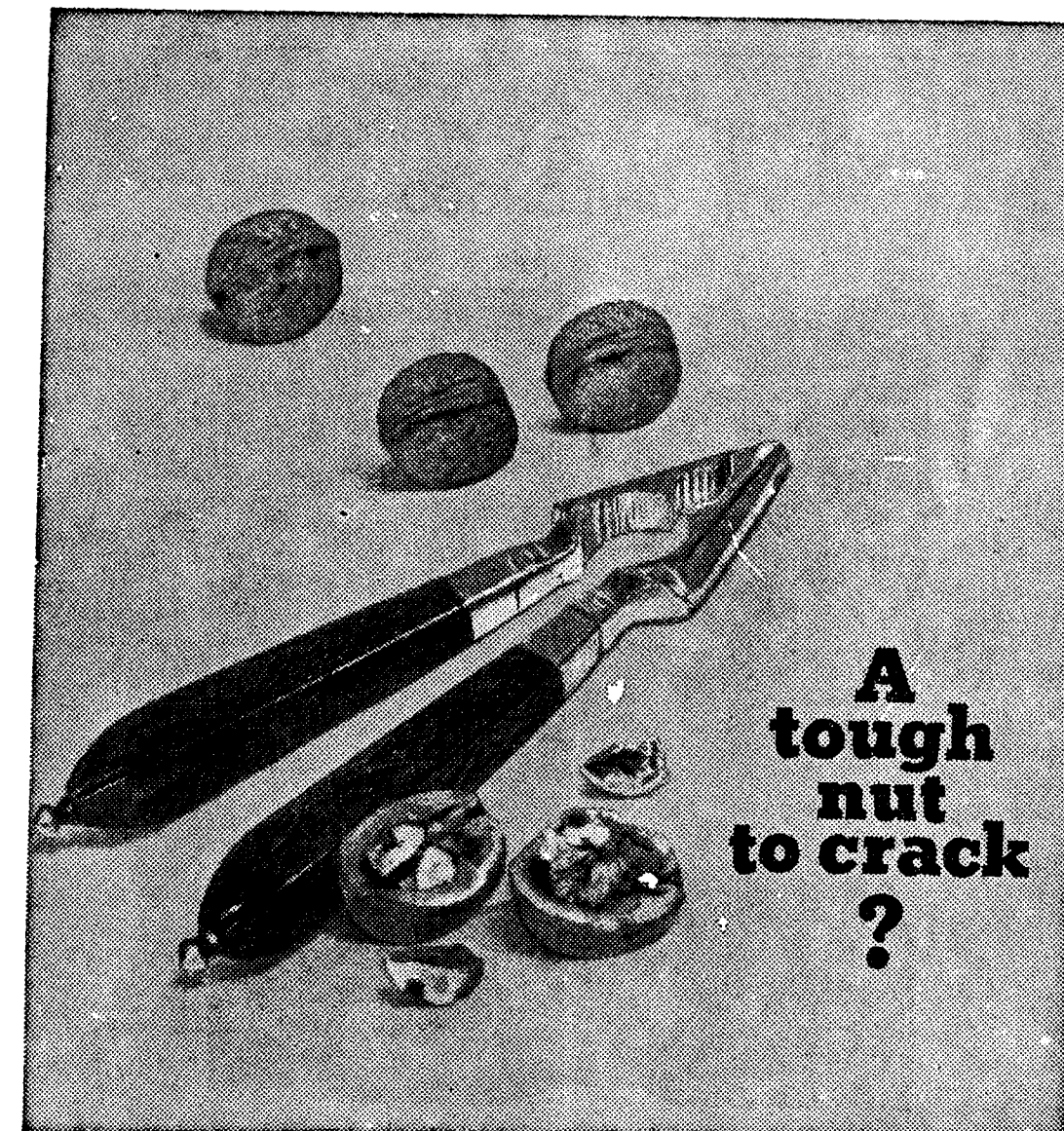
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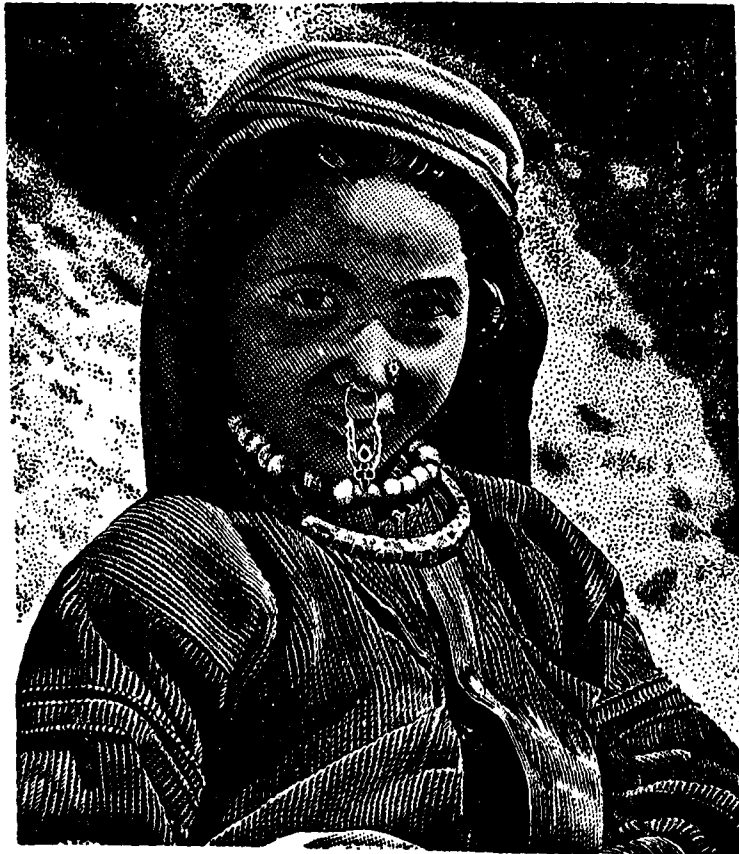


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luck came to his rescue. Up got Mr. Bhupesh Gupta (Communist) at the end of the third reading of the Bill — and that after the Deputy Chairman had already sought a voice vote from the House — to dilate at length on a trade dispute pertaining to a particular colliery, an example, he averred, of others the Bill sought to give succour to. The point Mr. Gupta made was somewhat mystifying (except perhaps to himself) unless it were that he thought he too 'had' to contribute to his party's plea for immediate take-over of all the collieries in the private sector.

Much of this had earlier been expatiated upon by Mr. N. N. Govindan Nair, the Vice-leader of Mr. Gupta's team in the House, who, however, did not rest content with this. He went on to attempt an expert dissertation on how to improve coal production without offering gratifications to the tribe of private sector colliery owners. Nationalization was, of course, the key mantram with him too. But he sought to impress the members and the wide world outside by opening up the vista of profitable economies and expanding production through the simple device of consuming the 'middlings' for by-products manufacture. All that the Government and the industry needed to do for this purpose was to get a couple of washeries at the right places (as simple as that!) and at the right time by which he presumably meant right then and there. But the real piece of originality Mr. Nair displayed was when, on the authority of the experts he quoted, he "proved" how unnecessary it was to modernize the plants and equipment of our collieries. The rupee finance the Government was seeking to enable the private sector coal industry to raise for utilizing the World Bank's loans in foreign exchange was just not needed at all! Nothing could be simpler.

This extraordinary essay was an open flank Mr. Bhagat could and, should, have assaulted with advantage. But he did nothing of the kind. Worse still, in one breath he talked of Mr. Nair's theory on 'middlings' in terms that suggested concurrence with it and in another went on to point out (perhaps sarcastically) the absurdity of the theory so long as finance was, in the first place, scarce for developing the by-products manufacture and the bulk of the less than economic collieries were, in the second place, in no position to go in for them or even provide enough 'middlings' for them to get going. Nor were washeries the washing machines, as it were, that one could get off the counters at retail shops and set up at any colliery of any size or denomination — another point Mr. Bhagat was possibly too tired or unconcerned to drive home fully.

Taming the Tiger

According to Lobby talk, Mr. T. T. Krishnamachari "threatened", presumably in mock exasperation, that he would be compelled to sign Mr. Indrajit Gupta's Minute of Dissent should certain Members of the Select Committee persist in watering down the provisions of the Companies (Amendment) Bill unduly. The Finance Minister surely was exaggerating because despite the modifications recommended by the Select Committee, the measure retains much of the harshness and arbitrariness of its original formulation.

Perhaps the most important modification made by the Select Committee is that it has rejected the proposal that the Government may, by a mere notification, transfer the court's powers under the Companies Act to the Tribunal. Instead, the Select Committee has prescribed that in addition to the powers specified in the Bill, the authority to be conferred on the Tribunal should be limited only to two more sections of the Companies Act — S - 155 which enables a court to rectify a company's Register of Members and S - 240 which facilitates examination of any person by a court on the application of an Inspector.

The Select Committee has not succeeded in securing dele-

tion of the Clause relating to powers proposed to be taken by the Government for converting its loans to companies into shares by its own unilateral decision. A certain amount of hedging, however, has been done. Thus this power is to be exercised only when "in the opinion of the Central Government public interest so demands". Secondly, with regard to retrospective effect for these powers, it has now been provided that the Government could exercise them in the case of loans made before the commencement of the present Act only when the company in question has defaulted on the payment of principal or interest or has otherwise failed to observe the terms of the loan or debenture agreements.

With regard to the disciplinary and punitive jurisdiction of the proposed Tribunal over managerial personnel in the corporate sector, the Select Committee has recommended that action could be taken only in cases of persistent negligence or default. Similarly, certain checks have also been placed on the exercise of authority sought in the Bill over the voting rights of Trusts in respect of their holdings of shares of companies. Thus an existing trustee might in certain circumstances exercise the voting rights on behalf of a public trustee nominated under the proposed Law. He may also advise the public trustee against abstention from voting, but the latter is free to accept or reject the advice.

In fairness to the Select Committee, it must be added that a minority opinion was strongly in favour of even tightening up further the provisions of the Bill. While Mr. Masani and Mr. R. V. Bade, have certainly argued powerfully in the Minute of Dissent against the inherent arbitrariness of the provisions relating to the removal of managerial personnel or the restriction of voting rights of Trusts, Mr. A. N. Vidyalkar (Congress), and Mr. Indrajit Gupta (Communist), however, have in a joint Minute of Dissent, resisted the changes recommended by the Select Committee in the provisions regarding the conversion of Government loans into equity capital and removal of managerial personnel. Mr. Indrajit Gupta has additionally and in a separate Minute of Dissent, expressed scepticism about the effectiveness of the Bill in checking or punishing fraudulent practices or mismanagement in the corporate sector.

Other Highlights

Among the other highlights of the week the pride of place naturally goes to Mr. Nehru's statement in both the Houses on the overflight permission granted to the planes by which the Chinese Premier, Mr. Chou En-lai, and Foreign Minister, Mr. Chen Yi, are expected to go to Africa. The Opposition criticism of the permission "magnanimously" given was weighty but on grounds primarily, if not exclusively, emotional.

Next in importance was the Education Minister, Mr. M. C. Chagla's attempt to have the Informal Parliamentary Consultative Committee for his Ministry sort out the problem of the change-over from English to Hindi or the regional languages as media in the universities. No new points were made, apparently. But it should augur well that interest now seems to be shifting to the need for ensuring good quality for this country's higher education.

Lastly, there was the virtual barracking of the private member's motion made by Mr. H. V. Kamath (PSP) demanding annual disclosure by the Union Ministers of their movable and immovable assets. The Chief Whip of the Congress Party should have seen to it that this did not happen. Apart from other considerations, it was not politic to block Mr. Kamath's motion at a time when Congressmen of all sorts are attempting to set themselves up as knights in shining armour ready to give battle to all corrupting influences around them.

WINDOW ON THE WORLD

Assassination and After

From R. V. MURTHY

WASHINGTON:

"IT'S NOT hard to believe. It's just too hard to take." This is how a Paris Blues singer is reported to have reacted to the shocking news of the assassination of President John Fitzgerald Kennedy. That, I think, is how the common man all over the world reacted too to the abrupt passing away from the world scene of a young man of immense power and promise who, for a brief time, had occupied the Presidency of the United States of America in a manner which would have done credit to the greatest holders of that office.

Barely a month before, this writer, along with three other Indians had the privilege to attend a Press conference at which President Kennedy announced the Wheat Deal with Russia. After listening to his studied seven-minute statement on the subject followed by a twenty-three-minute sparkling question and answer performance—questions on all subjects under the sun were hurled at him—we all felt—and may I say I said then — "Here is one who will rise to the stature of Lincoln." Alas, before achieving so much more that he alone perhaps could have achieved for his country (whose destiny he described in the speech he intended to deliver at Dallas as "The watchman on the Walls of World Freedom") and for the world, fate snatched him away even as it did Lincoln on April 14, 1865. There is doubt among some thinking Americans here whether Lincoln would have achieved anything greater had he lived longer, but there is no doubt—at any rate not that degree of doubt—that Kennedy would have achieved a lot more had destiny spared him from the assassin's hand at Dallas. No Western head of State, certainly no American President had elicited such tribute from a Russian Premier as Kennedy did at the hands of Mr. Khrushchev. "The death of President Kennedy is a heavy blow to all people who cherish the cause of peace." Indeed, the cause of world peace has suffered an irreparable loss in this untimely and premature death of a great American.

Loss to India

Kennedy's death is a great loss to India. To quote Prime Minister Nehru, India is deeply grieved and shocked both for her own and for international reasons. As he added, the consequences will be far-reaching and they will seep down gradually. Meanwhile, the policies and programmes of the late President may be expected to continue. That is bound to be so at least for some time; in fact, President Johnson spelt this out in so many words. However, after he has had time to gather the threads of Administration into his own hands, the new President is bound to effect some changes, although they may not be such as to alter radically the Kennedy policies. Similarly, although there may not have been—or there may even not be—a general housecleaning, such as follows a shift of power from one party to another, there are

bound to be some changes in the ranks of Secretaries and Advisers to the President. For instance, there is already speculation whether Defence Secretary McNamara would enjoy the same freedom as he did under Kennedy. Questions are also being asked about what plans the Comptroller of Currency, James Saxon—a vigorous advocate of national bank expansion—and Attorney-General Robert Kennedy—an active anti-trust enforcer—might be having for a future in which the White House might well choose to want a somewhat different complexion. Secretary of State, Dean Rusk, is known to enjoy the new President's confidence but not so all the other people in the State Department—especially the academicians.

From forecasts in the American Press and from what this writer could gather from Mr. Lyndon Johnson's recent address to a Democratic Convention at Burlington-Vermont, it seems that the new President, while not deviating fundamentally from his predecessor, will soon bring to bear his own admittedly maturer and certainly more pragmatic personality on every sphere of policy-making. In so far as foreign policy is concerned, President Johnson will follow the same policy with regard to the leadership of the Free World and the confrontation with the Communist World, perhaps more firmly even than Kennedy. Likewise, although he has all but allowed the Civic Rights Bill to await a fresh mandate from the American people, the new President will push these programmes through more vigorously when he feels the time is opportune. Being no less ardent a believer than Kennedy in lower taxes, he may also be expected to put his full weight behind the tax reform programme. By reason of his close contacts with business leaders over the years, there is believed to be a better meeting of the minds as between the new President and businessmen, notwithstanding — this is somewhat strange—some rumoured differences with a few Texan businessmen or, to be more precise, the alleged mental reservations of certain Texan businessmen about Mr. Lyndon Johnson. Be that as it may, from the point of view of India, it is heartening to note that the new President is for pumping more money into foreign aid and that he favours moves to lower barriers against world trade. Even more so is the generally held view in the States that relations between the new President and the Congressional leaders will be closer and more cordial than was the case rather unfortunately these few months past, under Kennedy. It is also well known that the Massachusetts Democrat and House Speaker John McCormack is a fast friend of President Johnson for several years and that the two agree on most issues. However, all these are at best attempts at an intelligent forecast. The exact nature of things to be will become explicit only when the new incumbent makes his first State of the Union address to the Congress and that will be early in the New Year.

France and India

From Our Special Correspondent

PARIS:

ALTHOUGH THE assistance that France gives to developing nations is greater, in relation either to her population or national income, than that given by any other country (and even in absolute terms is second only to American), it has been directed almost wholly to African states that used to form part of her empire. This concentration of interest on a small group of beneficiaries (small, because although a score of states are involved, their total population does not exceed

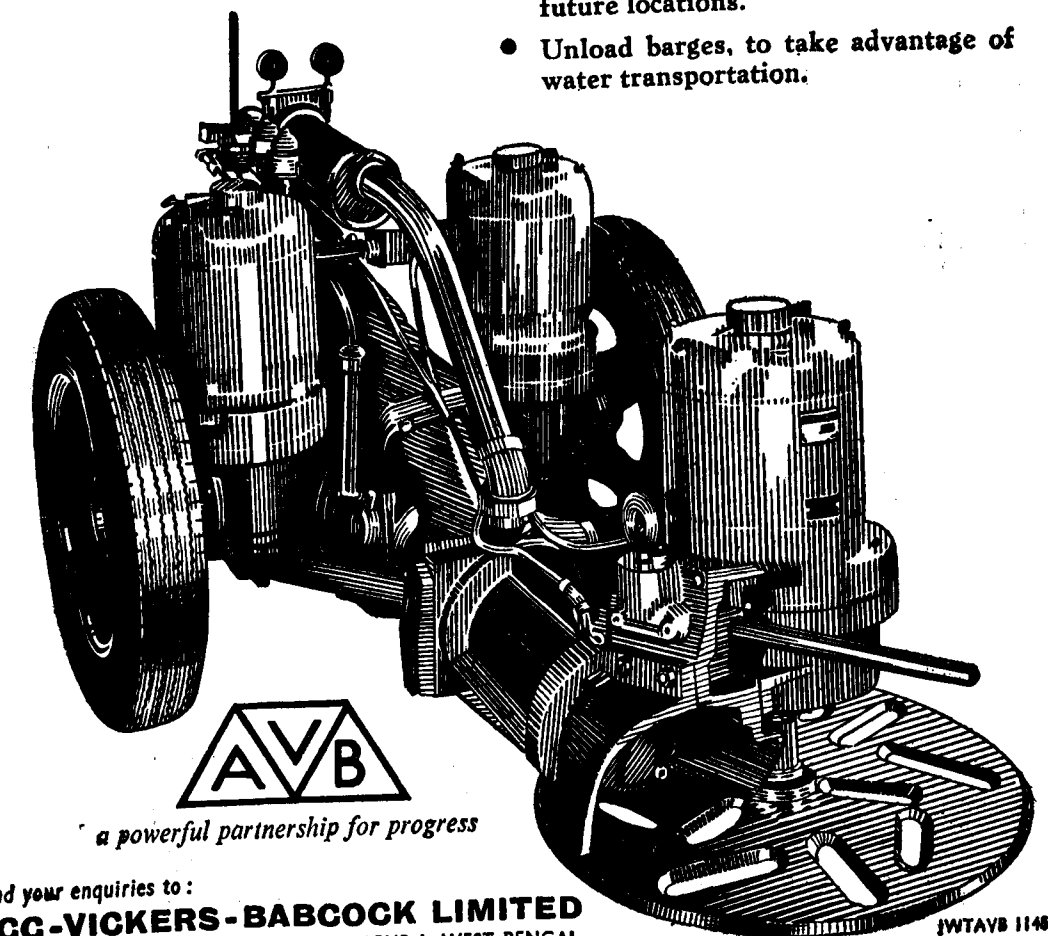
that of West Bengal) was for a long time a political dogma, based on the conception of "Eurafrica" which found expression in two grand political designs. The first was the Gaullist "French Community" (1958-style) which was to hold together the French-speaking states of Africa and Madagascar, and France herself, in a sort of confederation headed by the president of the French Republic. The second was the special association between the Common Market and the former French colonies, which was to give the Africans preferential access

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to the Continental market in tropical produce and to channel capital to French-speaking Africa from the six nations of the Common Market. As senior, founding member of both these associations, France would be the pivot of a vast Euro-African economic unity that would be more coherent than the Colombo Plan or the Alliance for Progress led respectively by Britain and the USA.

Given this overall design, the concentration of French assistance on Africa made sense for the future quite apart from continuing to develop the inheritance of the past in the shape of a common language and culture, and various acquired commercial positions. It excluded scattering aid to the four winds, in the manner of the Americans which is held here to have yielded disappointing results. Specifically, it ruled out any important French participation in aid to India, it entailed writing off intangible French assets in the former Indo-Chinese empire (thought to have been taken over by the USA) and it involved ignoring the possibilities of trade with China.

This plan has by no means been abandoned. French-speaking Africa still enjoys and will continue to enjoy preference in the allocation of French development assistance. But a number of facts have forced a revision of the Africa-first doctrine, a revision which has led immediately to greater French interest in India, China and other parts of Asia. In the first place, of course, the "French Community" evaporated before it was founded and the political links between France and her former African empire are by now quite tenuous. Associate status for these African states was indeed granted by the Common Market on French insistence, but against opposition that emptied it of part of its content. It is notable, for example, that the imports of the Six from their associates have increased very much less in the past five years than from other developing countries not so "favoured".

Paris Side-tracked

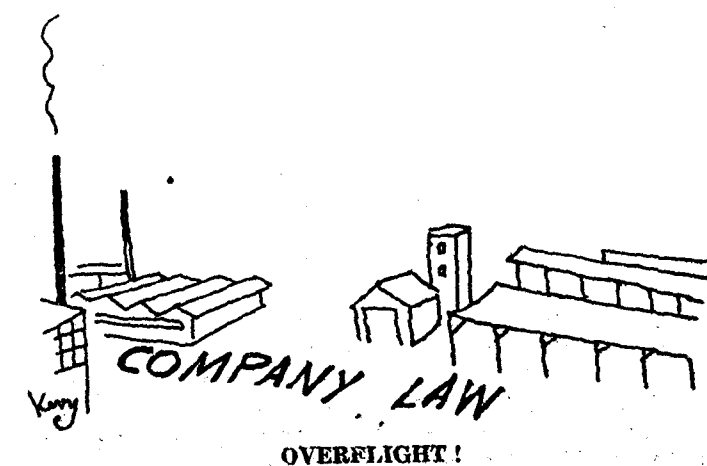
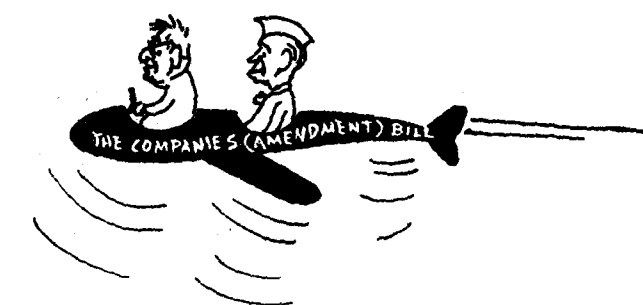
Furthermore, neither the African recipients of European aid nor the other members of the Common Market were willing to allow Paris to play the directing, controlling role she had allotted herself. The former sought aid wherever they could find it, and the latter took an interest in development in many other regions besides Africa; where they did business together, they preferred not to pass via Paris, and the business they did often led to a weakening of French positions in French-speaking Africa. Finally, development in Africa was disappointingly slow, the Negro states showing themselves unable to use all the capital that was available in West Europe—they took all the budget subsidies they could get from Paris, but this did no good to French industry which wanted the Africans to industrialise and not just boost their administrative outlays. The situation as French industrialists saw it was that French development aid was going to relatively unproductive (or only slowly productive) good works in Africa, French exports became increasingly concentrated on the neighbouring Common Market, while the other Common Market countries were monopolising the region's capital-goods business with promising markets like India.

No less influential in the new assessment of aid policies was General de Gaulle's more ambitious estimate of France's international role. The virtual end of the cold war and the coincidence of economic difficulties in Russia and the USA left room, he felt, for a wider-ranging display of independence for which France was prepared, economically by her own industrial renaissance, and politically by the freedom of movement gained with the conclusion of the long colonial wars. From China to Mexico, via India and Iran, it was time for Paris to make a 'rentree', or a first appearance. For once, French industrialists did not denounce these ambitions as excessive, since they considered it was more rational, economically, to choose profitable partners in capital-goods transactions all around the globe than to lavish aid on a small group of clients unable to import French equipment, whose external

markets had begun to contract.

It was in these auspicious circumstances that several Indian business missions arrived here last month, one led by Mr. G. D. Birla. Mr. Birla often passes by Paris and is attentively received but on this occasion interest in India was noticeably greater than in recent years. It had already been arranged that two French missions should visit India in the new year, but it has now been agreed that these contacts should be multiplied. Moreover, Indian possibilities will be assessed on the spot when the International Chamber of Commerce meeting in Delhi in February attracts French business men to that country on what will be for most a first visit. From the period of more intense acquaintance that has just begun there should emerge a series of fresh financial and technical links, for which the climate is propitious on both sides. On the Indian sides, awareness of French capabilities is much greater than in the 15 years after independence; it is now seen that several French specialities coincide with Indian needs, such as in nuclear and electronic apparatus, electric railway equipment, special steels, hydro-electric equipment and certain chemicals. On the French side, there is anxiety to keep these and other capital-goods industries fully employed at a time when the struggle against inflation has forced a curtailment of domestic investment and an increase in imports.

This revival of French interest in India needs, of course, to be set in perspective for one must guard against expecting it to assume spectacular proportions. France has been providing about 2.8 per cent only of total Western aid to India, and it will already be a notable event if this is increased by a point or two. More optimistic expectations were aroused in Iran when France this year displayed a similar revival of interest in that country's development, but the General was the first to moderate them, pointing out that France proposed to diversify her aid effort but nowhere outside French-speaking Africa had she the ambition to reduce dependence on America as the prime source of assistance. Exactly because she was seeking to diversify her connections with the developing world, mainly in order to safeguard her capital-goods exports and extend her political audience, she could not make



an impressive contribution to any one nation's industrialisation.

This is confirmed when one places the recent concern for India in the context of the new French policy in Asia. It was announced last week that Paris will install a permanent mission in Peking. This move is readily interpreted, no doubt too readily, as another Gaullist infidelity to the US-led alliance. In fact, it is not seen here as a form of de facto recognition of the Communist regime nor as a stage toward that, but simply as a commercial necessity in view of the Sino-French understanding to increase their mutual trade. But, given the circumstances and the inevitable misunderstandings that the rapprochement between de Gaulle and Mao must occasion, it is clearly not a mark of sympathy toward India. The French bid in China belongs, like the more sympathetic hearing now given to India, in the general drive to explore Asian markets long neglected because of the Africa-first dogma. So do the overtures in Cambodia and in Viet Nam, both north and south, in favour of a new policy of unity and neutrality which the French realise they would have to back with an increased quantum of development aid.

Nor is the quest for new clients for capital equipment limited to south and east Asia, for it coincides with France's reappearance in the Arab world where diplomatic ties have just been re-established and trade and aid pacts negotiated.

Arab Attitude to EEC

By JOSEPH B. ABBOD

BEIRUT:

THERE HAS lately been an obvious change, if not reversal, of the Arab attitude towards the European Common Market. Positive moves and bids for co-operation with the Market have replaced the old feeling of suspicion and negative attitude which prevailed in the Arab World only a few months ago. Calls for mutual co-operation with EEC instead of condemnation of the giant European economic organisation as a new form of colonialism are heard more and more in many Arab countries.

The Arab League Secretariat has urged member-States to establish closer commercial relations with the EEC. In a note circulated to member-States, the League Secretariat proposed that a number of officials concerned with Arab questions on the technical committee of the Common Market in Brussels should be invited to visit the Arab countries and study their economic conditions. The note invited the Arab States to alter their current negative attitude toward the EEC to a positive one "which would strengthen their commercial relations with the Market and prevent Israeli penetration into European markets".

The note pointed out that certain Common Market countries such as France and Italy were bound by economic agreements with Arab countries and were anxious to study Arab markets to make a choice between them and the Israeli market. The Arab League expressed high hopes that the proposed policy would be successful. It said that some Arab diplomats in Brussels had encouraging contacts with the concerned quarters on the subject.

The United Arab Republic, which once led the campaign against the Market, has quietly appointed observers at EEC and Cairo newspapers carried in inconspicuous corners a statement by a UAR economic source about the market which the UAR can have in EEC member-States for its rice and cotton.

North Africa's Morocco and Tunisia had initiated contacts with the EEC member-States for close association with the Market as their economies are so inter-dependent with that of France. The Libyan Premier expressed his country's interest in the EEC. He said his Government was following with interest all developments within the EEC. He added that his country would not take any definite stand with respect to

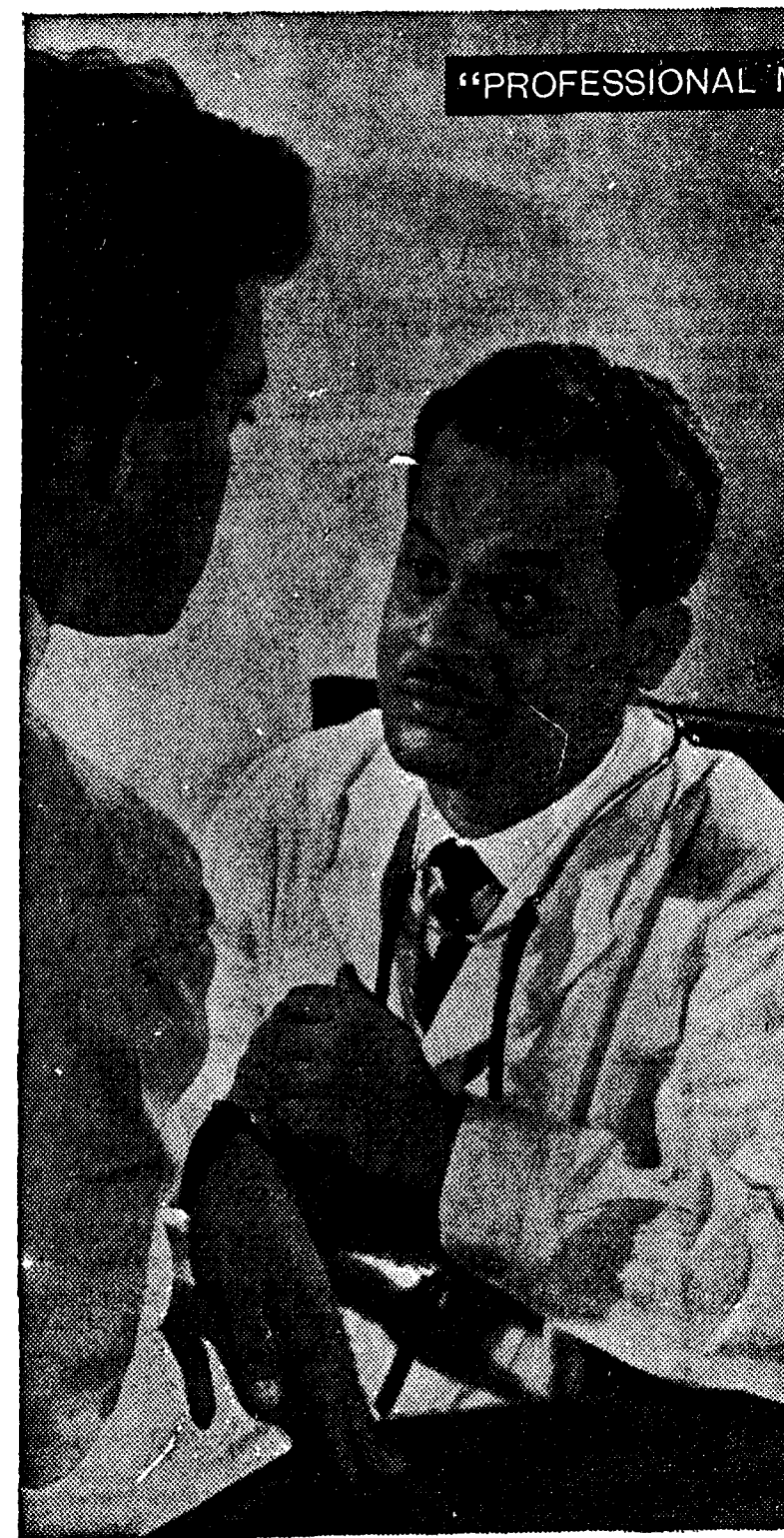
At the same time, a determined effort to explore the Spanish-speaking world has been begun with a loan of \$150 million each to Spain and Mexico. Both these countries asked Paris for much more (Spain for \$450 million) but the sums they received are still far in excess of anything so far committed in Asia. Finally, there is even an awakening interest for English-speaking Africa, long regarded as a British preserve. And of course the recent liberalisation of export-credit facilities is extended to all markets liable to be interested in French capital goods.

The very diversity of this new orientation of French aid policy shows its primarily economic motivation (specifically, the need to push capital goods exports wherever there is an opening), and also demonstrates the improbability of French aid becoming significant for any one recipient, given the limited resources at Paris's disposal. At the same time, its importance should not be under-estimated, for the abatement of the Africa-first prejudice guarantees a more sympathetic reception in Paris for any proposal from India involving loans for projects that offer a market for French capital goods. One can safely forecast that France will never provide assistance to India on the scale of West Germany, let alone of the British or Americans, but it is something to know that help is available in a new quarter, sometimes accompanied by technical capability of the first rank.

the EEC until this organisation had more clearly defined its own attitude to African countries. Libya, he said, would determine its attitude in co-operation with other Arab and African countries.

In the Arab East, Lebanon, before the UAR, took the initiative of seeking closer Arab ties with the EEC. Lebanon has appointed Dr. Nagib Sadaka, Lebanese Ambassador in Brussels, as its official observer at the Market Council. Secret negotiations have been going on between Lebanon on one side and France, Italy and Belgium on the other, aimed at defining the relations between Lebanon and the EEC. The negotiations are basically centred on the obstacles that stand in the way of Lebanese associate membership in EEC. Lebanon had long before applied for associate membership in the Market, but the EEC Council had rejected an earlier request by Lebanon for association. Lebanon is seeking either to conclude a single agreement with EEC as one unit or reach bilateral agreements with the member countries. One of these two alternatives would tend to create a more favourable balance of trade for Lebanon and help cut down the foreign trade deficit. The Lebanese Government is to continue its efforts for association with the EEC in spite of recent reports that the Market Council had rejected Lebanon's request for association. The Lebanese Foreign Minister, Philippe Takla, has expressed optimism regarding the possibility of concluding a co-operation agreement between Lebanon and the European Common Market.

And now Syria has made hints that she will also be seeking closer co-operation with the EEC. The view in Syria now is that Arabs would do better to try to establish association with the EEC before Israel does instead of just threatening the EEC if it admitted Israel. This view was endorsed by the Syrian Ambassador to Belgium, who was in Damascus last month for consultation with his Government on Syria's future relations with the EEC. The Ambassador said that the Arab States, in co-operation with the EEC, would not only block Israel's admission, but would also reap considerable economic gains. "All the Arab States must seek participation in the EEC to keep Israel out and to reap economic gains so that they may strengthen their international economic position," he added.



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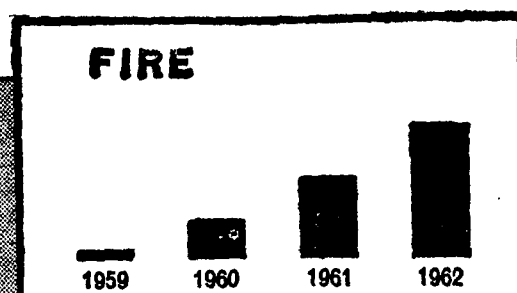
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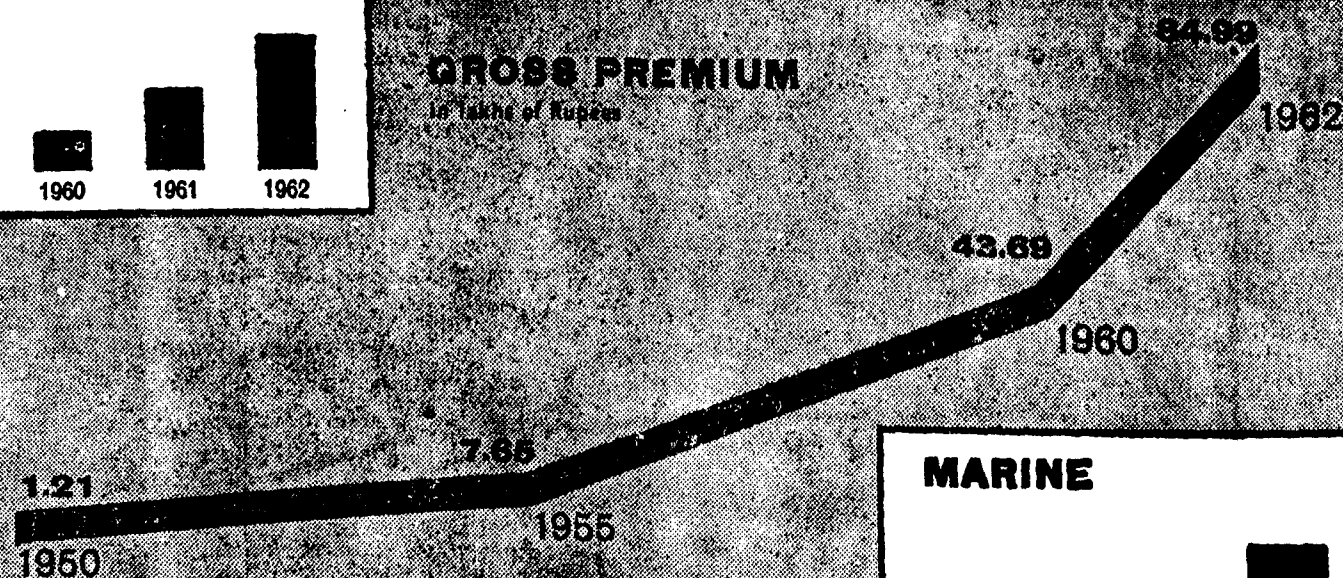
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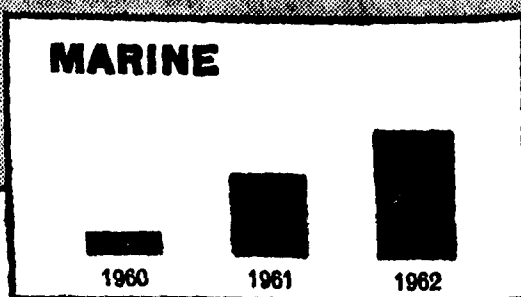
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LISTENING POSTS

What Is an Elephant Like?

By Our Special Correspondent

NEW DELHI:

THE AGRICULTURAL Production Board to which Mr. Swaran Singh has hitched his wagon seems to have become already earth-bound. The two meetings which the Board has held so far have reportedly proved singularly pointless. Discussions on those occasions are alleged to have borne a strong family resemblance to the celebrated effort of the Five Blind Men of Hindustan who tried to find out what an elephant was like.

Discussing what had gone wrong with agricultural planning and how to set the process right, Mr. Shriman Narayan reportedly was all for a whole-time senior officer to be attached to the Agricultural Production Board to ensure the implementation of its decisions. The Planning Minister, Mr. Bhagat, however, had other ideas. He urged that the Advisers in the Planning Commission should be made to shuttle back and forth between New Delhi and the State Capitals in order to see that State Governments took the Planning Commission seriously. But this did not satisfy Mr. S. K. Dey, who was not prepared to draw the line for Central supervision at the point of the State Capitals. He was for reaching down still further, in fact down to the ground level. Not unnaturally, the presiding dignitary, the Minister for Food and Agriculture, got more entangled mentally than enlightened by this plethora of planning wisdom and so he counselled, rather helplessly, that there should be a watch over the implementation of the Board's decisions and with a sigh of relief, if not satisfaction, got a Secretaries Committee appointed — to do God knows what.

Gad-flies Galore

And so the baby was passed on to the Secretaries who too met, talked and dispersed. It is difficult to see what else they could have done. The Planning Commission favours its Advisers being placed in charge of regions for implementation of agricultural development programmes, but the Central Ministries concerned do not like to part with any of their powers in this manner. To the extent that there was any agreement at all, it was that senior officers from the Centre should be let loose in State Capitals like so many gad-flies. Only, the State Governments seem to have quite different ideas. They are already resenting the ubiquity of too many Central officials visiting them too often on any little pretext or even none at all. At this rate, and if the Agricultural Production Board cannot soon function with better effect it cannot but meet the same fate as that of the Food and Community Development Ministries Co-ordination Committee, which has now been wound up.

Perhaps one should not be too hard on the Board — yet. On the importance of fixing prices for foodgrains, Mr. Swaran Singh seems to have been successful in getting agreement in Central Government that the Board should be able to fix prices for procurement without having to seek approval anywhere. At the present time, the maintenance of a reasonable level of prices for rice is of topical concern. The Minister for Food and Agriculture is reported to have secured the approval of his colleague in the Finance Ministry to the Government purchasing as much rice from the current year's harvest as might be needed for ensuring that the farmer obtains a remunerative level of prices. It is recognised that the Centre's measures in this respect will have to be properly co-ordinated with the activities of State Governments in

Orissa and West Bengal which are vying with each other in the procurement of rice.

★★

The Finance Minister is proposing to visit foreign countries early next year. Apart from attending the next meeting of the Aid-India Club at Paris, his tour might give him an opportunity of discussing with the members of the Consortium this country's requirements of foreign exchange for the fourth Plan. An estimate worked out in the Finance Ministry puts this figure around Rs. 2,500 crores, or about the same as has been estimated in the current Plan. It is recognised here that the US Government's continuing and unabated interest in India's development needs is very important for healthy aid prospects. Mr. Krishnamachari may, therefore, go to the United States for discussions with the new President, Mr. Lyndon Johnson, and acquaint him with the Indian case. There is a feeling in political and business circles here that such a meeting should take place as early as possible. It is also being suggested that the Prime Minister may consider whether it may not be useful to undertake a brief visit to the United States after the current session of Parliament.

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Fourth Plan needs apart, the Finance Minister has the immediate problem of having to find an extra Rs. 450 crores as untied aid for the last two years of the current Plan. The rise in the prices of imports and the delays in the execution of projects have led to higher costs which it would not be possible to accommodate within the original estimates. Moreover, out of a sum of Rs. 2,600 crores, so far promised for the third Plan by the Aid-India Club, only about Rs. 2,100 crores have been firmly indicated till now. This leaves a balance of Rs. 500 crores, the precise details of the availability of which have still to be settled. Meanwhile some of the members of the Club are reportedly seeking to adjust such balances against previous loans which are maturing next year. This will certainly create difficulties for this country and this problem too may have to be taken up by the Finance Minister in personal negotiations with members of the Aid-India Club.

★★

The Finance Minister, Mr. T. T. Krishnamachari, it is believed, recently explained at some length the Government of India's policy in regard to payment of royalty etc. to the foreign entrepreneurs collaborating with Indian companies. As it is known, there is no fixed rate of royalty; each case being considered on its merit.

Government feel that royalty as a source of income should not be treated differently from other sources of income for the purpose of taxation. The rate of tax on royalties payable under agreements entered into after 31st March, 1961 and approved by the Government of India has been reduced from 63 per cent to 50 per cent. Apart from royalty as such, a distinction is made in regard to payments attributable to technical assistance or research contribution. This research contribution is worked on the basis that the Indian company's payments should bear the same proportion towards the total expenses incurred by the foreign company for carrying on research work as the Indian company's output bears to the total output of the foreign company. Payments for technical services rendered outside the country are exempted from income tax to the extent the services are rendered outside India. Even as regards pay-

ment for technical services rendered in India, the actual expenses incurred by the foreign collaborator in rendering such services in India is deductible in computing the total taxable amount. It would be pertinent to point out that there has not been a single instance where negotiations between Indian and foreign collaborators have broken down because the royalty rate negotiated is rejected by Government as being too high. But in several cases India has negotiated successfully to bring down the rates of such royalty payments and has altered certain other conditions of the collaboration agreement, like the foreign company permitting the Indian manufacturer the right to export his manufactured article to neighbouring countries.

The figures of remittances on account of royalty payments to foreign concerns are not separately available but they are merged with the figures of payments for the use of trade-marks, copyrights and rentals payable for foreign machinery in the balance of payments data. The following amounts were remitted abroad to foreign concerns on accounts of royalty payments, patents etc. by the public and private sectors during the period 1960 to the first quarter of 1963 :—

Year	Rs. lakhs. Amount.
1960	226
1961	252
1962	339
1963 (January-March)	84

**

The Central Government, it is explained, is aware that certain British companies in India are finding it difficult to comply with the requirement of British Law which enjoins that every stock holder must receive a copy of annual accounts which in turn is opposed to the prohibition imposed on them by Defence of India Rules in this respect.

In reply to the representations made to it, Government has clarified that the directors of such companies in the United Kingdom may circulate copies of their annual accounts to their shareholders residing outside India or to any authority in the United Kingdom in order to comply with the requirements of the UK Companies Act.

**

The following statement gives the total value of shares consented to be issued to foreign subscribers by Government,

Progress of Agricultural Credit

From Our Correspondent

BOMBAY :

THE MID-TERM appraisal of the third Plan had shown a more glaring short-fall in agriculture than in other sectors. Apart from the wide seasonal variations and the difficulty of organising the large mass of farmers of limited means, the lack of proper balance between various types of credit provided to agriculture proved a hindrance to step up production. There has been a steady increase in the amount of short-term loans but there has been no commensurate increase in long-term credit. While Maharashtra and Gujarat had made good progress in stepping up long-term credit to agriculture, the movement had not gained momentum in other States. The total of outstanding loans in land mortgage banks amounted to Rs. 67.8 crores at the end of June 1963 leaving a wide gap to reach the Plan target of Rs. 150 crores. It is against this background that a three-day conference of all-India central land mortgage banks was held recently at Ahmedabad.

Over 100 representatives of land mortgage banks, registrars and finance secretaries of State Governments and repre-

and the number of cases involved during the period 1st January, 1960 to 30th June, 1963 in the new companies and existing companies :

Year	New Companies		Existing Companies		Total	
	No. of cases	Amount (Rs. crores)	No. of cases	Amount (Rs. crores)	No. of cases	Amount (Rs. crores)
1960	110	11.20	94	8.33	204	19.53
1961	116	19.19	132	16.63	248	35.82
1962	143	20.03	110	9.81	253	29.84
1963 (Jan. - June)	48	10.70	66	5.29	114	15.99

A large number of industries in the private sector have received foreign technical and financial collaboration from firms in the UK, the USA, West Germany, Italy, Switzerland, Japan, France, Canada, Austria, Holland, Sweden, Czechoslovakia and Poland which have resulted in the setting up of joint ventures. In the past four years the number of approved schemes of foreign technical collaboration and financial participation were as follows.

Year	No.
1960	390
1961	402
1962	299
1963 (up to 30th Sept.)	227

Collaboration cases approved by the Government in the past four years cover a wide range of large and medium size industries included in which were: Alloy and special steels; Steel castings; Steel forgings; Non-ferrous metals; Heavy structurals including cranes; Industrial machinery for textiles, jute, mining, washeries, cement making, paper making, sugar machinery; Machine tools; Shovels and earth-moving equipment; Automobiles and ancillaries; Ball and roller bearings; Electric motors and transformers; Cables and wires; Other electrical industries; Heavy chemicals; Miscellaneous chemicals; Fertilisers; Drugs and pharmaceuticals; Dyestuffs; Rayon and staple fibre; Paper, paper board and pulp etc.; Refractories; Plastics; Rubber manufactures (including synthetic rubber); Industrial gases; Cotton textiles; Industrial and scientific instruments; and Watches.

representatives of the Reserve Bank, the State Bank and the Central Government attended the Conference. The Governor of the Reserve Bank pledged adequate financial assistance to all productive programmes while inaugurating the Conference. He exhorted the land mortgage banks to display greater initiative in mobilising rural resources in addition to seeking increasing funds from institutional investors to meet the growing needs. Mr. Bhattacharyya expressed concern that the co-operative institutions appeared to take only limited interest in placing the surplus funds in debentures of land mortgage banks. Considering that these debentures are fully guaranteed by the State Governments, that they carry attractive rates of interest and that all financing institutions would be willing to buy or lend against the security of land mortgage debentures, a much more active policy of investment in these debentures would be justified. The Governor stressed the need for the closest possible co-ordination between the institutions providing short-term and long-term finance to agriculture. The State Government should recognise its financial responsibility in the matter and augment assistance to agriculture so as to

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INDIAN SUGAR FOR CANADA

"The State Trading Corporation has concluded a contract for the supply of one lakh tons of sugar to Canada, during 1963. Half of the estimated sale proceeds of Rupees Four Crores will be utilised for importing fertilisers, newsprint and wood pulp. The other half will be a nett foreign exchange saving."

—News Item.

The five sugar factories of the E. I. D.—Parry Group, located at Nellikuppam, Pugalur, Pettaiyaythalai, Samalkot and Tiruvalla, produce 90,000 tons of sugar every year—the largest production from a single group in South India, representing one-fifth of the annual consumption in South India. In addition, 3000 tons of confectionery are also produced.

Both sugar and confectionery are exported, earning foreign exchange for the country.

The E.I.D.—Parry Group is also concerned with the production and distribution of substantial quantities of fertilisers and in 1963 the Group expects to supply about 200,000 tons.

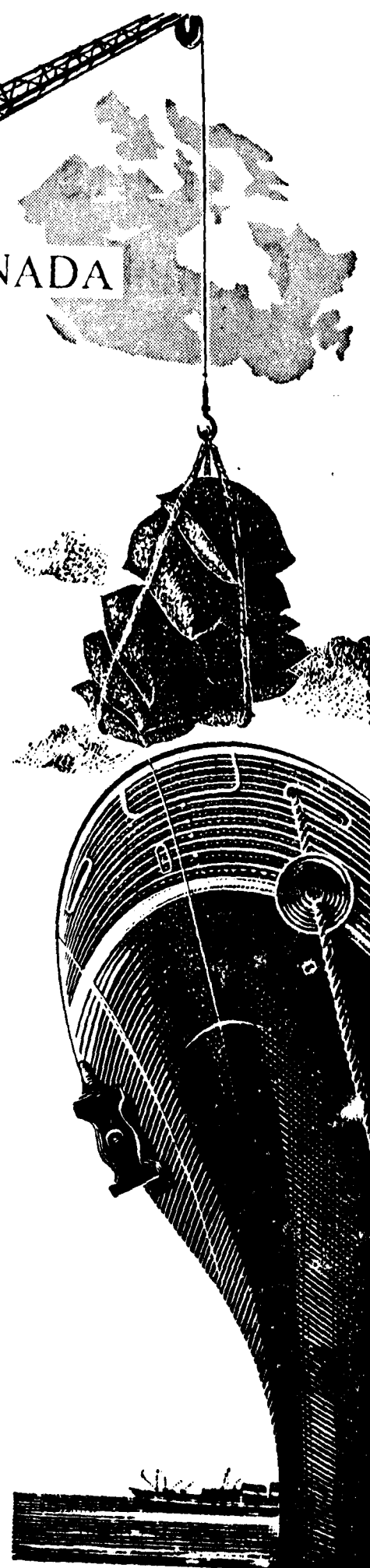
This significant contribution is expected to be further increased when expansion programmes are realised.

Other manufactures of the Group include sanitary-ware, light railway equipment, acids, chemicals, carbonic acid gas and industrial and potable alcohol.

Started as a small trading concern in 1788, the Group today comprises nine companies of substance, offering employment to more than 10,000 people, and keeps on expanding its activities in pace with the nation's march to economic independence.

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keep pace with the expanding needs of agricultural development. The relatively slow growth of land mortgage banks in different States was due to legislative restrictions on proprietary rights in land, uncertain State policies in respect of land reforms, inadequacy of trained personnel and the precarious nature of the agrarian economy itself. The loans advanced are also utilised for liquidation of old debts and not necessarily for improving the productive facilities. The removal of the various impediments requires energetic action on the part of the State Governments.

Addressing the first Press conference after becoming the Chief Minister, Mr. V. P. Naik indicated that the Maharashtra Government was reconsidering its prohibition policy. The decision would be such that "by and large many people would like it, if not all." The Chief Minister had ruled out, however, a complete scrapping of prohibition. The Government would take its decision on the basis of a unanimous report submitted last year by a committee appointed by the Maharashtra Government to look into the question. Mr. Naik also said that the broad framework of policies outlined by the late Mr. M. S. Kannamwar for revitalising the administration would serve as a guide to the new Ministry. In regard to the State's third Plan, there was no difficulty about its implementation. The rural areas in Maharashtra which had not recorded satisfactory progress, according to the Chief Minister, deserved a concentration to increase the per capita income of the people. Mr. Naik expressed the opinion that the growth of agriculture was primarily handicapped by finance and it was necessary to ensure to the farmers full-scale monetary help both through

co-operatives and official channels. He mentioned the efforts made for securing higher prices for producers of paddy, jowar and cotton. The Chief Minister was confident of ushering in Socialism in Maharashtra much quicker than in the other regions of the country, especially looking to the swift progress recorded by the State in the field of co-operation in agriculture. At the beginning of the Press conference, Mr. Naik announced the Government's decision to release forthwith 61 political detenus arrested under the Defence of India Rules as a goodwill gesture of the new Ministry.

A working scale model of a Pratt & Whitney JT-3D-3B turbofan engine which will power Air-India's new Boeing 707-320B was presented to Mr. J. R. D. Tata, Chairman, Air-India, by Mr. George L. Estes, Vice-President, United Aircraft International, U.S.A. The presentation ceremony took place on December 2 at Air-India's Engineering Base at Santa Cruz airport, Bombay.

Speaking on the occasion, Mr. J. R. D. Tata said that this model was a welcome gift and will prove an excellent aid in training Air-India's engineering staff. Mr. Tata said that Air-India's Jet Engine Overhaul Plant had achieved "exceedingly good results" in jet engine overhaul and "I believe Air-India has the highest effective time between overhaul for its Rolls-Royce Conway engines among other operators in the world." He hoped that the new Pratt & Whitney engine would prove as good as its predecessor. Mr. George Estes complimented Air-India on its excellent financial results during 1962-63 and said "I wish to welcome Air-India to the family

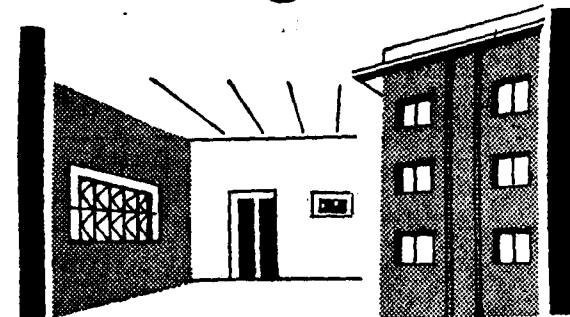
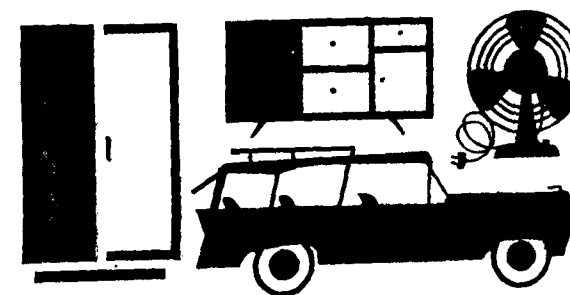
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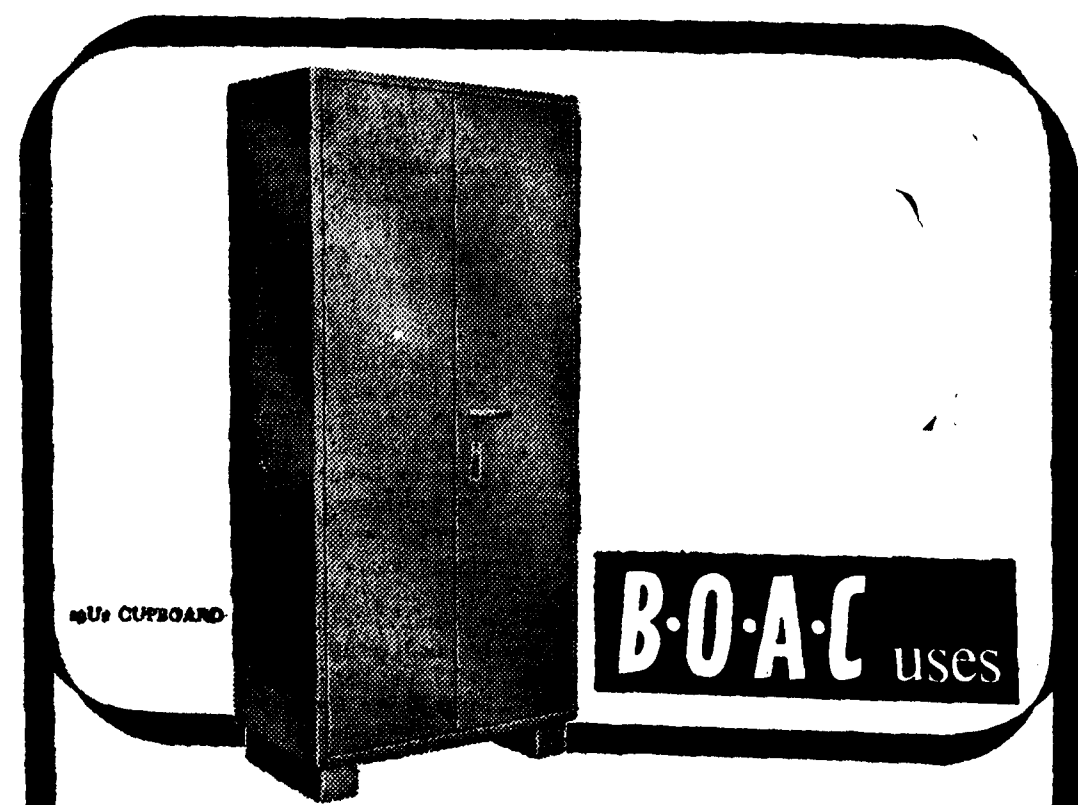
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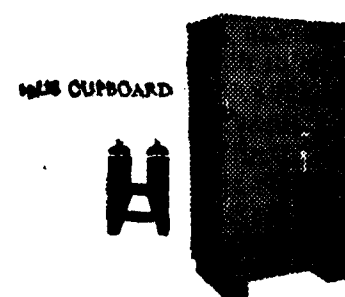
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of 48 airlines around the world now using the Pratt & Whitney jet power." He pointed out that the JT-3D-3B engine burns approximately 18 per cent less fuel than earlier jet engines and thus offers significant fuel economies. This, as Mr Tata pointed out, could facilitate greater range and payload.

Recent developments in East Africa, resulting in the resignations of nearly 1000 Civil Servants of Indian origin from the Common Services Organisation and their return to India has naturally caused anxiety in many circles. Shri Brihad Bharatiya Samaj, in a memorandum to the Ministry of External Affairs, has urged that adequate assistance should be rendered to such personnel who have returned and a special committee appointed to look into the problems of Indians abroad who number nearly 5 million. Among the many steps to rehabilitate these personnel, the Samaj has suggested that instructions should be issued to Government departments,

such as the Railways and Posts & Telegraphs, to give preference to service personnel who have returned from Kenya and other places in the filling up of the existing vacancies as also other new appointments in Government services as and when they arise. The Government may show such preference in the appointment of staff to Posts & Telegraphs Department and Railways. Besides providing employment in Government services, the Government could also explore the possibilities of assisting these displaced persons in setting up small-scale industries in the various States by giving them facilities of the nature of providing essentiality certificate, raw materials, machinery etc. The cases of persons having industrial establishments abroad and having returned now should be examined carefully and it should be made possible for them to bring such machinery and other equipment that they had over there. This would obviously involve concessions from the regulations governing the import of machinery.

Subramaniam's Reassuring Presence

From Our Correspondent

CALCUTTA:

MR. C. SUBRAMANIAM'S brief visit to this city over the week-end, principally for addressing the annual meetings of the Associated Chambers of Commerce and the Engineering Association of India, had a remarkably constructive effect on business sentiment in this part of the world. With honesty of purpose and clarity of thinking, the Minister for Steel, Mines and Heavy Engineering addressed himself to some of the main issues agitating the minds of such of us as are anxious about the slackening of the tempo of development and sincere about correcting the situation and speeding up the industrialisation of the country.

At the Assocham meeting, Mr. Subramaniam did not mince words in underlining the obstructive role played by the over-regulation of economic activity through too many controls of varying degrees of utility administered through slow-moving, bureaucratic procedures. He came out strongly as a champion of reform when he said: "I have no doubt whatever that after two decades of more or less continuous exercise of controls of various kinds the time has come when we should review thoroughly the operation of existing controls to make sure that they serve adequately the purposes of planned and equitable distribution without hindering at the same time the operation of those very forces which make for growth and the elimination of shortages and monopolistic tendencies. The very fact, I think, that considerable vested interests have developed around some of the present controls should put us on our guard in assuming that these controls serve primarily the interests of equitable and planned distribution."

On another controversial issue, viz., the place of so-called "big business" in industrial expansion, again, Mr. Subramaniam spoke with refreshing political courage. Dealing with "the important question of economies of scale — a question which assumes even greater importance in the context of our efforts to achieve a steady increase in our export earnings, particularly the export of manufactured products," Mr. Subramaniam said: "We cannot even for the sake of encouraging new entrants or for the sake of balanced regional development, encourage the proliferation of uneconomic units without rejecting the general progress of the industry in the country as a whole." It is important to note here that Mr. Subramaniam did not merely stop with expressing his opinions. He also indicated that he, as a Minister and the Government as a whole were, in fact, devoting serious thought to these problems and that an attempt would be made to solve them in a manner which would help the more rapid expansion of industries.

That this expansion should be vigorously planned and prosecuted Mr. Subramaniam was equally clear. He rightly

pointed out that there was no question of targets being pulled down; rather the policy should be to push up the economic effort needed to achieve targets. He came out as an advocate of planning for substantial margins of industrial capacities, a view which kindled a kindred spirit in a speech Mr. B. M. Birla delivered at a luncheon session of the Engineering Association. Mr. Birla went even further than Mr. Subramaniam in advocating a spacious economic and industrial programme without which, as he pointed out, there is no hope of even the basic needs of the people being met within a reasonable period. Pointing out how much headway our planning effort has yet to make, Mr. B. M. Birla said that the expansion of the machine tool industry, for instance, has been proceeding at a tempo which is grossly inadequate for the kind of ambitious programme of development of heavy industries to which the Government is enthusiastically subscribing. Mr. Birla pointed out that there was no point in talking about establishing the fabrication of industrial plants in this country or setting up machine-building industries unless high priority was given to the manufacture of machine tools in this country in increasing numbers and over a widening range and the Government would make it a policy to provide the foreign exchange needed for adequate imports of capital goods for manufacturing machine tools.

Encouragement to Corporate Sector

Mr. A. R. Foster, President, Associated Chambers of Commerce, in his address to the annual meeting pleaded for a taxation policy "which gives bold encouragement to corporate activity and stimulates the reinvestment of profits and the flow of savings into these dynamic forms of activity." While admitting the substantial concessions given to new companies, he pointed out that the level of taxation on established enterprises was heavy by international standards and did little to encourage development by companies or further savings by the investors. Mr. Foster emphasised the point that the Super Profits Tax, even in its modified form, remained a damaging impost. "The universal criticism with which the Super Profits Tax was received and the damaging effect which it has had since on the capital market and the flow of investment into new companies was mainly due," in his opinion, "to the realisation on the part of the investing public of the blow which this measure would deliver to capital formation and the belief that the Government were indifferent to these results."

Mr. Foster then said that the business community which he represented would place "a withdrawal of the Super Profits Tax Act, or a radical modification of its provisions high in the list of policy decisions necessary to revitalize the economy." Secondly, he urged the modification of the present arrange-

ments regarding the taxation of inter-corporate investment. The present system involves multiple taxation and it does discourage the investment by one company in another. "There is," Mr. Foster said, "I fear, a prejudice against this type of activity in India on what I consider the doctrinaire grounds that it tends to further the concentration of economic power. Bearing in mind the developments which have taken place throughout the world on the basis of the flexibility and progressiveness of this aspect of joint stock system, I am sure that this country would be well advised to encourage it; and since most foreign investments in India in future must come from foreign companies rather than individuals, the elimination of the multiple taxation of company profits is highly desirable."

Expressing satisfaction over the fact that foreign investment, particularly from Britain, has been able to continue to play a considerable part in the advance of industry in this country, Mr. Foster expressed the hope that this trend would continue. He added, "There are, however, serious tax problems involved, not the least the impact of taxation on expatriates employed in these concerns. Better rewards offered in other areas for highly-skilled managerial and technical employees make it increasingly difficult to recruit and retain men of calibre needed to maintain international standards. And since it is recognised that it is reasonable for foreign investors to wish to have a minimum of their own nationals associated with their investment, some recognition of this situation is urgently required."

Comparable Efficiency Standards

In an interesting part of his address, Mr. Foster dealt with the important question of productivity, a matter to which the Associated Chambers, under his personal guidance, has been devoting a great deal of attention. After referring to the fruitful visit to this country earlier this year of Mr. Russell Currie, President of the European Work Study Federation and Head of the Central Work Study Department of a large industrial concern in Britain, Mr. Foster claimed that it has been shown in some units in India that standards of productivity can be as high here as anywhere in the world. The Associated Chambers has issued a number of booklets describing in outline the techniques involved in productivity, work study and bonus incentives. These booklets have proved popular and have run into many thousands of copies. Mr. Foster also pointed out that bonuses paid monthly for increased output are beginning to gain popularity among workers and are acceptable to them, provided they are satisfied that they are soundly based on properly-designed productivity schemes. He expressed the hope that the Bonus Commission would give its support to greater use being made of such bonuses, as they could have an immediate impact on increased efficiency. Referring to the Industrial Truce, Mr. Foster said that it had made a notable contribution to the easing of tensions in industry; an assessment which must surely gladden Mr. Gulzarilal Nanda's heart.

In a series of Resolutions adopted at the annual meeting, the Associated Chambers of Commerce dealt with tax reform, development of agriculture and power and the regulation of prices. The Assocham expressed the view that, since tax collections were running in excess of budget estimates, there was scope for relief in such forms as the abolition of the Super Profits Tax and concessions in the matter of tax on inter-corporate dividends on bonus shares. It advocated the abrogation of the provision for disallowance for tax purposes of corporate expenditure on the remuneration of Indian nationals in excess of Rs. 5,000 a month per employee. Another Resolution advocated that thermal generating stations should be encouraged as a supplement to hydro-electric programmes. On prices the relevant Resolution squarely declared that the only solution was increased production which should be encouraged through an adequate return on capital to finance expansion and attract fresh investment. To the extent the Government did not find it possible to abolish controls on

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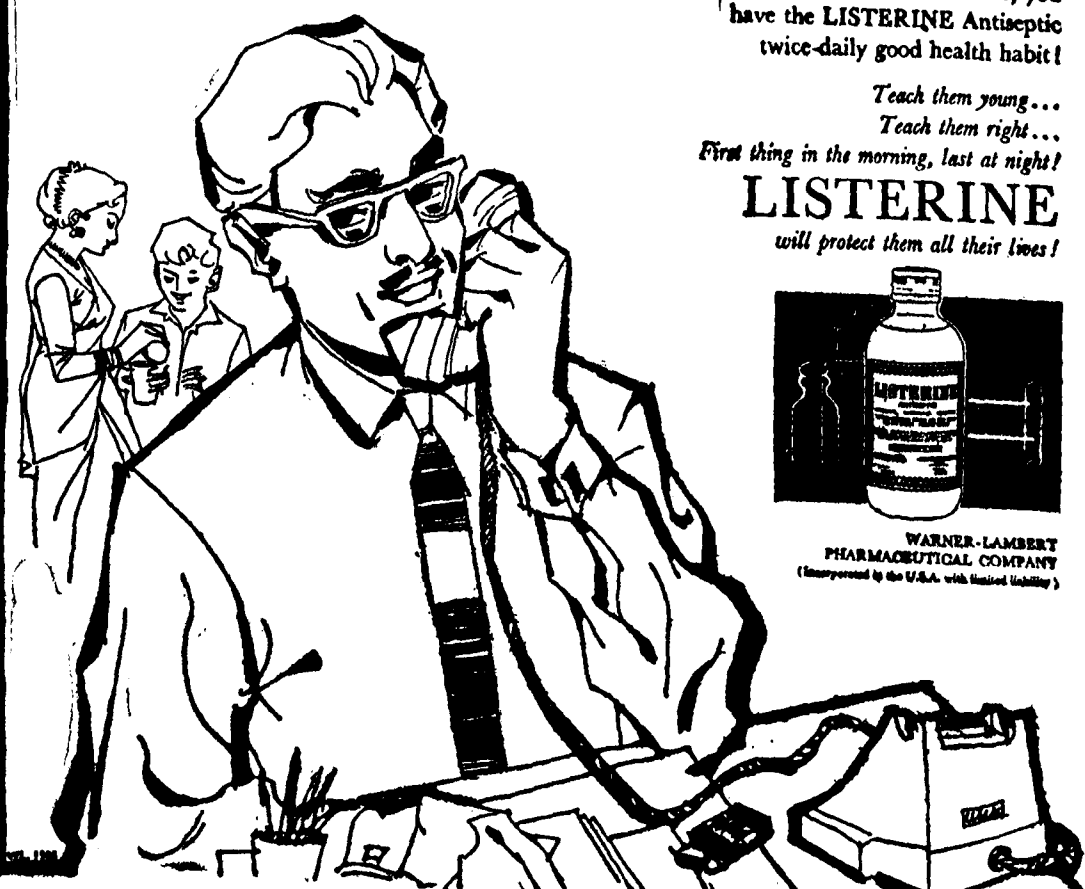
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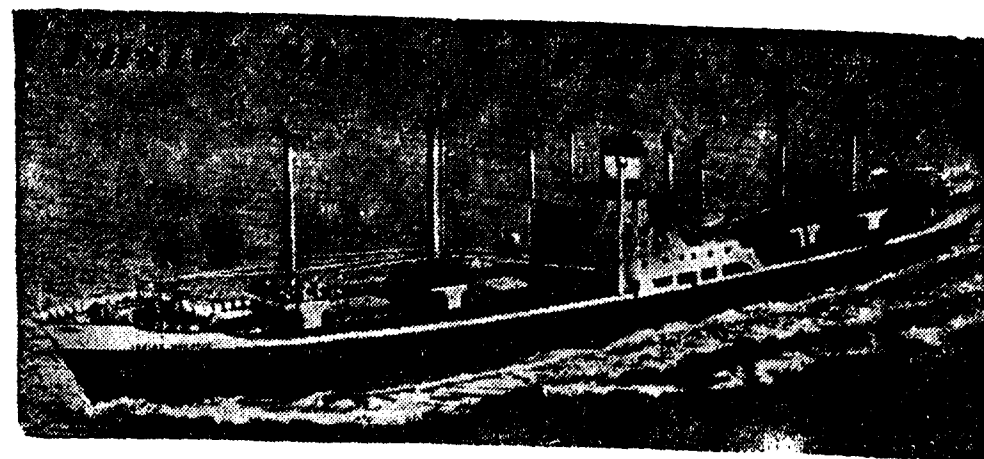
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industrial products, their prices, it was pleaded, should at least be realistically fixed taking full account of increased manufacturing costs.

★★

A welcome bit of news last week was the announcement made by the State Minister of Commerce and Industries, Mr Tarun Kanti Ghosh, that the State's third Plan provision for electricity development had been increased to Rs. 83 crores from the original allotment of Rs. 48 crores. Mr. Ghosh, who made the announcement at the twentyfirst annual general meeting of the Engineering Association of India, also referred to the West Bengal Government's decision to set up a high power Coordination Board with representatives of Government and industry with a view to giving a fillip to the State's industrial development. He pointed out that the main purpose of the State projects in the basic industries was to provide a strong base for the rapid growth of the engineering industry.

Already the engineering industry in West Bengal is of considerable proportions. This is not surprising because the State is the home of a number of industries of national importance. But the future development of the industry in West Bengal as elsewhere has become somewhat uncertain because of the shortage of raw materials. Referring to the prospects of the industry, Mr T. R. Gupta, President of the Engineering Association of India, said that some of the disquieting features of the raw material position were the fact that the third Plan steel target of 6.8 million tons of finished steel would not be achieved before the third year of the fourth Plan, and shortage of such materials as pig iron, alloy steel, aluminium etc. would continue. Two important suggestions made by Mr Gupta towards a speedy development of the engineer-

ing industry refer to foreign exchange allocation and incentives. He rightly pointed out that the engineering industry required maximum foreign exchange at the initial stages at that this peculiar feature should be borne in mind by the authorities in allocating foreign exchange for the industry. The second special feature of the industry is that its development depends to a large extent on the ability of the machine tool industry to meet its varied requirements. Therefore it is essential that special efforts should be made to foster the rapid growth of the machine tool industry as an essential part of the programme of the development of the engineering industry.

★★

Lyons Range has made a smart recovery towards the close of last week following bullish interpretation of some of the statements of the Finance Minister and the Minister of Steel, Mines and Heavy Engineering. Perhaps the only new point in Mr. Krishnamachari's statement in the Lok Sabha last week is that it refers to the Government's anxiety to ensure that approved private sector projects which are ready for implementation are not held up for want of rupee finance. For the rest the contents of his statement are already common knowledge: the granting of a loan of Rs. 10 crores each to the IFC and ICICI; the formation of the Unit Trust, intention to establish a development bank; the liberalisation of the RBI credit policy and permission to recognised stock exchanges to resume forward trading under certain conditions. Similarly Mr Subramaniam's statement that the private sector steel companies should repay their loans due to the Government before 1969 is taken to imply an increase in the retention price of steel and an assurance that the Government does not purpose to compel the companies to repay the loans before the stated period.

Southern States Short of Plan Money

From Our Correspondent

MADRAS:

sources in the most beneficial manner.

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THE ANDHRA and Mysore Governments would appear to be experiencing serious difficulties in implementing different Plan schemes on account of the paucity of funds. In spite of the fact that the Planning Commission has been impressing on the States that additional revenues should be raised and Plan projects implemented vigorously it is now felt that fresh taxation cannot be levied without inviting unpopularity. Indeed, the Chief Ministers of these two States have gone on record saying that taxation is already at a high level and it would be inadvisable to increase the burden on the lower income groups. The Andhra Pradesh Government has, therefore, suggested to the Centre that the Nagarjunasagar project should be taken over by the latter and immediate payment of interest charges should not be insisted upon. It was also suggested that there should be a liquidation of investments held by the State Government in the joint-stock companies while the Andhra Paper Mills should be transferred to the private sector. More than the difficulty in imposing additional taxation, the cost of the various schemes also has gone up appreciably due to higher cost of materials, higher wages, and other factors. It can, therefore, be expected that there would be further levies in the next two years and efforts would be made to implement the various schemes with increased assistance from the Centre. Only the Madras Government is not feeling any serious difficulty. Actually, it has been pointed out that the yield from the various taxation measures has been grossly under-estimated and if the implementation of projects does not come about at the desired rate, it will be due to the paucity of financial resources. The tax effort of Madras has no doubt been overdone though it is accepted that the State Government has been utilising available re-

It is clear that the Andhra Pradesh Government is seriously worried about the further mobilisation of resources for implementing various schemes in the remaining years of the third Plan. It has been estimated that there will be a gap in resources to the extent of Rs. 13 crores and that it would be necessary to hand over to the private sector the Andhra Paper Mills apart from reducing holdings in companies where the State Government has a majority interest. The minority share-holdings, of course, are proposed to be sold out. This policy is not considered retrograde as it would not serve any useful purpose to retain minority share holdings in respect of companies in which there is a large outside interest. There is a proposal to distribute shares, particularly those of sugar companies, among agriculturists. It has been indicated that the investments of the Government in shares or debentures of joint-stock companies, other than Government companies, was Rs. 4.13 crores at the end of 1961-62. The investments in Government companies were of the order of Rs. 5.31 crores and out of 50 companies, in both the public and private sectors, six companies with a total Government investment of Rs. 25.63 lakhs were under liquidation. The realisation of some part of the minority holdings and the transfer of the Andhra Paper Mills to the private sector should release for the State Exchequer over Rs. 6 crores when a gap of only Rs. 7 crores will remain.

The decision of the State Cabinet to hand over the Andhra Paper Mills to the private industrialists was criticised by the Opposition as there was a feeling that the transfer from the public sector would not be desirable in the general interest, but the Congress party in the State Legislature has given its approval. Since the running of the paper mills has

proved difficult latterly, it has been considered advisable to undertake expansion schemes, for which arrangements have reached an advanced stage, under private auspices.

The serious difficulties in the way of raising additional taxation will be clear from the fact that the additional land assessment tax, which is expected to fetch Rs. 3.7 crores in Andhra Pradesh, was criticised vehemently by the Opposition. There was indeed a walk-out in the Assembly on this question even though the Chief Minister explained that the rates of tax had been rationalised and there have been actually no increase over a period of years. The cultivator can certainly bear an additional tax on account of higher agricultural incomes. But since a large number of cultivators are involved and the increase in income has been neutralised to a great extent by higher prices for the commodities, the question of tax on land has become somewhat political in character. The State Government have, therefore, been emphasising the need for developing the industrial potential at a fast rate and providing employment for large numbers in the next few years. For this purpose, incentives on the lines of those granted by the Madras Government are proposed to be provided to private industrialists.

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After considerable thought, the Madras Government have indicated to the Kerala Government its preparedness to supply from Neyveli 20 kW of power for use during nights. With the commissioning of the fourth thermal unit in Neyveli and the very comfortable water levels in many of the hydro reservoirs, it is felt that the needs of Kerala can be met at least partially especially as the fifth set in Neyveli is expected to be completed before March next. The power supply will not be in any large quantity, but the sale of such a block has not been possible or attempted before. Except for the possibility of there being a difficult situation in the summer months next year, the Madras State Electricity grid would be in a position to sell power to the neighbouring States for a short period as many hydro-electric projects are expected to be completed shortly and in operation during the next south-east monsoon. There may also be a distinct improvement in Mysore and Kerala in the latter half of 1964 or early 1965 as the Sharavathi Project will start yielding results and construction work on the Sabarigiri Project in Kerala is also progressing rapidly. With the indication that the Andhra Pradesh Government would be accepting the offer of Dr. Dharma Teja for constructing a thermal plant, having a capacity of 200 mW, at Ramagundam and to be completed in a period of 30 months from the date of commencement of work, the recent developments relating to power generation may be considered more encouraging. The thermal stations at Kothagudem and Ramagundam will, however, be helpful to Andhra Pradesh only in 1966-67.

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Considerable concern has been expressed latterly about the slow off-take of fertilizers of different kinds. While the output of super-phosphate and compound fertilizers has increased significantly in Madras and Kerala, on account of the commissioning of new factories and the completion of the second stage of the expansion programme of the Fertilizers and Chemicals (Travancore) Limited, imports also have been coming in at a fast rate. Somehow the larger availability of nitrogenous and phosphatic fertilizers has not been reflected in a corresponding increase in the off-take. In fact, it has been complained in Kerala, Madras and Mysore that the demand for even nitrogenous fertilizers has not increased at the anticipated rate and that cultivators are not inclined to use freely calcium nitrate, ammonium chloride or even ammonium phosphate. They have been only accustomed to the use of ammonium sulphate. The Sindri Fertilizer Factory is not probably experiencing any serious difficulty in marketing its output on account of the preference shown by the ryot for this type of fertilizer. But what is more disturbing is the fact that ferti-

lizers produced and imported at heavy cost have not been freely absorbed and some excuse or other has been found by the State Government and Co-operative Societies for the absence of any pronounced increase in off-take.

It might be that the earlier accumulation of stocks in Madras was due to the receipt of supplies in the off-season. But even with the ready availability of stocks, the demand has not increased significantly. It was, therefore, suggested that the unenterprising character of co-operative societies was mainly responsible for the apathy shown by the cultivators and that permission to private agencies for marketing nitrogenous fertilizers and mixtures will enable the easier disposal of available stocks. It has been actually indicated by the Chief Minister of Madras State that there would be a change in official policy and that private agencies would be again allowed to enter the field for marketing nitrogenous fertilizers. As the output of nitrogenous fertilizers is expected to increase significantly in the next year and many superphosphate units have not been able to work at full capacity, it is desirable that there is a radical change in the methods of marketing and the cultivator is also allowed to enjoy the benefit of better credit facilities. It was only recently indicated by the Directors of an industrial unit in Madras that a newly erected superphosphate unit was not able to operate at more than 50 per cent of its capacity on account of poor demand for superphosphate and mixtures due to the failure of South-East monsoon. The factory had to be shut down for sometime. It is expected now that there would be an increase in the consumption of fertilizers of different types and that new steps might be taken by the State Governments to stimulate off-take.

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In Madras, fresh efforts are being made to hasten the phase of industrial development. While many new projects have taken shape and many more are under contemplation, there is a feeling that the textile industry, in both the organised and decentralised sectors, should be helped to expand its production facilities considerably. While many existing mills are expected to take advantage of the latest decision of the Central Government permitting expansion of capacity up to 7.5 per cent in respect of spindleage and up to 100 looms in the case of spinning units, many new medium-sized spinning units are proposed to be established in different districts. At the twentieth annual meeting of the Handloom Board, the State's Chief Minister pointed out that there were proposals for establishing 13 spinning mills on a co-operative basis as part of long-term policy to prevent recurrence of shortage of yarn supplies of particular counts. The intention is to establish a spinning unit in every district so that the weavers will have no difficulty in regard to their supplies of coarse and medium yarns. There are already three co-operative mills working and providing yarn to the handloom industry. Difficulty has been experienced in raising the required resources as the weavers were not in a position to subscribe liberally to the capital of the co-operative mills. It has, therefore, been suggested that the central banking institutions and other agencies should help the State Government to carry out this programme. The handloom industry is no doubt occupying an important place in the economy of the country particularly in Madras State. But in spite of the provision of numerous facilities, the weavers are not able to secure the required working capital. A Seminar is, therefore, examining how the pilot scheme in Salem for intensive implementation of the scheme of the Reserve Bank for providing working capital is operating. As a result of the investigations there may be some modifications in the method of institutional financing. It is comforting to know that in spite of the depression in the export trade, handloom products would be able to account for foreign exchange earnings of Rs. 14 crores for the current year.



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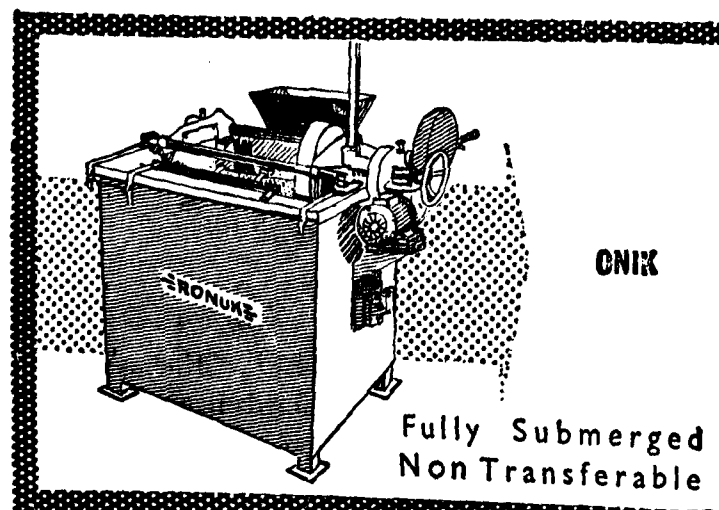
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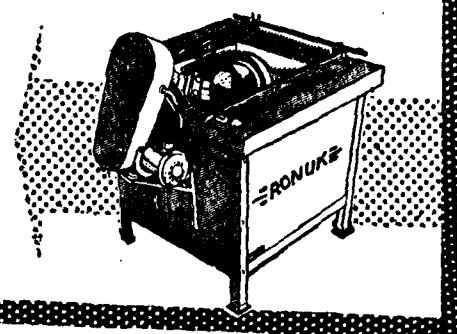
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The moving fingerprints

AMONG THOSE who have been "Kamarajed", the one who has gained most, surely, is Mr. Kamaraj. I am not referring here merely to his Congress Presidentship which he could have had for the asking, but to the tremendous increase in the people's respect and affection for him. I have, of course, in mind the people of Madras State, since, as a people's leader, Mr. Kamaraj has yet to make his personal impact on other parts of the country. Mr. Ramanathan Chettiar, M.P., who represents the Karur Constituency in Lok Sabha, was telling me the other day of the extraordinary mass enthusiasm which he witnessed when he accompanied Mr. Kamaraj on a recent tour of the Tiruchirappalli District. According to Mr. Chettiar, this experience is a significant proof that it is not necessary to be a Minister to be regarded as important by the people—a lesson which many of our politicians have yet to learn, despite the Kamaraj Plan.

I see that Food Ministers, past and present, have been having rather a tough time in Parliament. Mr. Bhupesh Gupta, adept always at flogging a dead horse, could not resist the temptation of dragging in Mr. S. K. Patil and accusing him of having left behind a "bagful of bluff and some American buffer stocks". But my own favourite quotation on the subject of Food Ministers is gathered from the Press, not from Parliament. "The Hindustan Times" Parliamentary Correspondent (Mr. C. P. Ramachandran, I presume) has compared Mr. Swaran Singh and his under-study, Mr. A. M. Thomas, to Micawber and another Dickensian character, the Fat Boy.

Mr. Swaran Singh, of course, is and has always been every inch a successful practitioner of Micawberism—something or the other has always turned up, somehow, from somewhere, to save him from awkward situations. He left the Steel Ministry just in time to escape being blamed for the arrears of steel development which were accumulating over the second Plan and into the third Plan. In the Railway Ministry he stayed just long enough to witness a decline in industrial production help to relieve the pressure on rail transport. No wonder he has come to the Food and Agriculture Ministry in the firm belief that his traditional luck would not let him down even if the monsoons do.

As for Mr. A. M. Thomas, he certainly is no lean and hungry Cassius which, I suppose, must in its own way be reassuring when excitable people tend to talk of near-famine conditions in Eastern India or elsewhere. But there Mr. Thomas's resemblance to the Fat Boy seems to stop. The Fat Boy, if one knows his "Pickwick Papers," was sleeping when he was not eating and eating when he was not sleeping. I must confess that I have never seen Mr. Thomas either making up for lost sleep or for missed meals while in Parliament. Mr. Thomas, in fairness to him, is an extremely alert young man who has certainly earned the promotion that came to him recently.

On the need for an Agriculture Commission views seem to be divided. The proposal was pressed in Lok Sabha, but was not found acceptable to Mr. Swaran Singh. I find that many M.P.s are nevertheless in favour of a Commission and they include some youthful and intelligent Congressmen such as Mr. K. C. Pant. That veteran of Indian planning, Mr. V. T. Krishnamachari, however, seems to believe that what is really hampering agricultural expansion is the play of political considerations in the pursuit of (or rather the failure to pursue) legislative or administrative measures even in

areas where it has been generally recognised and accepted that such action is necessary. Giving an example, he points out that many State Governments are still reluctant to legislate for the compulsory digging of water channels for linking the distributary systems of public irrigation works with fields and farms. He argues that this country has spent some Rs. 1,100 crores on irrigation projects since the beginning of the first Plan, but a good part of this vast investment is not bearing fruit because the irrigation potential is not being fully exploited at the farm level. In Mr. Krishnamachari's view, at least six million acres more of agricultural land could be brought under irrigation at the present time provided all State Governments pass the necessary legislation making it a statutory obligation for village communities to construct the link channels for carrying water from canals to fields.

The reporting of Parliamentary debates in the daily Press often gives the impression that the only voices heard on those occasions are those of the Left. It was, therefore, a refreshing change to read in "The Indian Express" of December 7, an account of a different kind on the proceedings in Rajya Sabha when a non-official Resolution calling for the nationalization of banks figured in the discussion. It appears that others, besides Communists, have something to say when economic issues are discussed in Parliament. One speaker after another—Prof. A. R. Wadia, Mr. G. S. Pathak, Mr. A. D. Mani, Mr. M. Anwar, Mr. S. Jaipuria and Mr. C. D. Pande—rose to rebut the argument that the nationalisation of banks would do good to the country. It is something to be grateful for that tub-thumpers and soap-box-orators are not having their own way.

There is world appreciation of Mr. Khrushchev's pragmatic approach to domestic economic problems. But how many of us know that a Soviet economic expert who attempted to teach Mr. Khrushchev and other Soviet leaders the facts of economic life way back in 1949-50 had to pay for it with his life by being executed on the orders of Stalin after being falsely implicated in the so-called "Leningrad Affair". It appears that the sin of the purged Economist, who was Nikolai Voznesensky, the Soviet war-time Planning Chief, was that he had authored an unfinished manuscript entitled "The Political Economy of Communism" in which he had committed such heresies as that "scientific socialism does not deny the importance of the Law of Value, market prices or the concept of Profit and Losses". Worse still, Voznesensky had actually dared to propose to Stalin some relaxation of the over-centralized Russian planning apparatus and other measures to restore the economy. When, as a result, Voznesensky was whisked away by the Secret Police and charged with seeking to restore capitalism in Russia, Mr. Khrushchev and several other Party leaders, it appears, went to Stalin to plead for the foolhardy planner on the ground that they themselves were inclined to agree with much of what Voznesensky was saying. But before the interview could get started properly, Stalin reportedly interrupted Mr. Khrushchev and others with the words: "Before you continue, you should know that Voznesensky was shot this morning".

It is true that, in this country, we do not yet shoot our Voznesenskies, but then neither do we allow them to get anywhere near Yojana Bhavan.

V. B.

Trade Winds

E.C.M. TARIFF CUTS

THE COUNCIL of Ministers of the European Common Market has decided to suspend or reduce import duties from January 1, 1964 on a number of Indian export items. The commodities on which duties have been suspended are red pepper, ginger, sandalwood oil, lemongrass oil, tobacco seed oil, citronelle oil, hockey and cricket equipment. The duty on cashew kernels has been halved from 5 per cent to 2½ per cent. Customs duty on castor oil has been cut from 8 per cent to 7 per cent.

It may be noted that these concessions were discussed much earlier when Britain was conducting negotiations to enter the Common Market. It is a pity that EEC has succumbed to the pressure from Madagascar and has not abolished the duty in full on cashew kernels. Madagascar's plea was that the European Economic Community should not give free access to Indian cashewnuts because a Madagascar factory was engaged in processing the product. India had sought complete suspension of duty on cashewnuts. Naturally, this has caused a great disappointment.

India exports Rs 1.05 crores worth of cashewnuts every year. Against this, exports of cardamom, ginger, lemongrass oil, tobacco seed oil, curry paste and powder, sandalwood oil, shellac and castor oil respectively fetch Rs. 10 lakhs, Rs. 6 lakhs, Rs. 6 lakhs, Rs. 18,000, Rs. 1.6 lakhs, Rs. 35 lakhs and Rs. 23 lakhs. Even in the case of castor oil, another major exchange earner, the EEC has not accepted India's demand for complete suspension. The Indian Ambassador in Brussels had pleaded with the EEC Council that all those concessions which the EEC had accepted during its negotiations with Britain, should be granted to this country because negotiations had broken down with Britain and not with India. The problem of exports of primary commodities produced by India remained unchanged even though Britain had not found it possible to enter the Common Market.

At a time when the EEC balance of payments position shows a substantial surplus in the current quarter, it is all the more disappointing that she should be unwilling to offer better terms to India or even to discuss proposals for widening the area of the present pattern of concessions. The EEC has managed to introduce an element of discrimination among developing countries by favouring Madagascar. In mid-October, the EEC Council of Ministers had announced its acceptance in principle of the proposal for a unilateral suspension of common external tariff on 18 Indian products. It was clear that the size and value of actual concessions would be ultimately subject to political pressures. There is no certainty that the national tariffs would be suspended simultaneously or that the changes would be continued indefinitely. The tariff withdrawals now announced are only for a period of two years. If EEC is in earnest about promoting world trade liberalisation, it will have to follow a much more liberal path than indicated so far.

AGRICULTURAL PROTECTIONISM

Mr. Orville L. Freeman, US Secretary of Agriculture, in a statement issued recently claimed that the United States is among the most liberal in the world in its agricultural import policies. The farmers of the United States carry out their production operations with far less protection from competitive imports than do farmers of practically all other countries. The reason for US concern over non-tariff import controls (such as import quotas, embargoes, variable levies, monopolies, preferential treatment, import licensing, bilateral agreements, etc.) is that they tend to be arbitrary national trade barriers. Their use does not necessarily mean that a nation does not

import agricultural products, but it does mean that such importing is at the discretion of the Government. Unlike fixed tariffs, the non-tariff controls in the past have been subjected to very little reduction as a result of international arbitration and negotiation.

Using non-tariff import controls as the criteria, a study prepared by a group of international economists of the US Department of Agriculture found selected countries to be protecting the following percentages of their domestic agricultural production from outside competition:

United States	26	Denmark	87
United Kingdom	37	Austria	91
Canada	41	West Germany	93
Australia	41	France	94
Italy	63	Switzerland	94
Belgium	78	Norway	97
Japan	76	New Zealand	100
Netherlands	79	Portugal	100
Greece	82		

AVOIDANCE OF DOUBLE TAXATION

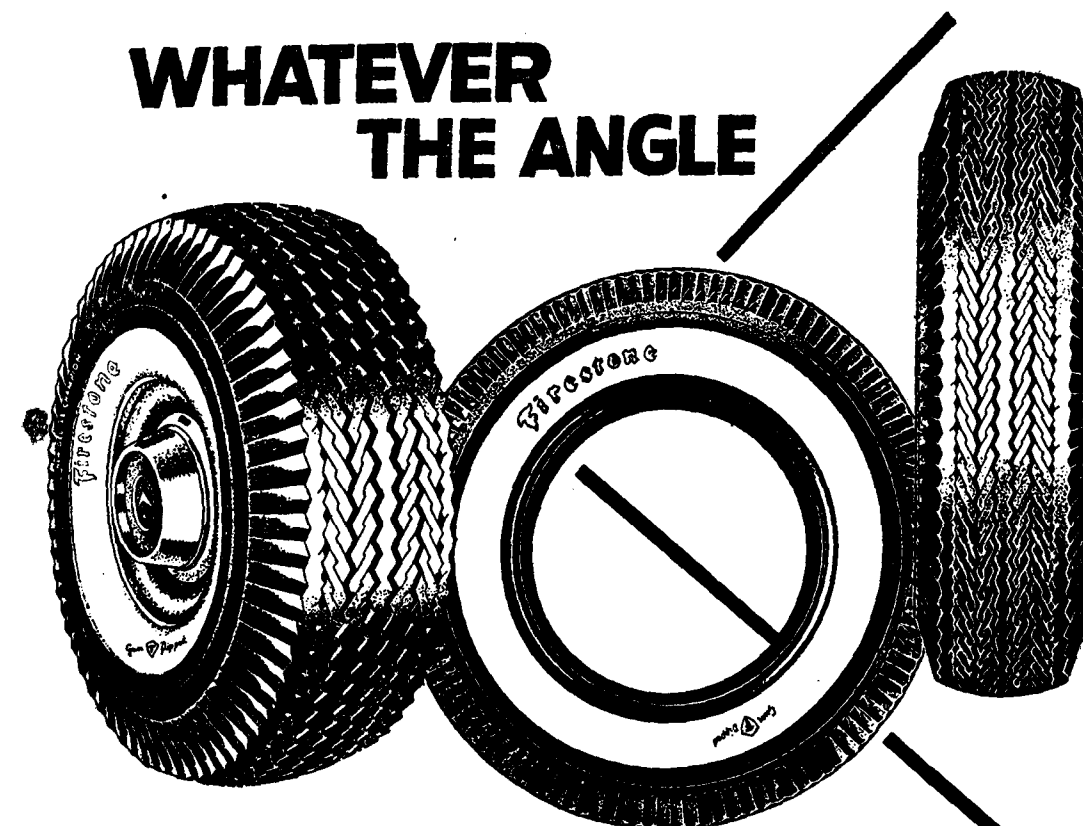
The OECD has published the Draft Double Taxation Convention established by the Fiscal Committee of the Organization for the avoidance of double taxation with respect to taxes on income and capital between the member-countries of the OECD. On July, 30, the OECD Council recommended to the Governments of the member-countries to conform to this Draft Convention when revising existing bilateral Conventions between them or concluding new ones. The Draft Convention consists of 30 articles arranged in a number of chapters. For each of the articles in the Convention, there is a detailed commentary which is designed to illustrate or interpret the provisions. These commentaries are, thus, of substantial importance in the elaboration of international fiscal law. The report states that since the Fiscal Committee's first report in July, 1958, eight bilateral conventions have been revised and 15 new ones signed between the member-countries. In almost all the cases the articles established by the Fiscal Committee between 1958 and 1961 were either incorporated word for word in these conventions or adopted in their fundamental purport. Eighty-five bilateral conventions for the avoidance of double taxation with respect to taxes on incomes and capital, have been concluded between the twenty countries, now members of the OECD. In addition, 28 bilateral negotiations are proceeding, 15 of which are for the conclusion of new conventions. By means, therefore, of the articles established by the Fiscal Committee and the recommendations with the OECD Council, a further advance has been made in the extension and harmonization of the bilateral conventions between the member-countries.

The report points out that conclusion of the multilateral double taxation convention among the 20 countries of the OECD would have definite advantages, but that before this can be envisaged, various questions remain to be examined and resolved. In the meantime, however, it should be possible for certain groups of member-countries bound to one another by particular regional agreements to study the possibility of concluding among themselves multilateral conventions on the basis of the draft convention established by the OECD Fiscal Committee.

CANADIAN AID

Canada gave three loans last week totalling \$17 million for locomotives, a hydro-electric station and for an aluminium smelter being built by a private company in Kerala. The loans for locomotives and hydro-electric station are to the tune of \$8 million each and for aluminium smelter of \$1 million.

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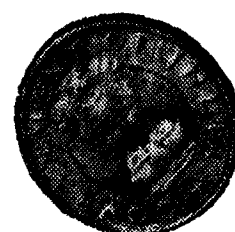
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Agreements on the loans are backed by Export Credits Insurance Corporation. The \$1 million loan is part of a joint financing transaction to supply foreign exchange for the \$12 million expansion scheme of the Kerala smelter and a foil mill being built in the Bombay area for Indian Aluminium Company. Another \$2,700,000 will come from Aluminium Company of Canada in Montreal. Its parent company, Aluminium Company Ltd., has 60 per cent control of the Indian Company. The Canadian company will act as general contractor to co-ordinate purchases from various Canadian supplies.

The \$8 million loan for locomotives will cover the purchase of 37 diesels and spares from Montreal Locomotive Works. The other \$8 million loan is to cover the purchase of Canadian power plant and sub-station equipment and Canadian engineering services by Rajasthan for use at one of three dams on a \$40 million power and irrigation project. All three loans are at 6 per cent interest.

The locomotives loan calls for repayment to start after three years and continue for 12½ years. The Rajasthan loan is repayable over 20 years, starting four years after it is made. The smelter loan repayment will start in the fourth year and continue for 15 years.

WORLD BANK—RED VERSION

The International Bank of Economic Co-operation established by agreement between the Governments of Bulgaria, Hungary, the German Democratic Republic, Mongolia, Poland, Rumania, the Soviet Union and Czechoslovakia, will start operating on January 1, 1964. In the first place it will conduct clearing operations in trade between IBEC member countries and credit operations connected with this trade. These operations will be conducted in convertible roubles. The authorised capital of the IBEC has been fixed at 300 million convertible roubles. Contributions to the capital will be made in convertible roubles which each State obtains by exporting goods to other IBEC member countries. Depending upon the wishes of the countries, these contributions can also be made in free convertible foreign currency or in gold. All the countries, irrespective of their shares in the basic capital, have equal rights in settling matters pertaining to the bank. The bank funds can be built up and supplemented by dividends and special contributions of the member countries.

The IBEC will conduct all its work on an international basis. First of all, it will carry out clearing and credit operations with banks of CMEA member countries, giving utmost assistance in developing further the economic relations among these States. Reciprocal trade is of tremendous importance in the economic relations between the CMEA countries. Its role is further enhanced under conditions of greater co-ordination of economic development plans and promotion of international division of labour, specialization and co-ordination of production. Foreign trade of the CMEA countries calls for the establishment of a smoothly operating system of clearing. The present day functioning system of bilateral clearing has played a positive role, but it is no longer conducive to further development of economic co-operation of the CMEA countries and in some cases even encumbers it. A new system of multilateral accounting is coming into operation with the establishment of the International Bank of Economic Co-operation. This system is being introduced between CMEA member countries which are simultaneously members of the bank. The system of multilateral accounting removes the shortcomings of the existing bilateral system and creates new favourable conditions for expansion of foreign trade among CMEA member countries and for further development of their economic, scientific, technical and cultural co-operation. The system of multilateral accounting is supplemented by the flexible system of crediting.

In the past the CMEA member countries could grant one

another short-term credits for overcoming temporary difficulties in the fulfilment of production and goods turnover plans only on a bilateral basis. Now with the establishment of the International Bank of Economic Co-operation, its members can pool their financial resources and will be able to get credits through the bank, if necessary. At present, the construction of enterprises is being done jointly in which a number of CMEA member countries are interested (Druzhba Oil Pipeline, Mir Power Supply System, etc.). In the future the construction of such enterprises will be expanded. The International Bank of Economic Co-operation can render greater assistance in this matter by concentrating financial resources of the interested States.

Undoubtedly, in the near future the bank will start developing relations with its counterparts in other countries. According to its charter, the bank, along with making operations in convertible roubles, has a right to perform accounting, credit, deposit, arbitration, guarantee and other operations in freely convertible and other currencies, as well as operation in gold. The growing economy might of the CMEA countries, their broad international economic contacts, the possibility of other countries joining the bank create favourable conditions for rapid development of its international business contacts.

SHIPPING CONFERENCE

The Fifth Shipping and Shipbuilding Conference will be held in Calcutta between 10th and 14th February, 1964. A large number of foreign delegates representing shipping and shipbuilding interests are expected to attend. The conference will provide a valuable forum for an exchange of ideas on design, construction, operation and maintenance of ships and problems relating to shipping and shipbuilding in India and other parts of the world. A large number of technical papers have already been received from individuals and organisations in India and abroad. The conference was first organised by the Naval Architects Society of the Indian Institute of Technology, Kharagpur in 1958. The next two sessions were also held here. Bombay was the venue of the fourth session.

SHIPPING TONNAGE

The Indian shipping tonnage in July 1963 totalled 1,211,139 g.r.t. showing an increase of 198,273 g.r.t. over the year and forming 0.83 per cent of world tonnage compared with 0.72 per cent a year before, according to the tonnage statistics issued recently by the Lloyd's Register of Shipping. Thus, India has maintained her rank as the 19th biggest ship-owning country. World tonnage too registered an increase of 5,883,650 g.r.t. at 145,863,463 g.r.t. in July 1963 when compared with the position a year before.

The Indian fleet of 309 ships consists of 182 steamships totalling 569,134 tons and 127 motorships totalling 642,005 tons. Of the steamships, 117 vessels totalling 450,246 tons are fitted for burning oil fuel. A size-wise analysis of the tonnage has shown that 56 ships of 387,566 tons are of between 6000 and 8000 tons each, 34 ships of 307,957 tons of between 8000 and 10,000 tons each, 48 ships of 247,919 tons of between 4000 and 6000 tons each and 5 ships of 106,818 tons of between 20,000 and 25,000 tons each. One ship is of 10,350 tons and the rest totalling 150,529 tons of below 4,000 tons each. Nearly 58 per cent of the Indian tonnage is under 10 years of age and of this again, more than half is under 5 years of age. About 30 per cent of the tonnage is between 10 and 20 years old. Only about 14 per cent of the tonnage is 20 and more years old. It is stated that the increase in world shipping was mainly accounted by the principal maritime nations with Norway and Japan outstanding. Norway's tonnage has increased by 1,158,000 tons and Japan's by 1,107,000 tons. The USSR has moved up from the eleventh to the eighth place. During the period UK and American tonnage have gone down mainly due to scrapping.

Company Affairs

DELHI CLOTH MILLS

WHILE ADDRESSING the annual general meeting of Delhi Cloth and General Mills Co. Ltd., its Chairman, Mr. Bharat Ram, highlighted the decline in India's share in the world trade during the last decade which, he thought, was essentially due to comparative stagnation in exports. One measure of this stagnation, he said, was that India's exports as percentage of national income worked out to only seven as against 19 for the U.K. and 21 for West Germany. He emphasised that the perennial shortage of foreign exchange could be met only through higher exports which had to be stepped up even by restricting consumption of exportable goods at home. Another important factor in exports, he pointed out, was the cost of production, which had to be kept as low as possible to enable the Indian products compete in terms of prices and quality in the foreign markets. He added that he had no objection to wages going up provided they were accompanied by a corresponding rise in productivity. In an attempt to concentrate on exports of Indian products, a new company is proposed to be set up which will handle, in the first instance, the exports of Delhi Cloth Mills' products and in course of time would take up the export of other manufacturers' products too. These attempts made by D.C.M. management to explore new markets for its products need to be followed by similar other institutions.

Mr. Bharat Ram also outlined at this meeting the expansion schemes which alone could assure a rising productivity in an era of increasing efficiency. He indicated that the company's project for the manufacture of plastics was nearly complete; caustic soda was already in the market and PVC will be in the market shortly. Similarly, the Rajasthan rayon project has also progressed satisfactorily and the factory was expected to start producing high-grade rayon tyre-cord by the end of 1964. The spinning mill at Hissar and sugar mill at Mowana were also in the process of expansion. The capacity of Hissar spinning unit will increase from 37,000 to 63,000 spindles by the beginning of the next year. The expansion of the Mowana sugar works has already been executed from 1500 tons of crushing capacity per day to 3,000 tons per day. Apart from these major expansions, the Chairman indicated that the policy of overall renovation of the existing equipment has been pursued consistently with the result that the company has been able to record increasing productivity. Special attention, he said, was being paid to the problem of training management personnel which was another measure of increasing efficiency. The company has started a separate department not only for training fresh people but also to impart modern techniques of management to the existing staff. It has also been sending people to various management courses to other places. These efforts at expansion and improved efficiency were likely to be reflected in the coming years.

JAY ENGINEERING

The factors that led to a reduction in profits and dividends were brought to the notice of the shareholders of the Jay Engineering Works Ltd., by Mr. Charat Ram, the Chairman of the company, who addressed the annual general meeting recently. Many escalating factors bearing on the cost of production, he pointed out, had resulted in comparatively adverse results. The situation in terms of costs continued to worsen as a result of higher incidence of excise and import duties on raw materials, increased railway freights and rising wages. He added that there had been considerable talk about 'holding the price line', but the bulk of increase was essentially due to the official imposts or increase in costs of government sponsored services like transport. These inflation oriented measures hardly left any

alternatives with the producers but to follow the general trend of rising prices.

The Chairman referred to the Supreme Court decision which stated that the company must make provident fund contributions on a part of production bonus payments made to the employees. As this provision had to be made retrospective from January 1960, it has meant a considerable addition to the costs. Commenting further on labour costs, he desired that a greater sense of responsibility should prevail among the labour leaders. Better jobs and improved wages along with better working conditions were possible only if the industry could increase its profitability through improved efficiency. This indeed is a sound advice and labour leadership should participate more earnestly in the attainment of higher standards of productivity.

Mr. Charat Ram was very hopeful of improved results during the current year when the operations in the Hyderabad factory were expected to be more satisfactory. This factory commenced operations quite recently and had to face initial troubles which had partly reduced its overall profits. Moreover, overall production of the company was higher; sewing machines registered an increase of nearly 20 per cent over the last year and the output of fans also was higher by about 10 per cent. This performance, the Chairman added, would have been still better had not the production been hampered by power shedding in Calcutta. He informed the shareholders that the automatic zig-zag sewing machine called 'Ushamatic', marketed during the year, was well received by the consumers. On the export front also, the company recorded an improved performance and total exports exceeded Rs. one crore. In order to step up exports, an independent division, called 'Usha International', had been set up by the company.

MOHATTA AND HECKEL

Mohatta and Heckel Ltd., a new company formed to undertake the manufacture of steel wires and wire ropes at Khapoli will shortly enter the market with an offer of equity shares worth Rs. 28.70 lakhs and preference shares worth Rs. 15 lakhs for public subscription. The company has plans to manufacture annually 5,000 tons of steel wire and wire ropes for which it has already received licences and sanctions for the import of plant and machinery. The production is expected to commence by the end of 1964.

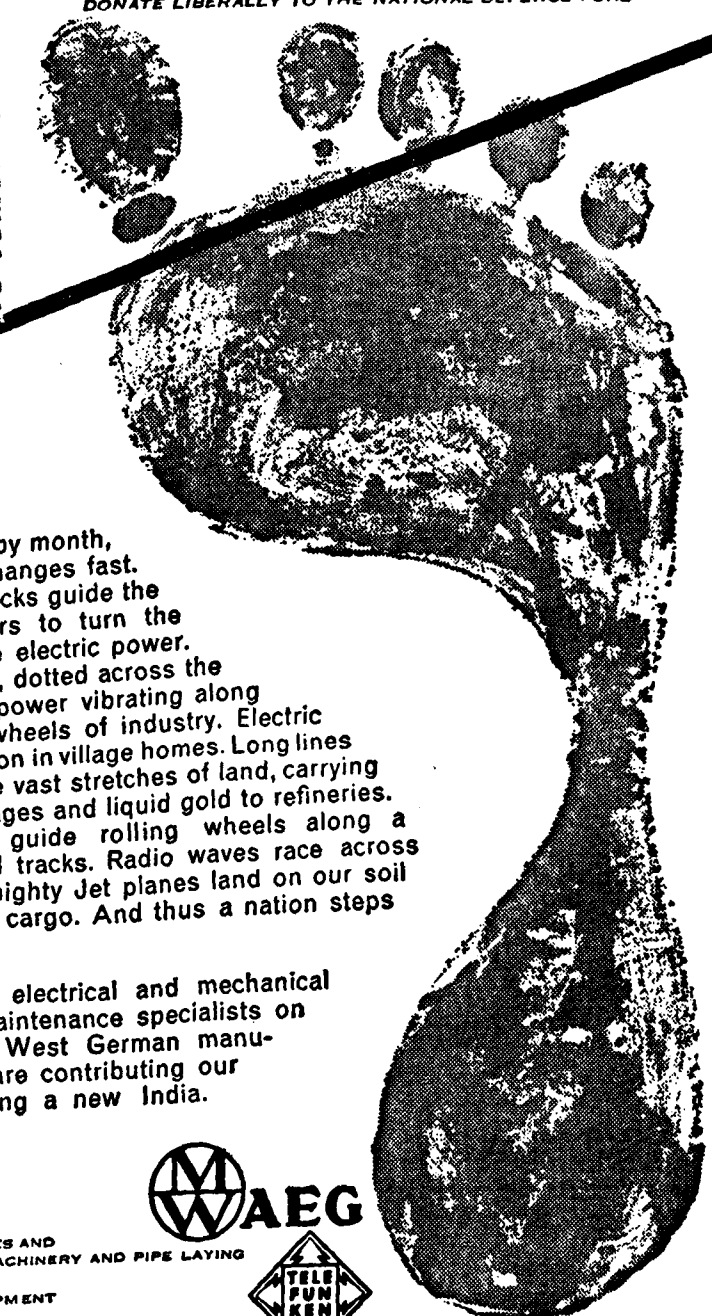
The total capital outlay on the project, including the working capital of Rs. 27 lakhs, is estimated at around Rs. 125 crores. The company proposes to issue equity shares worth Rs. 50 lakhs out of which shares worth Rs. 10.70 lakhs will be taken up by the promoters, directors and their friends. Georg Heckel GmbH, the West German wire rope manufacturers, will be their collaborators and will subscribe shares worth Rs. 10.60 lakhs. The balance of the equity issue amounting to Rs. 28.70 lakhs and the entire preference issue is to be offered for public subscription. The ICICI has agreed in principle to grant the company a rupee loan of Rs. 35 lakhs.

BORAX MORARJI

Borax Morarji Ltd., a company promoted by the Dharamsi Morarji Chemical Company Ltd., Bombay, and Borax (Holdings) Ltd., London, will enter the capital market with a public issue of Rs. 9 lakhs on January 6, 1964. The subscription list will close on January 15 or earlier but not before January 8. The authorised capital of the company is Rs. 1 crore divided into 200,000 equity shares of Rs. 50 each. The issued capital is Rs. 30 lakhs, out of which shares worth Rs. 7.50 lakhs have been allotted to Dharamsi Morarji Chemical Co. and Rs. 13.50 lakhs to Borax (Holdings) Ltd., the collaborators. It proposes to offer 17,991 equity shares of Rs. 50 each at par. The entire public issue has been underwritten. The company has been licensed to manufacture 17,000 tons of borax and

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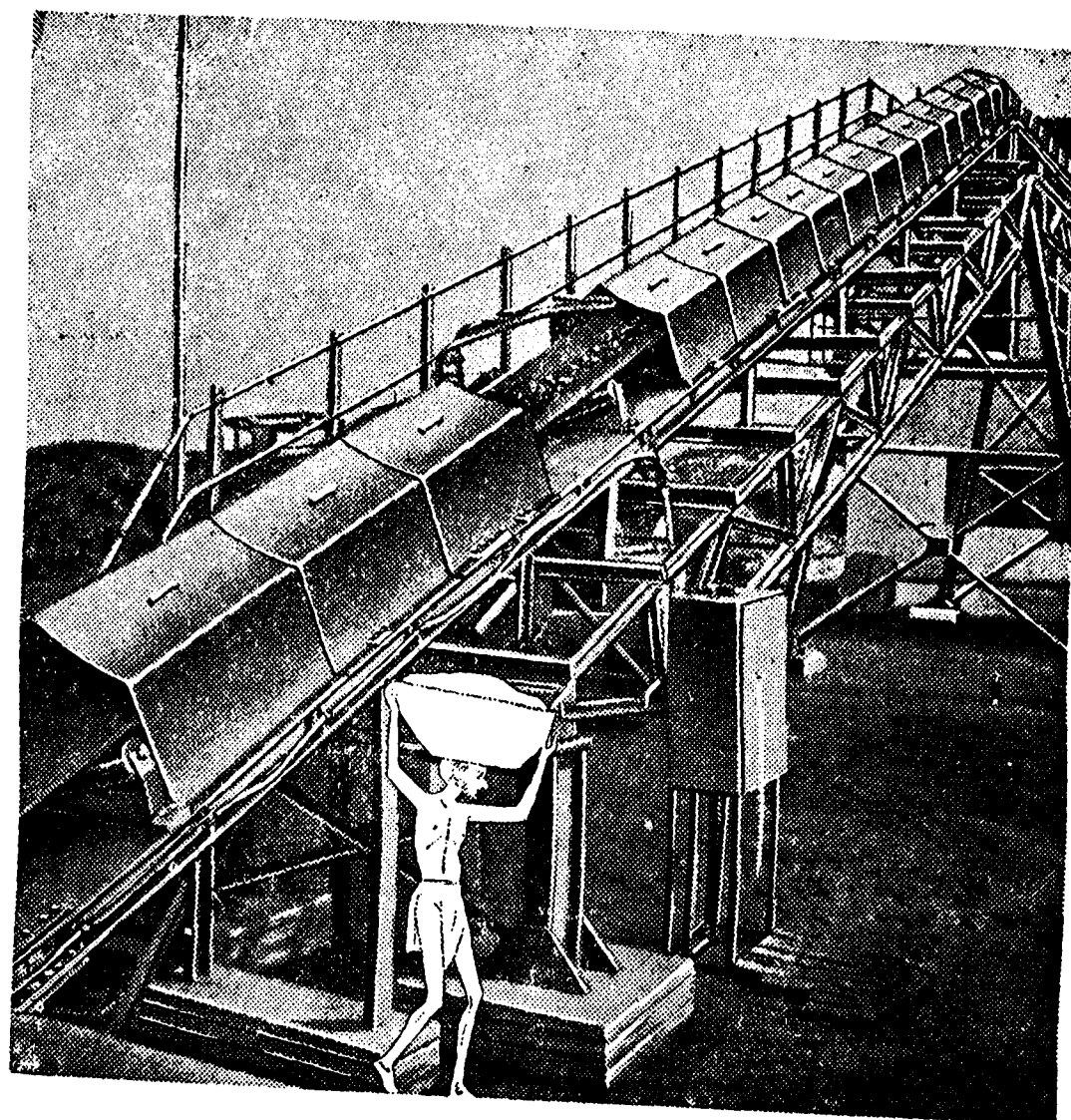
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DEC. 13, 1963

3,000 tons of boric acid every year. The factory is to be located at Ambarnath in Maharashtra. The technical collaborators will supply necessary technical know-how and designs etc. for the plant and will help in obtaining plant and machinery. The company has been licensed to import essential components of the plant and machinery valued at Rs. 7.96 crores.

LAKSHMI MACHINES

Lakshmi Machine Works Limited will enter the capital market in the middle of January, 1964, with a public issue of Rs. 1 crore in equity shares of Rs. 100 each. It has an authorised capital of Rs. 3.50 crores; Rs. 3 crores in equity shares and Rs. 50 lakhs in nine per cent cumulative preference shares. Its subscribed capital is Rs. 112.20 lakhs and a further capital of Rs. 17.87 lakhs will be subscribed by its technical collaborators and Rs. 20 lakhs by International Finance Corporation, Washington. The entire public issue will be underwritten by financial institutions, banks and share brokers.

The company has been formed to manufacture textile machinery of all descriptions in collaboration with Rieter Machine Works Ltd., Switzerland. The factory is to be located near Coimbatore for which land has already been acquired. Import licences worth Rs. 34.91 lakhs have already been received to import the required machinery. A part of the machinery will be available from indigenous sources. The capital outlay on the project for the first two stages, to be taken in hand upto 1965, is estimated at Rs. 5.95 crores.

MAHINDRA'S EXPANSION

Mahindra and Mahindra Ltd. proposes to set up two new projects in Bombay for the manufacture of alloy steel and tractors. The company will enter the capital market early next year. A new company known as Mahindra Ugin Steel Company Ltd. has been formed to manufacture alloy steel in technical collaboration with a French firm. The factory will be situated at Khapoli near Bombay and will involve a capital outlay of nearly Rs. 7 crores. Its annual production capacity will be 25,000 tons of alloy steel and the plant is expected to go into production towards the end of 1966.

The manufacture of tractors will be taken up by the company known as International Tractor Company of India Ltd. in technical collaboration with International Harvester Company of Chicago. The capital outlay on this project, to be located at Kandivli, near Bombay, is estimated at Rs. 2.5 crores. It will have an installed capacity of 3,500 tractors a year with a turnover of about Rs. 5 crores. Actual production is expected to commence during the first half of 1966.

Meanwhile, the construction of new factory buildings at Kandivli is in progress to house the entire automobile division. The company hopes to reach the licensed production capacity of 10,000 units before the end of 1965. The indigenous content of the vehicles produced by the company is expected to be stepped up from 80 per cent to 90 per cent shortly. The company has received permission to earmark a part of its production for civilian consumption with effect from next month. It has also sought the approval of the Government to allocate a part of the new issue of capital to the existing shareholders.

MYSORE ELECTRO CHEMICALS

The Mysore Electro Chemical Works Ltd. engaged in the manufacture of storage batteries is planning an expansion programme for which it has entered into technical and financial collaboration with a West German firm, Accumulatorenfabrik Sonnenschein, GmbH, that will also participate in the share capital of the company. This expansion programme will facilitate the production of a range of automotive batteries, traction batteries, stationary batteries, heavy duty batteries and motor cycle, scooter and aircraft batteries, besides other types of batteries for electronic flash units, wireless equipment and transistorised equipment. The company hopes to start operations on the expanded capacity by April, 1964, with a phased

programme to step up production. Most of the plant and machinery has already been ordered from West Germany in consultation with the collaborators. The company has at its disposal sufficient space to accommodate the new equipment which includes the hard rubber container plant. The company will be coming into the market with a capital issue of Rs. 25 lakhs out of which a part of the preference issue will be reserved for the collaborators and the rest will be offered to the public.

TELCO LOAN

The Tata Engineering and Locomotive Co. will receive a sum of Rs. 6.5 crores as loan from the US Agency for International Development for its expansion programme to manufacture 18,000 Mercedes-Benz chassis annually. The current target of 12,000 chassis a year, it may be added, has already been reached.

ASSOCIATED CEMENT

The directors of the Associated Cement Companies Ltd. have proposed to maintain a dividend of 12 per cent for the year ended July 31, 1963. This is the fourth year in succession for which the distribution is being repeated after having been raised from 11 per cent paid for the year 1958-59.

CAPITAL ISSUES

Five companies have been authorized to raise Capital aggregating Rs. 1.88 crores. The consent of the Controller of the Capital Issues is valid for 12 months.

York India Limited, Delhi, is to issue Rs. 30 lakhs capital in equity shares of Rs. 10 each. Of these, shares of the value of Rs. 15 lakhs will be allotted to Borg-Warner Corporation, Chicago, Rs. 7.50 lakhs to be subscribed privately, and the balance of Rs. 7.50 lakhs to be offered to the public for subscription. The proceeds will be utilized in the manufacture of refrigeration and air-conditioning equipment.

Bajaj Tempo Limited, Bombay, is issuing Rs. 65,27,100 equity capital in shares of Rs. 10 each to be issued at par. Of these, shares of the value of Rs. 17,77,100 will be allotted to non-residents against supply of plant and machinery, Rs. 20.20 lakhs value of shares will be offered to the resident existing shareholders of the company and Rs. 27.30 lakhs will be offered to the public for cash. The proceeds will be utilized on the company's expansion programme for the manufacture of Tempo-3-wheelers as also the manufacture of Tempo Viking 4-wheelers.

Raghubir Singh Felt Mills Limited, is to issue capital of Rs. 25 lakhs divided into 7,000 9½ per cent preference shares of Rs. 100 each and 1,80,000 equity shares of Rs. 10 each. The capital is required for the establishment of a felt mill in Ludhiana.

Chittor Textiles Limited (Cotton Spinning Mills), Bangaripalyam (Andhra Pradesh), is to issue capital of Rs. 25 lakhs divided into 25,000 equity shares of Rs. 100 each for cash at par. Out of this, shares of the value of Rs. 21 lakhs will be offered to the public. The money will be utilized for the construction of factory building and purchases of machinery etc.

The Mahendra Mills Limited, Ahmedabad, is to issue Rs. 13,12,500 in equity shares of Rs. 100 each, to be issued for cash at par. The capital will be utilized for installing 500 automatic looms.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951—during the week ending 30th November, 1963. The list contains the names and addresses of the licensees, the articles of manufacture and the annual installed capacity.

MINERAL OILS

Shri B. P. Moady, Hindu Family Building, P-13, Mission Row Extn., Calcutta-1. Proposed name: **Victor Union Grease Mfg. Corporation Ltd.** (Tehsil Paharpur, Distt. 24 Parganas.

West Bengal)—Mineral lubricating greases, cup greases and specialised greases—96,00,000 Lakhs Kgs.

ELECTRONIC EQUIPMENT

Indian Telephone Industries Ltd., Dooravani Nagar, Bangalore (Mysore)—Special High quality Ferrite Cores required for Telecommunication and Entertainment purposes 20 tons of professional type and 12 tons of Entertainment type per year in the first stage and to be doubled in the second stage after 3 years.

AUTOMOBILES

Motor Industries Co. Ltd., P.B. No. 93, Bangalore-1 (Mysore)—Heater plugs 2,50,000 Nos. Heater Plugs resistors 2,50,000 Nos. Heater Plugs indicators 2,50,000 Nos. Connecting Insulators 2,50,000 Nos. Wheels India Ltd., 37, Mount Road, Madras-6—(Madras) (1) Road wheels for tanks 2,880 Nos. (2) Top Rollers for new tanks 1,440 Nos. (3) Centurion Tank Bogie wheels 2,000 Nos.

METALLURGICAL MACHINERY

Gansons Private Ltd., 6, West View, Dadar (Central Railway), Bombay-14 (Maharashtra)—Industrial type of ore dressing equipment: (a) Crushing & Grinding Machinery; (b) Sizing & Classifying Mixing and Blending Machinery (c) Gravity Concentrating Machinery (d) Agitation Conditioning and Flotation Machinery; (e) Process and Auxiliary Machineries; (f) Thickness and Dewatering Machinery worth Rs. 20 lakhs.

CONVEYING EQUIPMENT

S. B. Joshi & Co. Ltd., Examiner Press Building 35, Dalal Street, Bombay-1 (Panvel Kolaba Distt., Maharashtra)—(1) Electric overhead Travelling cranes, (2) Winches, (3) Derricks—800 tons. Alcock, Ashdown & Co. Ltd., 16, Bank Street, Bombay-1 (Mazagon, Bombay, Maharashtra)—Cranes and winches 300 tons, Forging 600 tons.

AIR AND GAS COMPRESSORS

SIM—Maneklal Industries Ltd., P.O. Box No. 285, Ahmedabad-1 (Vetua, Ahmedabad, Gujarat)—Rotary Air compressors 100 Nos. (on double shift basis).

MACHINE TOOLS

New Standard Engineering Co. Ltd., Carroll Road, Bombay-13. Proposed name: M/s. Indabrator Ltd., (Goregaon, Bombay, Maharashtra)—Shot Blasting Equipment Rs. 40 lakhs worth.

HAND TOOLS

Dhanda Engineers Private Ltd., Industrial Area, Faridabad (Punjab)—(1) Milling Cutters of all types 2,640 (nos.); (2) Inserted blades for milling cutters including tungsten carbide type 9,600 (nos.); (3) Reamers 3,600 (nos.); (4) Taps and Dies 9,600 (nos.); (5) Tool Bits 18,000 (nos.); (6) Single point carbide tipped tools 1,200 (nos.); (7) Gauges 3,600 (nos.).

INORGANIC HEAVY CHEMICALS

The Indian Electro Chemical Ltd., Yusuf Building, Mahatma Gandhi Road, Fort, Bombay-1 (Ahmedabad, Gujarat)—(1) Sodium Hydrosulphite 1560 tonnes (2) Rangolite 'C' 330 tonnes.

DRUGS AND PHARMACEUTICALS

Alembic Chemicals Works Company Ltd., Alembic Road, Industrial Area, Baroda (Gujarat)—(1) Ephedrex N-Capsules 1,00,000 x 25 Capsules; (2) Hydroxo-Cabalamine Injections (a) 500 mcg/ml. 25,000 x 25 ml.; (b) 100 mcg/ml. 50,000 x 5 ml.; (3) Algesin Injection 3,00,000 x 3 ml. Ampoules; (4) Alvite Forte Tablets 1,50,000 x 25 tablets; (5) Zeet Expectorant 2,00,000 x 110 ml.; (6) Zeet Injections 3,00,000 x 1 ml. Ampoules.

COTTON TEXTILES

Gokak Mills Ltd., Forbes Building, Homè Street, Bombay (Gokak falls, Distt. Belgaum, Mysore)—3.57 million lbs. or 1.62 million kgs. of cotton cycle tyre cord. Central Studios Private Ltd., Textiles Department, Trichy Road, Singanallur Post, Coimbatore, 5. (Village Uppilpalayam Distt. Coimbatore, Madras)—1,200 spindles for the manufacture of cotton waste yarn. Modi Spinning & Weaving Mills Co. Ltd., Modinagar, (Lucknow, Uttar Pradesh)—25,000 spindles for manufacture of cotton yarn. Raza Textiles Ltd., P.O. Jawalanagar, Rampur (Jawala-

nagar, Rampur, Uttar Pradesh)—12,000 spindles for the manufacture of cotton yarn. Jaipur Spinning and Weaving Mills Ltd., Podar Park, Statue Circle, Jaipur (Rajasthan)—4,520 spindles for the manufacture of cotton yarn. Moonlal & Sons, Civil Lines, Jhansi (Uttar Pradesh)—12,000 spindles for the manufacture of cotton yarn. Lord Krishna Textile Mills, Saharanpur (Uttar Pradesh)—12,500 spindles for manufacture of cotton yarn. India Waterproof Ltd., 13, Brabourne Road, Calcutta-1 (West Bengal)—12,500 spindles for manufacture of cotton yarn. Bharat Commerce and Industries Ltd., Nanjangud (Mysore)—12,000 spindles for the manufacture of cotton yarn. Rajasthan Spinning and Weaving Mills Ltd., 23-24, Radha Bazar St., Calcutta-1 (Bhilwara, Rajasthan)—7,000 spindles for the manufacture of cotton yarn.

NEWSPRINT

The National Newsprint and Paper Mills Ltd., Nepanagar, (Madhya Pradesh)—(i) Newsprint 45,000 tonnes; (ii) Pulp 45,000 tonnes.

MISCELLANEOUS WARE

General Enamel Products Private Ltd., 4/5, Mahashwar Niketan, Peddar Road, Bombay-26, (Thana, Maharashtra)—Enamelware articles such as Bath Tubs, Wash Basin, Water closets, Kitchen sinks etc. 1,680 tons.

CHANGE IN NAMES (Owners or Undertakings)

During the week ended 30th November, 1963

(The information pertains to particular licences)

From M/s. Bombay Steel Tubes Ltd., Ahmedabad to M/s. Shri Ambica Tubes Ltd., Ahmedabad. From M/s. Tin Printing and Metal Works Ltd., Delhi to M/s. G. M. C. Himco Industries Ltd., Delhi. From M/s. A. V. Thomas and Co., Alleppey to M/s. Mithal Steel Re-rolling and Allied Industries Ltd., Alleppey. From M/s. Vinar Private Ltd., Calcutta to M/s. Vinar Ltd., Calcutta. From M/s. Lamp Caps (India) Private Ltd., Bangalore to M/s. Metal Lamp Caps (India) Private Ltd., Bangalore. From M/s. East India Distillers & Sugar Factories Ltd., Madras to M/s. E.I.D.-Parry Ltd., Madras. From M/s. Parry & Co. Ltd., Madras, to M/s. E.I.D.-Parry Ltd., Madras. M/s. M.M.A. Rasiwala & Co., Bombay to M/s. Kurla Rope Thread Factories, Bombay. From M/s. Burrough Wellcome and Co. (India) Ltd., Bombay to Mr. A. W. Lewis, Bombay. From Shri P. V. Dewassey, Irinjalakuda to M/s. Kerala Solvent Extractions Ltd., Irinjalakuda.

LICENCES REVOKED OR SURRENDERED

During the week ended 30th November 1963

(The information pertains to particular licences)

Shri K. C. Sood, Calcutta—Bright drawn steel bars spanners, Electrical transmission line accessories etc.

POLYPROPYLENE PATENTS GRANTED TO MONTECATINI IN THE U.S.A.

On November 26, 1963 the U.S. Patents No. 3.112.300 and 3.112.301 have been issued, concerning product claims on invention of Isotactic Polypropylene, made by Prof. Natta and co-workers almost ten years ago.

These patents are assigned to Societa' Generale Montecatini.

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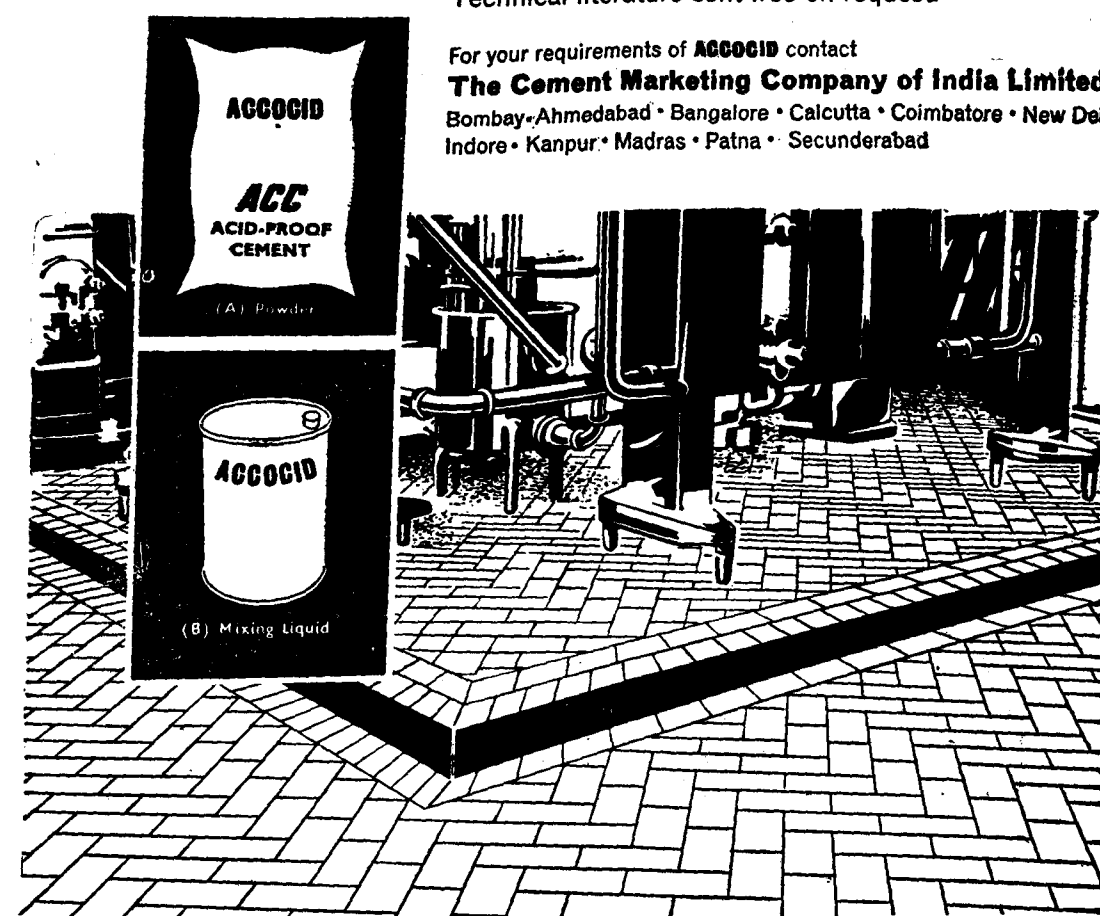
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(B) a liquid packed in 15-litre G.I. drums.

Technical literature sent free on request.

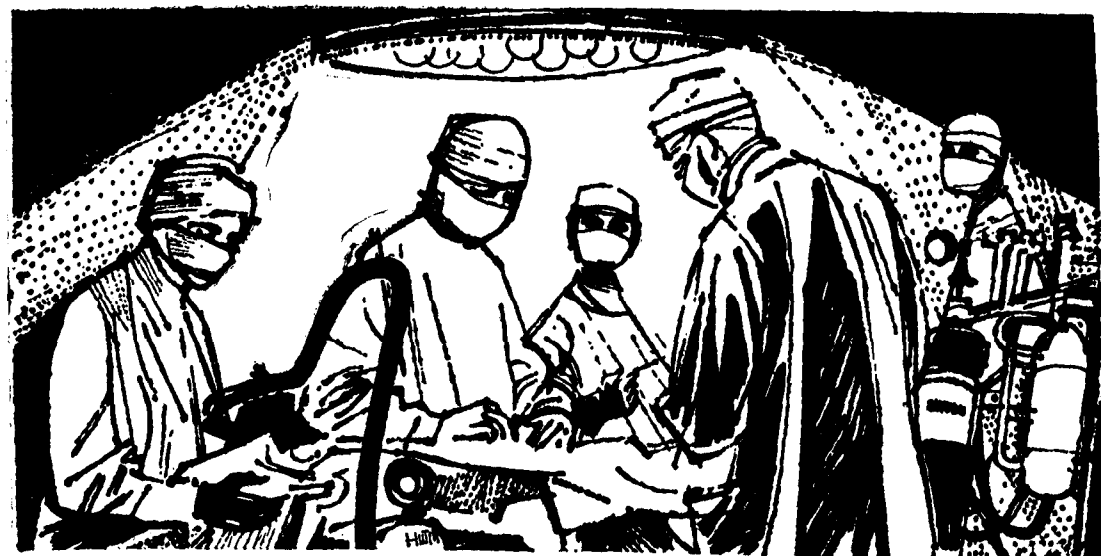
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BOOKS BRIEFLY

ECAFE Against Odds

The United Nations Economic Commission for Asia and the Far East: By David Wightman. Published for the Carnegie Endowment for International Peace by the Yale University Press; Pp. 400; Price \$7.50 or 56 Sh.

Reviewed by Dr. R. N. MITRA

MR. WIGHTMAN's history of ECAFE from its inception in 1947 to 1962 narrates vividly the conflict between the hopes aroused for regional co-operation by a unity of political feeling in Asia on the one hand, and the policy of the Western Power, in the early years of that organization, to frustrate this hope by concentrating power in New York and of circumscribing the functions of ECAFE not to develop beyond those of research and disseminating information. The Asian hope was further frustrated by emerging political divisions among Asian countries themselves and by the Cold War (which had its effects on the internal stability of the area), which magnified and exploited the slightest internal strains to achieve the interests of the two Big Powers with the help of pressures and baits.

No one, who reads this book, can fail to be impressed by the highly competent and illuminative account of the Commission's hopes and aspirations no less than its shortcomings and failures since ECAFE came into being. It is a moving and profound story. The book has highlighted with full documentation the obstacles, difficulties and frustrations which the Commission faced in its earlier years despite its brave efforts to march forward.

Asia Recognised

The resolution of the United Nations Economic and Social Council establishing ECAFE "represented the first important admission of the United Nations that the world included Asia in its own right and not simply as a responsibility of a few colonial powers." But this admission had to be fought for fiercely by Asians. Even after the establishment of ECAFE on the instructions of U.N. General Assembly, the Economic and Social Council did not give ECAFE that final and comprehensive terms of reference which it gave to its European counterpart namely, Economic Commission for Europe. "Nor did it decide there and then to give ECAFE the all-important authority to recommend directly to member Governments and set up subsidiary bodies. What had been immediately created was, in effect, a purely research organisation of very limited Asian membership". That explains why the Indian representative reminded the first session of ECAFE in June 1947 that: "We, who belong to Asia, are not looking for palliatives and short-term remedies, for our problem is not one created by war, but one of longer standing".

The Asian hopes and aspirations were championed by the first Secretary-General of ECAFE, and the author's statement that the U.S. "Department of State mistrusted Lokanathan politically" was the greatest tribute paid to this organisation's political stance. The Western Powers wanted ECAFE to first chief executive. The Western Powers wanted ECAFE to be a mere research institute and not to act. The bitter and the hard struggle that the first Secretary-General of the ECAFE had to fight for obtaining the co-operation of Asian members in the field of industry, agriculture, development of natural resources (especially the way the Mekong Project was handled by the Americans), transport, international trade and even social problems, makes interesting reading. The study even brings out the fact that the Western Powers are invariably interested in giving aid so long as their power and influence are disseminated to the recipient country through their own organisations or through organisations where they have the largest control; they are not interested in channeling aid even through an international organisation of recipient countries

(that is, ECAFE) where Asians have real powers and control over its affairs. Actually, the first 15 years' history of ECAFE showed that the Western Powers fought tooth and nail to frustrate, delay and put all sorts of obstacles to the Asian control and management of ECAFE — a region to which none of the Western Powers belongs.

Britain hoped that the Colombo Plan would replace ECAFE as the chief international agency for economic development in the region and that the Commission would die of uninitiation and be abolished when it was due for review by the Economic and Social Council in 1951. The United States was equally unsympathetic and aloof and its policy was no less negative. The U.S. Government tried to outline a programme of work for ECAFE which involved the Secretariat only in studies, economic surveys and technical documentation. It resisted every effort made by the Executive Secretary to establish subsidiary bodies consisting of representatives of member Governments to identify their region, economic problems and to see in what ways their mutual efforts might reinforce each other.

Operational Responsibility

In addition, both the U.S. and the U.K. did everything possible to deny ECAFE any positive or constructive work. According to them the mandate of the Commission did not permit it to assume operational responsibilities. When the technical assistance programme was launched in 1949, the Executive Secretary, Dr. P. S. Lokanathan, pressed for the Commission to be given an opportunity to play an active role not only in the planning and programming of technical assistance but in channeling aid to the Asian countries as well. But a high degree of centralisation at the Headquarters was planned and the Commission was denied opportunities of playing a part in the technical assistance programme of the region. It took several years before this narrow reactionary view was altered under the pressure of the General Assembly. It is only since 1961 that Regional Commissions have been given tasks in respect of technical assistance programme which are commensurate with the Commission's status and capabilities. Thus, the position of the Commission and its first Executive Secretary has been fully vindicated.

Even if Britain and the United States had been more co-operative, the ECAFE region would not have found an easy way to organise. Compared with Europe or Latin America with large contrasts in levels of economic development and in the capacity of Governments to make good use of ECAFE, it has not been easy to select problems or provide guidance of practical relevance to most Asian countries. For long isolated from one another, the economic ties between these countries are weak. Their traditional links have been with the developed countries that dominated their economies. International communications of the region were also attached to this matrix of enforced bilateralism. The task of ECAFE has, therefore, been not only to foster new economic relations but also to organise existing ones more rationally. The political conditions and political influences made the task even more difficult.

Moreover, ECAFE like other Regional Commissions also suffered from the indifference of the specialised agencies, for example FAO and ILO. It was a hard and an uphill task to get them to take interest in the problems of development in agriculture, manpower and other sectors of the economy. Further, Western Powers and even Headquarters thought that Functional Commissions organised on a world basis — not Regional Commissions — were the answer to the problems of economic development. As events demonstrated later, this

policy amounted to swimming against the current of compelling historical forces.

The history of ECAFE from its inception in 1947 to 1956 is also the history of the bitter struggle that the first Secretary-General of the ECAFE had to fight both with the Western Powers as well as with the United Nations Secretariat. Mr. Wighuman poses a very interesting question: What would have happened if instead of Dr. P. S. Lokanathan being the first Secretary-General of the ECAFE there had been some trained official bureaucrat like Mr. Ne Win in his place? The author concludes that in the latter event the relationship between the U.N. Headquarters and Great Britain and the United States on the one hand and the ECAFE Secretariat on the other would perhaps have been more smooth and cordial. But the stature of the ECAFE would not have been what it is today. The first Secretary-General was by no means an obsequious man or a 'yes man' of the U.N. Secretariat. He championed the interests and aspirations of the countries of the region and in doing so, he did not care for American or British susceptibilities or opposition. This is the reason why the book is as much a commentary on Dr. Lokanathan, the first Secretary-General of ECAFE, as on the Organisation.

Against this background, if the Economic Commission for Asia and the Far East has not yet fulfilled all the hopes which Asia had reposed in it, it should not be a surprise. The wonder rather is that the Commission has done such a good job. The Commission has to its credit a number of highly competent technical studies. It has succeeded in bringing together government experts and specialists of the member-countries for an exchange of ideas, the identification of their problems and the making of recommendations for follow-up action through its various subsidiary bodies.

But this certainly has not added up to the integration of Asian economies or even to co-ordination of the economic plans of Asian countries. Governments' co-operation on fundamental issues of economic co-operation is yet to be achieved in a large way. The potentialities for regional co-operation have not been fully exploited. The domestic matrix of most Asian countries is not large enough to support effectively industries in which economies of scale are so important. The gap between the capacity of Asian countries to import the volume of imports needed and to maintain a reasonable rate of growth is widening; external aid can bridge it to some extent but the real answer lies in conceiving and executing a

policy of trade co-operation among members of the Region on a broad basis. This can be done by preferential trade arrangements which might discriminate against outside supplies, encourage regional specialisation and permit economies of scale. Asian countries need to plan their economic development and arrange their industrial production together, not separately in the long run; national economic development and regional co-operation are intimately linked — each is an agreeable complement to the other.

When Western aid came to Asian countries in substantial quantity, it hindered rather than permitted regional co-operation. In the field of aid and trade, the West encouraged direct bilateral negotiations with the further advantage of strengthening their political and military relationships with the aid-receiving countries. Thus, in the words of the author, "although colonial rule was rapidly liquidated in Asia, the matrix to enforce bilateralism, especially by colonial power, has actually been sustained by foreign aid". Again preferential trade arrangement, as existing in the Region, largely favoured trade with outside countries.

Fortunately, there is no rival to ECAFE. Neither the Bandung Conference nor the SEATO with its economic programme, has produced a machinery which might be a competitor. But this is poor consolation. Unless Asian countries display a greater interest and show more awareness of the challenges, their achievements will not be substantial. The author has rightly pointed out: "Every step taken by Asian States towards their solidarity is thus a step towards an improvement in their bargaining power with economically strong countries". Will ECAFE face up to this task?

The establishment of an Asian Development Institute under the auspices of ECAFE is a welcome step in Regional co-operation. But, what ECAFE needs is greater political imagination and a sense of solidarity. National economic self-interest should not be permitted to be overshadowed by political inhibitions, suspicions and animosities.

This is a book which should be read by all those interested in contemporary history and in the economic development of a region where nearly half the total population of the world lives. The analysis of the ECAFE Region's complex problems under various heads such as planning for economic development, international trade, industrialisation, etc. should be of interest to academic planners as well as executors of development policies. The author deserves to be congratulated on a most penetrating and illuminating analysis of the problems.

Readers' Roundtable

LATE IN THE DAY

Sir, — It is heartening to see that after eight years of experimentation with the socialist ideology, the question of how far it is compatible with democracy has now come to the fore.

If there is considerable disillusionment in the country over socialism, it is only because of its results. Under socialist planning, prices have risen and inflicted untold suffering on the fixed income groups; there is virtual rationing of sugar, and scarcity of basic necessities like rice and educational facilities; the State unnecessarily touches the life of citizens at every point as a result of which the people have to put up with a vast, growing and arrogant bureaucracy which enjoys power without accountability, and makes nonsense of all fine phrases like "individual dignity"; huge State monopolies like IAC and LIC and semi-monopolies have been set up thus concentrating power in the hands of a few bureaucrats, and ministers, the only semblance of public control being hurried debates in Parliament; in the private enterprise field, not only are rigid controls hampering economic growth, and putting up the cost of product for the consumers, but are also making

conditions difficult for newcomers and small people (as the Ford Foundation Report has observed); high taxes, direct and indirect, have siphoned off the savings of the people only to be wasted on an unproductive bureaucracy, on by the large inefficient Public Sector, and non-developmental projects.

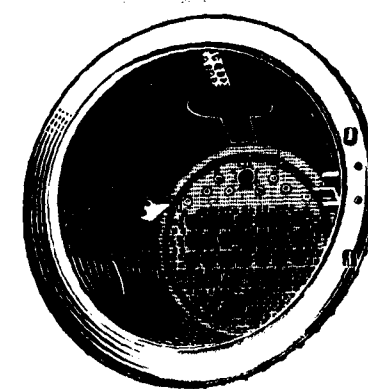
Slogans of class hatred and class warfare have poisoned public life. Protestations at Jaipur that socialism did not mean class warfare were belied by fiery speeches of class hatred and mutual sniping by the leaders at the same session!

The fact is, socialism and democracy are incompatible. And, as a system of economic development socialism has failed. Russia and China have built up War Machines under it, but agriculture is lagging seriously behind and consumer goods are scarce. In European countries, socialists have lost faith in nationalisation and State ownership, and are alarmed by bureaucratic accretion of power. It is clear that further attempts to implement this imported ideology, which is contrary to Indian traditions of love and harmony, will only bring more suffering to the common man and create a State monopoly of political and economic power, thus destroying democracy.

Bombay.

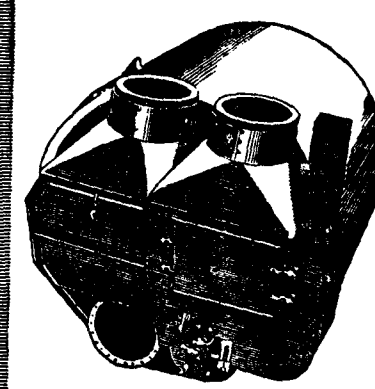
ARISTIDES

E.R.W. BOILER TUBES



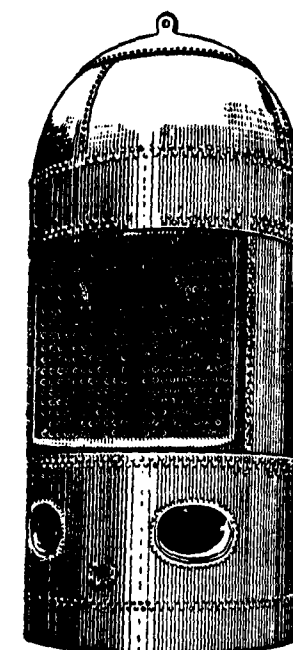
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December 13, 1963

COMPANY MEETING

THE JAY ENGINEERING WORKS LIMITED

HIGHER COSTS AFFECT PROFITS: EXPORTS IMPROVE

Need for Reasonable Return on Investment Capital

LALA CHARAT RAM OUTLINES FACTORS FOR INDUSTRIAL GROWTH



The following is the text of the speech by Lala Charat Ram, chairman, board of directors, the Jay Engineering Works Ltd., delivered at the 26th annual general meeting of the shareholders of the company on December 5, 1963, in Calcutta.

Ladies and Gentlemen,
I have great pleasure in welcoming you to the 26th annual general meeting of the company.

END OF AN ERA

As you are aware, Sir Shri Ram ji, who could well be called the father of The Jay Engineering Works, passed away on January 11 this year. This completes one era in the growth of our company, which started rather humbly in a motor garage. From such humble beginnings, to a widely public nation of the great entrepreneurial and management effort which Sir Shri Ram Ji brought to bear on the affairs of the company. I am fully conscious of the responsibility that rests on all of us now for continuing this process of growth, and the high traditions that we have inherited.

Before proceeding further, I should like to make a reference to the great international and national tragedies that have taken place during the last one month. The death of President Kennedy has removed from the international scene, a statesman and a personality recognized by all nations of the world, including those termed to be sitting in so called opposite camps, as a man of peace, vision and courage. The unfortunate accident, resulting in the death of five of our top defence personnel has certainly impoverished our country to that extent; each of these five officers of our defence forces had an admirable record of service to the country, and I take this opportunity of paying our humble tribute in their memory.

DECLINE IN PROFITS

The annual report of the company for the year ended March 1963, has been with you for some time now, and with your permission I shall take it as read. I owe an explanation for the reduction in profits which has necessitated a reduction in dividends, as well as in the remuneration of managing agents and the profit sharing bonus of the workers. I had referred in my speech at the last annual general meeting, to the many escalating factors bearing on the cost of production of industrial goods. The situation has continued to worsen during the year, and the incidence of excise and import duties on raw materials, raw material prices, railway freight etc. went up further substantially. Furthermore, the Supreme Court decided that the company must make provident fund contributions on a part of production bonus payments made to employees, and provision has had to be made for this liability, retrospectively from January 1960. The Hyderabad facility, which commenced operations during the year, suffered a loss because of the usual initial troubles, which has also contributed in reducing the overall profits of the company. I am glad to be able to state, that the operations of the current year as of date, are satisfactory, and the year should end with a much better showing, if no untoward happenings mar the

operations. My reference here is to the unfortunate reactions of labour to the reduction in their profit sharing bonus payable on the basis of subsisting terms which have been in operation for all these years. We are attempting to avoid any adverse reactions on this account, but it is uncertain as to what direction the labour leadership will take.

INFLATIONARY TENDENCIES

The "cost-price" squeeze situation, in which the company finds itself is typical of industrial operations all over the country. There is much talk about holding the price line, and everybody, whether it be the Government, or the labour, or the consumer, seems to be busy enlarging upon the responsibility cast on everybody else, for keeping prices down. The snag is that prices are not a function of surficial agitation, but of interacting economic forces which are not neutralized by the effusion of gratis advice. You will observe that the bulk of increase in costs in our, and for that matter any other operation, is almost entirely due to official imposts, or increase in costs of Government sponsored services like transport etc. I am not unappreciative of the need for additional revenue caused by the violation of our frontiers by mainland China, and for purposes of economic growth. I do hold, however, that the steps that are taken to meet these pressures, must not jeopardize the long-term economic strategy of a developing country, the foremost requirement of which is that inflation should not eat up the nominal addition to resources. It is my submission that prices will be held in check by abstaining from inflation oriented measures, and not by King Canutish decrees.

ATTITUDE OF LABOUR

Our relations with labour during the year under review have been good. I am however apprehensive of increasing tendency in the country to think of industrial labour as an absolute over-riding group in the community, instead of being an integral part of a homogenous whole whose interests are in definite alignment with those of other components of the community. The industrial worker community forms barely 1 per cent of the total population of the country, and in the national interest it would be worthwhile for this community to consider the impact on the total economy of its policies. Their leadership has led to shortsighted demands in the matter of annual emoluments and working conditions which have little relationship with the requirements of the country's economy. It is saddening to see the image of conflict of interest that is sought to be created between the employees and the industry of the country. It is forgotten that the interests of the two are identical and the primary challenge for both is to enlarge the size of the economic pie, rather than quarrel over one's share in a constant, or a diminishing pie. More and better jobs, improved wages, and better working conditions

are possible only if industry is productive and profitable. If planners and politicians are really to solve the problem of unemployment, there is need to understand how jobs come into being. Jobs exist not because of some impersonal automatic phenomenon called "consumer purchasing power", but because of growth of industry.

MOTIVATION OF INDUSTRIAL GROWTH

Entrepreneurs start new ventures, or expand old ones only when they see a prospect of profit commensurate with the risks. It is immaterial whether such risk taking entrepreneurial activity is sponsored by the State or by the people; that is a question of social liberty rather than of economics. What is important is to understand that an economic enterprise can perpetuate and expand itself only when it produces a reasonable return on investment for the service that it renders, and ploughs back a considerable part of such earnings. Anything that militates against this process of earning and plough back, cuts at the very roots of the concept of fuller employment. The shares of spoils of either an acquisitive business or an acquisitive labour force cannot sustain for any length of time by increasing the demands on the consumer. They must be generated within the enterprise by increasing productivity and lowering costs. This is the common task of business and of labour, and can only be discharged by an understanding labour leadership, unhampered in its decisions by political and agitational considerations. I am confident that Jay Engineering will continue to provide an example of an industrial enterprise in which industrial relations are governed by the larger interests of the consumer, and the industry.

One cause of the image of conflict of interest to which I have referred above, is the misrepresentation by certain elements that business is made up of a few giant corporations; these elements harangue the imaginary few giant corporations on their "social responsibilities" and "duties". Actually, this picture is quite false, and industrial ownership is increasingly becoming more and more broad-based. Far from being the cause of concentration of economic power, business, along with the intelligentsia, the professional people etc provides a counter-vailing force against the concentration of all power in the ruling apparatus of the country, and thereby helps to keep alive the concepts of individual liberty guaranteed by our Constitution.

Ladies and gentlemen, I have dealt at length on some of the basic influences relevant to business enterprise, because we ourselves are so intimately affected by those factors. I believe it to be the duty of business men, to draw attention to the existence of such basic truths which can be disregarded in policy making, only at the cost of economic stability and growth.

I will now refer to certain aspects of our company's operations during the year.

INCREASE IN PRODUCTION

Production of sewing machines registered an increase of over 20% over the previous year, while the production of fans increased by over 10%. The performance would have been better had not the production been hampered by power shedding in Calcutta. Current production levels are maintaining a rising trend. A notable feature of our current year's operations is that as a consequence of improved production planning techniques, the increase in production is not accompanied by corresponding increases in the capital employed.

USHA ZIG-ZAG INTRODUCED

Our automatic Zig Zag sewing machine under the name of "Ushamatic" was marketed during the year, and has been

well received in the market. This machine is being produced in our Hyderabad factory and steps are being taken to gradually increase its production. The operations of Hyderabad factory are however likely to take another two or three years to show satisfactory profitability.

HIGHER EXPORTS

Last year I had referred to a setback in our exports. I am glad that our exports in 1962-63 have exceeded the level of Rs. 1 crore, being about 20% higher than last year. Steps are being taken to reorganize our exports set-up for greater sales effort. As a step towards that, an independent division under the name of "Usha International" has been set up in our sales agency. As you know, Sir Shri Ram Ji always placed a special emphasis on exports as a measure not only of discharge of his economic responsibilities to the company, but also of his responsibility to the nation. We view with concern the phenomenon that the incremental rise in non-traditional exports of the country is far below the additional effort and expense that is going into export promotion measures. This underlines the need for some degree of persuasive compulsion, to which I had made a reference last year also.

MANAGEMENT AND PERSONNEL

We have of late been taking a fresh look at our management structure and personnel. It is not an unusual occurrence, that the growth of a company is not accompanied by commensurate development in its management organization. We have been particularly fortunate in that the personnel policies followed by Sir Shri Ram Ji created a devoted band of executives in Jay Engineering, which has borne creditably the burdens of growth of an expanding organization. It has however become necessary now to take a long term view of management requirements, and to bring about the necessary rationalization in the structure and staffing of the organization.

SLOW PLAN PROGRESS

A brief reference to the progress of the Five Year Plans of our country will not be out of place here. The Planning Commission has been undertaking what may be termed as an agonizing reappraisal of the progress of the third Plan. This appraisal has been revealing, and a matter of concern. Whereas increasing amounts of money are being poured in year after year, the resultant return on these investments are showing a decreasing trend. Productivity of investment capital is of vital importance, and if the fulfilment of an ideology is not more important than the provision of increased quantum of goods, the Planning Commission and the Government might consider reorienting the direction of the investments being made in the country. The general index of industrial production has so far been less than half of what was visualized in the Plan. We can usefully learn some lessons from the war devastated economies of Japan and Germany, for the economic growth and up-lifting of our own country. Increasing fiscal allocations in our Plan budgets would be of little avail, if there is a decreasing return from these. The important fact has to be realized that the standard of living is meaningful not in terms of money, but what the money will buy, and money will only buy more goods and services, provided the productivity of investment increases. The crucial question before the country is, as to whether our country is being directed towards the satisfaction of the ideology of a certain group of people, or for a system that will provide increasing quantum of goods for the consumption of the people now and hereafter.

N.B.—This does not purport to be a record of the proceedings of the annual general meeting.

Company Notices

UPPER GANGES SUGAR MILLS LIMITED

Regd. Office : 14, Radha Bazar Lane,
CALCUTTA - 1.

NOTICE is hereby given that the Thirty-first Annual General Meeting of Upper Ganges Sugar Mills Ltd. will be held on Monday, the 30th December, 1963 at 3 P.M. at 15, India Exchange Place, Calcutta for the following purposes :

1. To receive and consider the Report of the Directors and to adopt the Audited Accounts of the Company for the year ended 30th June, 1963.
2. To declare dividends.
3. To elect a Director in place of Shri R. K. Kanoria who retires by rotation and is eligible for re-election.
4. To appoint Auditors and fix their remuneration.

AS SPECIAL BUSINESS :

5. To consider and, if thought fit, to pass, with or without modification, the following resolution as Special Resolution :

"RESOLVED that the regulations contained in the draft Articles of Association submitted to the meeting and for the purpose of identification initialled by the Chairman be and are hereby adopted as the Articles of Association of the Company and shall come into force with immediate effect in substitution for and to the exclusion of the existing Articles of Association thereof."

By Order of the Board,
S. N. GUPTA,
Secretary.

14, Radha Bazar Lane,
CALCUTTA - 1, the 3rd December, 1963.

- NOTES :**
1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
 2. The Register of Members of the Company will remain closed from the 21st December, 1963 to the 30th December, 1963 both days inclusive. Explanatory Statement has been forwarded to the Shareholders.

BHARAT SUGAR MILLS LIMITED

Regd. Office : 14, Radha Bazar Lane,
CALCUTTA - 1.

Notice is hereby given that the Thirty-second Annual General Meeting of the Bharat Sugar Mills Limited will be held at 15, India Exchange Place, Calcutta, on Monday, the 30th December, 1963, at 3-15 P.M. for the following purposes :

1. To receive and consider the Report of the Directors and to adopt the Audited Accounts of the Company for the year ended 30th June, 1963.
2. To declare dividends.
3. To appoint a Director in place of Shri N. L. Kanoria who retires by rotation and is eligible for re-election.
4. To appoint Auditors and fix their remuneration.

AS SPECIAL BUSINESS :

5. To consider and, if thought fit, to pass, with or without modification, the following resolution as Special Resolution :

"Resolved that the regulations contained in the draft

Articles of Association submitted to the meeting and for the purpose of identification initialled by the Chairman be and are hereby adopted as the Articles of Association of the Company and shall come into force with immediate effect in substitution for and to the exclusion of the existing Articles of Association thereof."

By Order of the Board,
S. N. GUPTA,
Secretary.

14, Radha Bazar Lane,
CALCUTTA - 1, the 3rd December, 1963.

- NOTES :**
1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
 2. The Register of Members of the Company will remain closed from the 21st December, 1963 to the 30th December, 1963 both days inclusive. Explanatory Statement has been forwarded to the Shareholders.

NEW INDIA SUGAR MILLS LIMITED

Regd. Office : 14, Radha Bazar Lane,
CALCUTTA - 1.

Notice is hereby given that the Twenty-ninth Annual General Meeting of the New India Sugar Mills Limited will be held on Monday the 30th December, 1963 at 3-30 P.M. at 15, India Exchange Place, Calcutta for the following purposes:

1. To receive and consider the Report of the Directors and to adopt the Audited Accounts of the Company for the year ended 30th June, 1963.
2. To declare dividends.
3. To elect a Director in place of Shri R. N. Khaitan who retires by rotation and is eligible for re-election.
4. To appoint Auditors and fix their remuneration.

AS SPECIAL BUSINESS :

5. To consider and, if thought fit, to pass, with or without modification, the following resolution as Special Resolution :

"Resolved that the regulations contained in the draft Articles of Association submitted to the meeting and for the purpose of identification initialled by the Chairman be and are hereby adopted as the Articles of Association of the Company and shall come into force with immediate effect in substitution for and to the exclusion of the existing Articles of Association thereof."

By Order of the Board,
S. N. GUPTA,
Secretary.

14, Radha Bazar Lane,
CALCUTTA - 1, the 3rd December, 1963.

- NOTES :**
1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
 2. The Registers of Members of the Company will remain closed from the 21st December, 1963 to the 30th December, 1963 both days inclusive. Explanatory Statement has been forwarded to the Shareholders.

RECORDS AND STATISTICS

Foreign Collaborations

(Approved During July-September 1963)

S.No.	Name of the Indian firm	Name of the foreign firm	Item of manufacture
INDIA-U.S.A.			
1.	M/s. Aeroquip (India) Ltd., 6, Rowland Road, Calcutta-20.	Aeroquip Corp., Jackson, Michigan, U.S.A. M/s. Aeroquip A.G. of Zug, Switzerland.	Automobile Ancillaries
2.	M/s. Cauvery Spinning & Weaving Mills Ltd., Indian Chamber Bldg., Esplanade, Madras-1.	M/s. Industrial Consultants Inc., 868, Oakland Park Blvd., Fort Lauderdale, Fla., Florida, U.S.A.	Water Meters
3.	M/s. The Daily Tej Private Ltd., P.O. Box No. 1112, Naya Bazar, Delhi-6.	M/s. Boston Technical Consultants Inc., U.S.A.	For undertaking printing orders.
4.	M/s. East Anglia Plastics (India) Ltd., 23, Camac Street, Calcutta.	1. M/s. Shorwin Williams Co., 101, Prospect Avenue, Ohio, U.S.A. 2. M/s. E. Bachmann & Cie, Roussillon (Isere) France.	Phthalate Plasticisers.
5.	M/s. Gujarat Industrial Trucks (P) Ltd., 2, India House, Fort Street, Bombay-1.	M/s. Colson Corporation, Chicago, Illinois, U.S.A.	Industrial trucks and Trolleys etc.
6.	M/s. India Chemical Industries Ltd., Jail Road, Amritsar.	M/s. Dyestuffs & Chemical Process Cor- poration, 490, Standish Road, New Jersey, U.S.A.	Intermediates such as 1-Naphthyla- mine 4-Sulfonic acid etc.
7.	M/s. Indian Hume Pipe Co. Ltd., Construction House, Ballard Estate, Fort, Bombay-1.	M/s. No-Joint Concrete Pipe Co., U.S.A.	No-joint concrete pipes.
8.	M/s. The Indian Sugar & General Engg. Corp. Ltd., P.O. Yamunanagar, (Distt. Ambala), Punjab.	M/s. Farrel Birmingham Co., Ansenia, U.S.A.	Sugar Mill machinery.
9.	M/s. Industrial Promotion & Ser- vices Pvt. Ltd., No. 10402, Jew Street, Ernakulam, Kerala.	M/s. Pan-Alliance Corp., 420, Lexington Avenue, New York 17, N.Y., U.S.A.	Starch & Dextrose Powder.
10.	M/s. Johnston Pumps India Ltd., 2, Fairlie Place, Calcutta.	M/s. Johnston Pump Co., 3272, East Foothill Blvd., Pasadena, California, U.S.A.	Different kinds of Pumps.
11.	M/s. B. K. Khanna & Co. (P) Ltd., 14-F, Connaught Place, New Delhi.	M/s. Kropp Forge Co., U.S.A.	Steel Forgings.
12.	M/s. Macks Hard (P) Ltd., 56, Commercial Chambers, Masjid Bunder Road, Bombay-3.	M/s. Justus Roe & Sons Inc., Patchogue, New York, U.S.A.	Steel measuring tapes.
13.	M/s. New Standard Engg. Co Ltd., Carrol Road, Bombay-13.	M/s. Wheelabrator Corporation, Mishawaka, Indiana, U.S.A. & M/s. Tilghman's Ltd., Broadheath, Altrinc- ham, Cheshire, England.	Shot blasting equipment.
14.	M/s. Sethuram Thiagarajan & Co., 272/273, Angappa Naicken Street, Post Box No. 1741, Madras-1.	M/s. Westinghouse Electric Interna- tional Co., U.S.A. & M/s. Chilton Elec- tric Products Ltd., England.	De-ion Miniature Circuit Breakers Etc.
15.	M/s. Tools & Electricals India Ltd., 38, Netaji Subhas Road, Calcutta-1.	M/s. Sheffield Corporation, 721, Springfield Street, Dayton, Ohio, U.S.A.	Gauges and measuring instruments.

FOREIGN COLLABORATIONS (Contd.)
(Approved During July-September 1963)

S.No.	Name of the Indian firm	Name of the foreign firm	Item of manufacture
16.	M/s. M. B. Vakil & C. C. Desai, Central Bank Building, Bombay.	M/s. Warner Lambert Pharmaceutical Co., U.S.A.	Picolines, pyridines etc.
17.	M/s. Voltas Ltd., 19, Graham Road, Ballard Estate, Bombay-1.	M/s. Joy Mfg. Co., 333-Oliver Building, Pittsburg, Pennsylvania, U.S.A.	Diamond core drills.
18.	-do-	M/s. Varel Mfg. Co., 9230, Denton Drive, Dallas 20, Texas, U.S.A.	Drag Bits & roller rock bits.
INDIA-U.K.			
19.	M/s. Airflow Transport (India) Pvt. Ltd., 26/28, St. Mark's Road, Post Box No. 92, Bangalore.	M/s. Washington Engg. Ltd., England.	Radiators for transformers.
20.	M/s. Amalgamations (P) Ltd., 202, Mount Road, Madras-2.	M/s. L. M. Van Moppas & Sons (Diamond Tools) Ltd., Basingstake, Hampshire, U.K.	Diamond tools & diamond wheels.
21.	M/s. The Amit Products Ltd., Aryind Mills Premises, Baroda Road, Ahmedabad-2.	M/s. Campbell Gifford & Morton Ltd., U.K.	Malleable Iron castings.
22.	M/s. Asbestos, Magnesia & Friction Materials Ltd., Bombay-77.	M. Associated Companies of U.K.	Asbestos textiles, locomotive mattresses etc.
23.	M/s. Batliboi & Co., Forbes Street, Fort, Bombay-1.	M/s. Joseph Hibbert & Co. Ltd., Darwen, U.K.	Multi cylinder sizing machines.
24.	Shri G. S. Bhandari, Mundanwan, Mahatma Gandhi Road, Indore, M.P.	M/s. Cow & Gate, Guildford, Surrey, England.	Cheese, skim milk powder, butter and ghee.
25.	M/s. Communication & Power Equipment Co. (P) Ltd., 17-19, Homanji Master Road, Bombay-2.	M/s. Crofts (Engineers) Ltd. Empire Works, Thornbury, Bradford, England.	Reduction gears.
26.	M/s. Gandhi Electric Industries Private Ltd., 94, Meadows Street, Fort, Bombay-1.	M/s. Foster Transformers Ltd., Apex Works, South Wimbledon, London S.W.-19, U.K.	Welding transformers.
27.	M/s. Jyoti Ltd. 50, Hanuman Road, New Delhi.	M/s. Gilbert Gilkes & Gordon Ltd., England.	Instructional turbines
28.	M/s. Kapurthala Northern India Tanneries Ltd., Sultan Road, Kapurthala, Punjab.	M/s. I. Foulds & Sons Ltd., Yorkshire, U.K.	Sandwich type nylon belting.
29.	M/s. Kanoria Udyog Ltd. India Exchange (3rd Floor), Calcutta-1.	M/s. English Metal Powder Co. Ltd., West Drayton, London-WI., U.K.	Aluminium Paste.
30.	M/s. Kores (India) Ltd., Plot 10, Off Haines Road, Worli, Bombay-18.	M/s. Reeves & Sons, U.K.	Artist Materials (water colours, oil colours etc.)
31.	M/s. The Malleable Iron & Steel Castings Co. (P) Ltd., Mathuradas Mills Compound, Tulsipipe Road, Lower Parel, Bombay-13.	M/s. John Gardom & Co., U.K.	Malleable iron casting.
32.	M/s. Record Mfg. Co., 25, First Cross Street, Trustpuram, Kodambakkam, Madras-24.	M/s. Decca Record Co., U.K.	Gramophone records.

FOREIGN COLLABORATIONS (Contd.)
(Approved During July-September 1963)

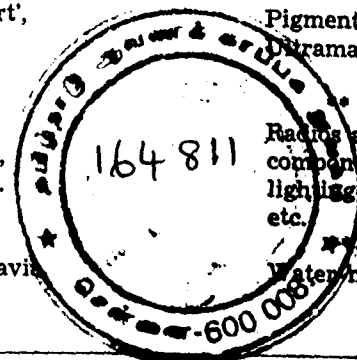
S. No.	Name of the Indian firm	Name of the foreign firm	Item of manufacture
33.	M/s. S. V. Subramaniam & Sons, 1, Murphy Road, Ulsoor, Bangalore-8.	M/s. Lamp Presscaps Ltd. London, U.K.	Lamp caps.
34.	Textool Co. Ltd., Ganapathy P.O., Coimbatore-6.	M/s. International Nickel Co. (Mond) Ltd., London, U.K.	S. G. Iron Casting.
35.	M/s. Tools & Electricals India Ltd., 33, Netaji Subhas Road, Calcutta-1.	M/s. Electro-Alloys Ltd., 47, Brunel Road, London-W.3. U.K.	Ignition Contacts.
INDIA - WEST GERMANY			
36.	M/s. Atlants, 25, Bell Building, Sir Phirozshah Mehta Road, Bombay-1.	1. M/s. Deutsche Spealalmaschinen Co. Achim Rei Bremen, W. Germany. 2. M/s. Fortuna Werke Spezialmas- chinemfabrik A.G., Stuttgart, West Germany. 3. Forbana Maschinenfabrik, Vuppartal, Harmen, W. Germany. 4. M/s. J. Smdt. Maschinenfabrik A.G., Lenberger Strasse 82, Pirmasens, West Germany.	Shoe making machinery etc.
37.	Cosma Matias Menczes LDA, Rua 31, de Janeiro, Cidade de Goa.	M/s. P. Beiersdorf & C., A.G. Hamburg, West Germany.	Zinc Oxide adhesive plasters etc.
38.	M/s. G. S. Dugal & Bros., Jeevan Vihar, Parliament Street, New Delhi-1.	M/s. Schwan-Bleistiftfabrik, Schwanhausser & C., Nuernberg, West Germany.	Ball point pens, refills and pencils.
39.	M/s. Western Engr Co., Metropolitan Insurance House, 278, D. Naoroji Road, Fort, Bombay-1.	M/s. Wilhelm Ruppmann, West Germany.	Fuel oil burners.
40.	M/s. Escorts Ltd., Pratap Building, Connaught Circus, New Delhi.	M/s. Fichtel & Sachs A.G., Schweinfurt, West Germany.	Shock absorbers.
41.	M/s. Indo-Asian Traders Pvt. Ltd., Nakodar Road, Jullundur, Punjab.	M/s. Wickmann-Werks Aktiengesellschaft, Witten-Annen, West Germany.	HEC Cartridge fuses.
42.	M/s. Jayanand Khira & Co. Pvt. Ltd., Ghodbunder Road, Santa Cruz, Bombay-54.	M/s. Karl Kubel GMBH, West Germany.	Flush doors, blockboards and furniture.
43.	M/s. Jagkumar & Co., Prospect Chambers Annexe, 317-21, Dadabhai Naoroji, Road, Fort, Bombay-1.	M/s. Robert Krups, Solingen-Wald, West Germany.	Personal weighing machines.
44.	M/s. Kirloskar Oil Engines Ltd., Elphinstone Road, Poona-3.	M/s. Farymann Diesel, . West Germany.	Air-cooled high speed diesel engines 5-10 HP.
45.	M/s. Mudran Kala Mandir, Waia Qadar Road, Lucknow (U.P.)	M/s. Kartographisches Institute Bertelsmann, Gutersloh, West Germany.	School Atlases and Wall Maps.
46.	M/s. S. S. Natu & Co., 61, Government Gate Road, Parel, Bombay-12.	M/s. Filterwork Mann & Hummel GMBH, West Germany.	Air Filters.
47.	M/s. Pioneer Equipment Co. (P) Ltd., 21, Forbes Street, Bombay-1.	M/s. J. S. Fries Sohn of West Germany.	Die casting machines.
48.	Shri Ranvir M. Khatau, Mulraj Khatau House, 53, New Marine Lines, Bombay.	M/s. Otto Junker Lammersdorf-Werk, Gevalsberg, West Germany.	Power correction capacitors.

FOREIGN COLLABORATIONS (Contd.)
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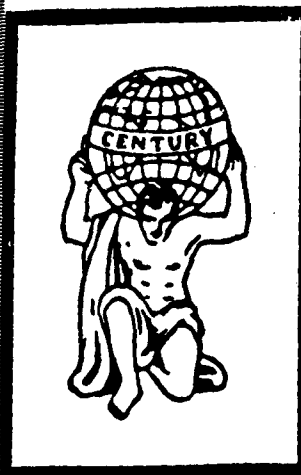
S. No.	Name of the Indian firm	Name of the foreign firm	Item of manufacture
49.	M/s. Textile Machinery Corpn., Ltd., Belgharia, West Bengal.	M/s. Zinser Textilmaschinen GMBH, Eberbach/Fils, West Germany.	Ring Frames.
50.	Shri Vasant J. Varde, C/o. M/s. Chavannes & Co. Pvt. Ltd., Mercantile Chambers, Graham Road, Ballard Estate. Bombay.	Dr. Franz Rother, 8560, Lauf, (West Germany) Hardstrasse.	Electrical porcelain.
INDIA - JAPAN			
51.	M/s. Associated Electricals Pvt. Ltd., Linghi Chetty Street, Madras-1.	M/s. Osakki Electric Co. Ltd., 263, Gotanda 1 — Chome, Shinagawa-Ku, Tokyo, Japan.	Electric Meters.
52.	M/s. Delton Cable Co., 3455/3457, Delhi Gate, Delhi-6.	M/s. Sumitomo Electric Industries Ltd., Osaka, Japan.	Electric cables.
53.	M/s. Electric Construction & Equipment Co. Ltd., 9, Kaliprasanna Singhee Rd., Calcutta-2.	M/s. Tokyo Shibaura Electric Co. Ltd., 72, Horkawa-cho, Kawasaki-shi, Kanegawa-ken, Japan.	Transformers.
54.	M/s. Hindustan Gas & Indus- tries Ltd., 22, New Tangra Rd., Calcutta-46.	Daido Steel Co. Ltd., 221, 1-Chome, Sasasin-cho, Nakamuraku, Nogoya, Japan.	Industrial furnaces.
55.	M/s. Indian Sugar and General Engineering Corporation, Yamuna Nagar, Ambala Distt. Punjab.	M/s. Kawasaki Dockyard Co. Ltd., Kobo, Japan.	Cement machinery.
56.	M/s. Industrial Plants Ltd., 36, Ganesh Chandra Avenue, Calcutta.	M/s. Hitachi Machinery Co. Ltd., (Hitachi Seiki K.K.) 1, 2-2, Marumeuchi, Chiyoda-ku, Tokyo. Japan.	Turret Lathes.
57.	M/s. Jagkumar & Co., Prospect Chambers Annexe, 317-21, Dadabhai Naoroji Road, Fort, Bombay-1.	M/s. Watanbe Seisakuaho Ltd., 65, Senju Miyamoto-cho, Adachi-ku, Tokyo, Japan.	Hypodermic Syringes.
58.	M/s. Melamine & Fibre Boards Ltd., Dr. Ambedkar Road, Nalol (North Gujarat).	M/s. Mitsuhiro Chemical Industries Ltd., Sakai, Osaka, Japan.	Plastic laminated sheets.
59.	M/s. S. B. Sankar, 'Brinda,' 7, Vallabhai Road, Tallakulam Post, Madurai.	M/s. Kimoto Electric Co. Ltd., Japan.	Fluorescent tubes.
INDIA - SWITZERLAND			
60.	Shri D. P. Asar, C/o. M/s. Sunderdas & Co., Opp. Reay Road Station, Bombay-10.	M/s. Fahrni Institute Ltd., Zurich, Switzerland.	Chipboard.
61.	M/s. Beni Limited, 1, Crooked Lane, Calcutta-1.	M/s. Paul Wirz, Switzerland.	Industrial blowers, exhausts & ventilators.
62.	M/s. Khatau Makanji Spg., & Wgv. Co. Ltd., Laxmi Bldg., 6, Ballard Road, Fort, Bombay.	M/s. Cilander Ltd., Switzerland.	7 finishes of processed cloths.
63.	M/s. National Engg. Industries Ltd., Jaipur.	M/s. The Federal Mogul Bower Bearings Inc., Switzerland.	Taper roller bearings.
64.	M/s. Precimax Machine Tool Corporation, 5, Stadium House, 61/63, Veer Nariman Road, Bombay-1.	M/s. Maschinenfabrik Meyer & Burgar AG, Switzerland.	Universal machine tools.

FOREIGN COLLABORATIONS (Contd)
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S. No.	Name of the Indian firm	Name of the foreign firm	Item of manufacture
65.	M/s. Prestige, Industries, 198, Jamshedji Tata Road, Fort, Bombay.	M/s. Jaquet Ltd., Thannerstrasse 19/25, Basel, Switzerland.	Tachometers.
66.	M/s. Sandoz (India) Ltd., 3, Wittet Road, Ballard Estate, Bombay-1.	M/s. Sandoz Ltd., Basle, Switzerland.	Phidophyllum
67.	M/s. SAK Industries, 15/1, Parliament Street, New Delhi-1.	M/s. Metruit A.G., Zurich, Switzerland.	Hard Metal and Hard metal components.
INDIA - FRANCE			
68.	M/s. Electric Construction & Equipment Co. Ltd., 9, Kaliprasanna Singhee Road, Calcutta.	M/s. Ateliers De Constructions De Electrique De Dolle of France.	Switchgear.
69.	M/s. Harbans Lal Malhotra & Sons Pvt. Ltd., 18, Netaji Subash Road, Calcutta-1.	M/s. Marquay, Sarl, 45, Avenue, de l'Opera-Paris, France.	Industrial & other Perfumes and aromatic chemicals.
70.	M/s. Pioneer Equipment Co. (P) Ltd., 139, Meadows Street, Bombay-1.	M/s. Sisson Lehmann, France.	Shot blasting machines.
71.	M/s. Tools & Electricals India Ltd., 38, Netaji Subhas Road, Calcutta-1.	M/s. Renault Engineering Societe d'Etudes et de Realisations Industrielles, Boulogne Billancourt, France.	Jigs, Fixtures etc.
**			
72.	M/s. Hindustan Equipment Suppliers Ltd., 45/47, Apollo Street, Fort, Bombay-1.	M/s. Kovo, Praha, Czechoslovakia.	Complete balance wheel assembly of platform type for lever clock movement.
73.	M/s. Tractors & Bulldozers Private Ltd., Construction House, Ballard Estate, Bombay.	M/s. Motokov, Praha and M/s. Zavody Jana Svermy, Brno, Czechoslovakia.	Agricultural Tractors.
**			
74.	M/s. Angli (India), Angli House, H-5, Green Park Extn., New Delhi.	M/s. Angli of Denmark.	Readymade shirts.
**			
75.	M/s. Blue Star Engg. Co. (Bombay) Pvt. Ltd., Sandhurst Bridge, Bombay-7.	M/s. VEB Werkstoffprufmeschinen Leipzig, Alfred Kastner Strasse 69, Leipzig, G.D.R.	Testing machines
**			
76.	M/s. Gas Chemical Distributors, Trafford House, Prescott Rd., Fort, Bombay.	M/s. Fransico Nubiola, Spain.	Ultramarine Blue.
**			
77.	Shri M. R. Munuswamy Chettiar, 3/222, Secretariat Colony, Ambattur, Madras.	M/s. 'Industrial export', Bucharest, Rumania.	Pigment grade of Ultramarine Blue.
**			
78.	M/s. Philips India Ltd., 7, Justice Chandra Madhab Road, Calcutta-20.	M/s. N. V. Philips Gloeilampenfabriken, Eindhoven, Holland.	Radios and components, lighting fittings etc.
**			
79.	M/s. Ratilal K. Gandhi, Hira Building, 1st Parsiwada, Bombay-4.	M/s. INGRA, Yugoslav	Water meters.



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